

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action to be taken, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## ParOS PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 5069439)

### Disposal of Trading Subsidiary

### Notice of General Meeting

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A notice of a General Meeting of the Company to be held at One Hammersmith Grove, London, W6 0NB on 28 March 2008, at 10.00 a.m. is set out at the end of this document. Shareholders are requested to complete and return the enclosed Form of Proxy to Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible, but in any event so as to arrive no later than 10.00 a.m. on 26 March 2008, whether or not they propose to be present at the GM.

## DEFINITIONS

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

<b>“Act”</b>	the Companies Act 1985, as amended
<b>“AIM”</b>	the AIM Market of London Stock Exchange
<b>“AIM Rules”</b>	the rules published by London Stock Exchange from time to time governing the admission to and operation of AIM
<b>“Company” or “ParOS”</b>	ParOS plc, a public limited company registered in England and Wales under registered number 5069439
<b>“GM” or “General Meeting”</b>	the general meeting of the Company to be held at 10.00 a.m. on 28 March 2008, or any adjournment to that meeting
<b>“Directors”</b>	Patrick McHugh, Professor Efstratios Pistikopoulos and Laura Avigdori
<b>“Disposal”</b>	the proposed disposal of the Trading Subsidiary
<b>“Independent Directors”</b>	Patrick McHugh and Laura Avigdori
<b>“JEP”</b>	John East & Partners Limited, the Company’s Nominated Adviser
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Notice”</b>	the notice of GM which forms part of this document
<b>“Options”</b>	options to subscribe for Ordinary Shares
<b>“Ordinary Shares”</b>	ordinary shares of 0.1 pence each in the capital of the Company
<b>“Purchaser”</b>	Ariston Solutions Limited, a private limited company registered in England and Wales under registered number 6527831, owned and controlled by Professor Efstratios Pistikopoulos
<b>“Resolutions”</b>	the ordinary resolutions set out in the notice convening the GM
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Trading Subsidiary”</b>	Parametric Optimization Solutions Limited, a private limited company registered in England and Wales under registered number 04349684 and its subsidiary

**ParOS PLC**  
(registered in England and Wales with number 5069439)

**Directors:**

Patrick McHugh (Chairman and CEO)  
Professor Efstratios Pistikopoulos (Chief Technology  
Officer)  
Mrs Laura Avigdori (Non-executive Director)

**Registered office:**

ParOS,  
One Hammersmith Grove  
London  
W6 0NB

11 March 2008

To: The holders of Ordinary Shares and for information only, to holders of Options

Dear Shareholder,

**Introduction**

The Company announced earlier today that it had entered into a conditional sale and purchase agreement (“the Sale and Purchase Agreement”) to dispose of the entire issued share capital of the Trading Subsidiary to a company owned and controlled by Professor Efstratios Pistikopoulos for an initial consideration of £1.00 plus certain other deferred amounts.

Further details of the Disposal and the terms of the Sale and Purchase Agreement, including details of the consideration are set out below under the heading “Principal Terms of the Disposal” below.

Under the AIM Rules, as the Disposal will result in the Company no longer having a trading business, the Sale and Purchase Agreement is conditional, *inter alia*, on the passing of the Resolutions at a general meeting of the Company to be held on 28 March 2008, notice of which is set out at the end of this document. In addition, as the Disposal is to a company owned and controlled by a current director of the Company it also constitutes a related party transaction.

**The main purpose of this document is to give you the reasons for, and details of, the Disposal, to explain why the Independent Directors consider that it is in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of the Resolutions.**

## PART I – KEY CONSIDERATIONS

### Principal Terms of the Disposal

Under the terms of the Sale and Purchase Agreement, the Company has agreed to dispose of the entire issued share capital of the Trading Subsidiary to the Purchaser, for a cash consideration of £1.00, payable on completion of the Disposal.

Furthermore, the Purchaser will pay additional consideration to the Company calculated as to 7 per cent. of the gross revenue (including, without limitation, grants and royalties) generated or received by it or its subsidiaries in each of the financial years until the year ending 31 December 2022.

In addition, in the event of;

- a sale of a controlling interest in the voting share capital of the Purchaser or that of the Trading Subsidiary or any subsidiary of the Trading Subsidiary; or
- the Purchaser procures the sale of a material part of its business and assets or that of the Trading Subsidiary's business and assets (which includes any patents held at that time); or
- the Purchaser's or Trading Subsidiary's share capital is admitted to trading on a stock market;

at any time prior to 1 April 2018 the Purchaser will pay the Company additional consideration equal to 40 per cent. of the gross proceeds arising from these transactions.

The Company has given certain limited covenants in the Sale and Purchase Agreement to the Purchaser relating to the share capital and title to the Trading Subsidiary and its capacity to enter into the agreement only. It has also given a tax covenant in respect of tax liabilities of the Trading Subsidiary in respect of tax liabilities arising in the period up until 15 February 2008.

The Sale and Purchase Agreement provides that the effective financial date of the sale will be 15 February 2008, with costs and expenses apportioned to that date for the account of the Company and from that date for the account of the Purchaser (save for certain specified costs which shall be retained by the Company).

The Company will also enter in a deed of release of intra-group indebtedness (the "Deed of Release") waiving the intra-group debt of approximately £925,000 owed by the Trading Subsidiary to the Company, a compromise agreement (the "Compromise Agreement") terminating the employment of Professor Pistikopoulos with the Company and written waivers to be signed by each of Professor Pistikopoulos, Nikos Bozinis, Tara Lindstedt and Philip Keys waiving all rights under the EMI Option Agreement and supplementary option agreement, both dated 21 March 2006 and made between the above listed persons and the Company (the "Option Waivers").

In the year ended 31 December 2007, the Trading Subsidiary incurred an unaudited loss before taxation of £526,776 (2006 audited: loss £744,694) on turnover of £88,878 (2006 audited: £75,730). At that date, the Trading Subsidiary had unaudited assets of £267,602 (2006 audited: £359,582).

### **Reasons for the Disposal**

In December 2007, the Company announced that it was to be granted a US patent for its technology, in addition to the European patent that was granted earlier in the same year. In January 2008, the Company announced that it had been formally granted patents in the UK, France, Germany, Switzerland, Greece and Italy.

Despite the Company and its Greek subsidiary ParOS Technology EPE winning a limited number of small development contracts and some European research grants it has been unable to secure a major contract and, as a result, has not been able to reach a monthly break even cash position.

The Trading Subsidiary requires significant working capital in order to continue to trade. During the last six months the Company has been involved in extensive discussions with potential investors with a view to them providing sufficient working capital to enable the Trading Subsidiary to continue to trade. However, despite the efforts of the Board, it has not been able to conclude these discussions.

In light of these difficulties, the Directors have concluded that the Trading Subsidiary cannot continue to trade and that the Disposal is in the best interests of the Company and its Shareholders.

The Company had cash in hand of approximately £160,000 on 29 February 2008. The Directors estimate that following completion of the Disposal, the Company will have approximately £140,000 of cash.

### **Related Party Transaction**

Under the AIM Rules, as the Disposal is to a company owned and controlled by Professor Pistikopoulos, it constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules and by giving your approval to Resolution 1 being proposed at the GM you will be approving the sale of substantially all the assets of the Company to a related party of the Company. The Independent Directors, having consulted with JEP, consider the terms of the Transaction to be fair and reasonable insofar as the Company's shareholders are concerned. In advising the Independent Directors, JEP has taken into account the commercial judgement of the Directors.

## **Investing Strategy**

Following the Disposal, the Directors believe that the funds which will be in the Company could be attractive to a number of potential targets/investments.

The Directors intend to seek to acquire another company or business in exchange for the issue of Ordinary Shares in a single transaction (a “reverse takeover”). The Directors’ main investment criteria are: -

- the engineering sector in the UK, Europe and North America;
- businesses which require little or no funding in excess of the cash resources available to the Company following the Disposal; and
- businesses whose growth prospects, if achieved, will be earnings enhancing for Shareholders.

However, these criteria are not intended to be exhaustive and the Company may make an investment which does not fulfil all the investment criteria if they believe it is in the interests of Shareholders as a whole to proceed with such an investment. Any acquisition by the Company will be put to Shareholders for their approval at the appropriate time.

## **Directors**

Conditional on completion of the Disposal, Professor Pistikopoulos will resign as a director and as an employee of the Company.

The board of directors following completion of the Disposal will comprise Patrick McHugh, non-executive Chairman, and Laura Avigdori, non-executive director.

Patrick McHugh has been Executive Chairman of ParOS since December 2005. He is currently President of the Society of Environmental Engineers, a Chartered Engineer, fellow of the Institution of Mechanical Engineers and a liveryman of the Worshipful Company of Engineers. He has enjoyed a wide ranging professional career including group director positions with J Sainsbury Plc, A.T. Kearney, Inc. and as a managing partner with Coopers & Lybrand.

Laura Avigdori qualified as a solicitor in September 2002 with S J Berwin. She is currently a non-executive director of a number of AIM companies.

The Directors will be using the services of the Company’s advisers to conduct due diligence on any suitable opportunities and seeking further external advice from experts as necessary.

Under the AIM Rules, the Company will have to complete a reverse takeover by 28 March 2009 or trading in the Ordinary Shares on AIM will be suspended for up to six months, following which the listing on AIM will be cancelled if a reverse takeover has not been completed by that time.

### **Action to be taken**

The attached notice of the GM to be held at 10.00 a.m. on 28 March 2008 at One Hammersmith Grove, London, W6 0NB, sets out the Resolutions.

A form of proxy for use at the GM is enclosed. Whether or not you propose to attend the GM, you are requested to complete the form in accordance with the instructions printed thereon and return it to Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible, but in any event, to arrive not later than 10.00 a.m. on 26 March 2008.

The return of the form of proxy will not prevent you from attending the GM and voting in person if you so wish.

### **RECOMMENDATION**

**The Independent Directors consider that the terms of the Disposal are in the best interests of the Company and its Shareholders. Accordingly, the Independent Directors unanimously recommend Shareholders to vote in favour of the Resolutions as they intend to do in respect of their aggregate holding of 27,735,565 Ordinary Shares, representing 5.77 per cent. of the issued share capital of the Company.**

Yours faithfully

**Patrick McHugh**  
**Chairman**

## **PART II - ADDITIONAL INFORMATION**

### **1. RESPONSIBILITY**

The Independent Directors accept responsibility for the information contained in this document. The Directors (other than the Independent Directors) accept responsibility for the information contained in this document other than the section headed "Future Investing Strategy". To the best of the knowledge and belief of all 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 effect the import of such information.

### **2. CONSENT**

JEP has given and not withdrawn its written consent to the inclusion of its name in the form and context in which it is included in this document.

### **3. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of the Company at One Hammersmith Grove, London, W6 0NB up until and including the date of the GM:

- (a) the memorandum and articles of association of the Company;
- (b) the financial statements of the Company for the period ended 31 December 2006 and the interim results of the Company for the six months ended 30 June 2007;
- (c) the Sale and Purchase Agreement;
- (d) the Deed of Release;
- (e) the Compromise Agreement;
- (f) the Option Waivers; and
- (g) this document.

**Company Number: 5069439**

**ParOS PLC**

**NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a General Meeting of ParOS plc (“the Company”) will be held at 10.00 a.m. on 28 March 2008 at One Hammersmith Grove, London, W6 0NB to consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

**ORDINARY RESOLUTIONS**

1. **THAT** the disposal (“the Disposal”) by the Company of the entire issued share capital of Parametric Optimization Solutions Limited being the trading subsidiary of the Company on the terms and subject to the conditions set out in the agreement dated 11 March 2008 (“the Sale and Purchase Agreement”) between (1) the Company and (2) Ariston Solutions Limited and related documentation to be entered into pursuant to the Sale and Purchase Agreement, be and are hereby approved with such minor amendments as the Directors may approve, and the Directors or any duly authorised committee of the Directors be hereby authorised to take all steps necessary or desirable to complete the Disposal.
2. **THAT** the investing strategy set out in the circular to shareholders of the Company dated 11 March 2008 be and is hereby approved.

BY ORDER OF THE BOARD

Ian Aspinall  
Secretary  
11 March 2008

Registered Office:  
One Hammersmith Grove,  
London,  
W6 0NB

Notes

- (a) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (b) A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company but must attend the meeting in person.
- (c) A Form of Proxy is enclosed with this notice for members who are unable to attend the meeting. Instructions for use are shown on the form. Lodging a Form of Proxy will not prevent the

shareholder from attending and voting in person (in substitution for their proxy) at the meeting or any adjournment thereof.

- (d) To be valid, the Form of Proxy (together with any power of attorney or authority under which it is signed, or a notorally certified copy of such power of authority) must be received by post, or during normal business hours, by hand at the offices of the Company's registrar, Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time appointed for the meeting or, as the case may be, the adjourned meeting. CREST members should use the CREST electronic proxy appointment and refer to note (e) below in relation to the submission of a proxy appointment via CREST. The CREST electronic proxy appointment must be received not less than 48 hours before the time for the holding of the meeting or, as the case may be, the adjourned meeting.
- (e) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment services may do so for the meetings to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual, CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (IDRA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Company's agent is able to retrieve the message enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (f) Any amendments you make to the Form of Proxy must be initialled by you.
- (g) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that entitlement to attend and vote at the GM or any adjournment thereof and the number of votes which may be cast thereat will be determined by reference to the register of the Company at 6.00 p.m. on the date two days before the date set for the meeting or any adjourned meeting. Changes to the register after 6.00 p.m. on 27 March 2008, or if the GM is adjourned, 6.00 p.m. on the date two days before the time appointed for the adjourned meeting will be disregarded in determining the rights of any person to attend or vote at the GM.
- (h) Any capitalised terms used but not defined in this notice of General Meeting are as defined in the document of which this notice forms part.

- (i) If you are a Shareholder of the Company, you may appoint a proxy to attend and vote at the GM instead of you and may appoint more than one proxy to attend on the same occasion. You may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. All forms must be signed and should be returned to Capita Registrars in the same envelope. The following principles shall apply in relation to the appointment of multiple proxies.
- (i) The Company will give effect to the intentions of Shareholders and include votes wherever and to the fullest extent possible.
  - (ii) Where a proxy does not state the number of shares to which it applies (a "blank proxy") then, subject to the following principles where more than one proxy is appointed, that proxy is deemed to have been appointed in relation to the total number of shares registered in the name of the appointing Shareholder (the "Shareholder's entire holding"). In the event of a conflict between a blank proxy and a proxy which does state the number of shares to which it applies (a "specific proxy"), the specific proxy shall be counted first, regardless of the time it was sent or received (on the basis that as far as possible, the conflicting forms of proxy should be judged to be in respect of different shares) and remaining shares will be apportioned to the blank proxy (pro rata if there is more than one).
  - (iii) Where there is more than one proxy appointed and the total number of shares in respect of which proxies are appointed is no greater than the Shareholder's entire holding, it is assumed that proxies are appointed in relation to different shares, rather than that conflicting appointments have been made in relation to the same shares. That is, there is only assumed to be a conflict where the aggregate number of shares in respect of which proxies have been appointed exceeds the Shareholder's entire holding.
  - (iv) When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last sent (or, if the Company is unable to determine which is last sent, last received). Proxies in the same envelope will be treated as sent and received at the same time, to minimise the number of conflicting proxies.
  - (v) If conflicting proxies are sent or received at the same time in respect of (or deemed to be in respect of) an entire holding, none of them shall be treated as valid.
  - (vi) Where the aggregate number of shares in respect of which proxies are appointed exceeds a Shareholder's entire holding and it is not possible to determine the order in which they were sent or received (or they were all sent or received at the same time), the number of votes attributed to each proxy will be reduced pro rata.
  - (vii) Where the application of paragraph (vi) above gives rise to fractions of shares, such fractions will be rounded down.
  - (viii) If a Shareholder appoints a proxy or proxies and then decides to attend the GM in person and vote, on a poll, using his poll card, then the vote in person will override the proxy vote(s). If the vote in person is in respect of the Shareholder's entire holding then all proxy votes will be disregarded. If, however, the Shareholder votes at the meeting in respect of less than the Shareholder's entire holding, then if the Shareholder indicates on his polling card that all proxies are to be disregarded, that shall be the case; but if the Shareholder does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the Shareholder's entire holding.
  - (ix) In relation to paragraph (viii) above, in the event that a Shareholder does not specifically revoke proxies, it will not be possible for the Company to determine the intentions of the

Shareholder in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.

- (x) In order to facilitate voting by corporate representatives at the annual general meeting, arrangements will be put in place at the meeting so that:
  - (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – [www.icsa.org.uk](http://www.icsa.org.uk) – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.