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The Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of 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.

If you have sold or transferred all of your Ordinary Shares in Inspectron Holdings Limited, please pass this document and the accompanying pink Form of Proxy to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

INSPECTRON HOLDINGS LIMITED

(Incorporated and registered in England and Wales with registered number 1281003)

Proposed Cancellation of Share Premium Account Capitalisation of Reserves and Reduction of Capital

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 4 to 8 of this document and which includes the Board's unanimous recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. The whole text of this document should be read.

Notice of a General Meeting of the Company to be held at Corsley Conference Centre, Old School, Deep Lane, Corsley, Wiltshire, BA12 7QF on 8th March 2010 as soon as is convenient after the conclusion of the Annual General Meeting (called for 11.00 a.m. on that day) and of the General Meeting that follows it. A pink Form of Proxy for use at the General Meeting is enclosed and, to be valid, should be completed and returned as soon as possible, but in any event so as to be received by the registrars of the Company, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA no later than 11 a.m. on 4th March 2010. For further details see the notes to the Notice of General Meeting set out at the end of this document. The completion and depositing of a Form of Proxy will not preclude a Shareholder from attending and voting at the meeting in person.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	10th February 2010
Latest time and date for receipt by Neville Registrars Limited of Forms of Proxy	4th March 2010
General Meeting	8th March 2010
Expected Effective Date	8th March 2010

DEFINITIONS

“Articles of Association”	the articles of association of the Company
“Company” or “Inspectron”	Inspectron Holdings Limited
“Directors” or “Board”	the board of directors of Inspectron whose names appear on page 4 of this document
“General Meeting”	the general meeting of the Company convened for as soon as is convenient after the conclusion of the General Meeting (called for 11.00 a.m. on that day) and of the General Meeting that follows it. on 8th March 2010 and any adjournment of such meeting
“Form of Proxy”	the form of proxy for use at the General Meeting or at any adjournment of such meeting
“Notice of General Meeting”	the notice of the General Meeting which is incorporated into this document
“Ordinary Shares”	ordinary shares of £20 each in the capital of the Company and “Ordinary Share” means any one of them
“Resolutions”	the resolutions referred to in the Notice of General Meeting
“Shareholders”	holders of Ordinary Shares and “Shareholder” means any one of them

LETTER FROM THE CHAIRMAN

Inspectron Holdings Limited

(Incorporated and registered in England and Wales with registered number 1281003)

Directors

Allan Harle (*Chairman*)
John Harvey (*Managing Director*)
Joanne DiGiacomo (*Finance Director*)
Peter Harris (*Non-executive Director*)

Registered Office

Apex House
West End
Frome
Somerset
BA11 3AS

10th February 2010

To all Shareholders

Dear Shareholder

Proposed Cancellation of Share Premium Account, capitalisation of Merger Reserve and creation of Deferred Shares, cancellation of Deferred Shares and Notice of General Meeting

Introduction

The Company's audited accounts for the financial period ended 30th September 2009 showed it to have a deficit on its Profit and Loss account of £1,730,000 which has arisen as a result of past losses incurred. It is a concern that orders may be lost because the deficit may suggest the company is financially weak. The deficit also precludes the company from being able to consider a purchase of its own shares from those Shareholders who wish to dispose of their holdings but cannot do so easily because the Company is no longer listed on the Alternative Investment Market.

The directors propose to effect a capital reorganisation in order to reduce the deficit on the Profit and Loss Account.

The Proposals involve three steps:

- (1) the cancellation of the Company's Share Premium Account;
- (2) the capitalisation of the Company's Merger Reserve, creating a new class of Deferred Shares, and
- (3) the cancellation of the Deferred Shares so created by way of a reduction of capital.

The result, if approved by Shareholders, will be to eliminate the current deficit on the Company's Profit and Loss Account and so minimise the risk of losing orders because potential customers view the Company's financial position as weak. Improving the balance on the Company's Profit and Loss Account may enable a purchase of own shares scheme to be considered in the future.

The purpose of this document is to explain the background to the Proposals, to set out the detailed steps necessary to implement them and to seek Shareholders approval for the Resolutions.

Background to and reasons for the Proposals

Whilst the Company's audited accounts for the financial period ended 30 September 2009 show a deficit on the Profit and Loss account, the same accounts showed a sum of £1,248,000 standing to the credit of the Company's Share Premium Account and £712,000 on its Merger Reserve.

The Share Premium Account is an undistributable reserve and accordingly the purposes for which a company can use any sums credited to that reserve are very limited. However, with the approval of its shareholders, a company may reduce or cancel its Share Premium Account and bring forward the sum which results to the credit of its Profit and Loss Account, where it may be set against any existing deficit.

The Merger Reserve is also an undistributable reserve. It is not possible to reduce or cancel a Merger Reserve. However, it is possible, again with the approval of its shareholders, for a company to reduce or cancel the whole or any part of its share capital.

The Company's Articles of Association permit it to capitalise any sum standing to the credit of its reserve accounts. Once the reserve has been capitalised in this way, that capital may then be reduced or cancelled and applied in writing off any remaining deficiency on the Company's Profit and Loss Account and possibly creating distributable reserves.

Accordingly the company proposes to capitalise its Merger Reserve and to apply the capitalised sum to fund the issue of a new class of Deferred Shares. Those Deferred Shares will then be cancelled and their nominal value will, again subject to the approval of Shareholders, be carried forward to the credit of the Company's Profit and Loss Account.

Cancellation of Share Premium Account

The amount standing to the credit of the Share Premium Account of the Company at 30 September 2009 was £1,248,000.

This sum has arisen from the Company having issued shares at a premium beyond their nominal value from time to time.

By law the Share Premium Account can be applied for limited purposes. However, with the sanction of a special resolution of the Shareholders, the Share Premium Account may be cancelled and the balance be set against the deficit on the Company's Profit and Loss Account, which at 30 September 2009 stood at £1,730,000 thus reducing the deficit.

This is what the Board now proposes to effect by means of cancellation of the Share Premium Account. This is the subject of Resolution 5 set out in the Notice of General Meeting on page 7 of this document. Resolution 5 is proposed as a Special Resolution.

Capitalisation of the Merger Reserve

The Company's Merger reserve has arisen from the Company having issued shares at a premium above their nominal value as consideration for a shareholding of no less than 90 per cent of the equity in another company.

It is not possible for the Company to cancel its Merger Reserve in the way it proposes to cancel its Share Premium Account. However, the Company's Articles of Association permit the Board, with the sanction of an ordinary resolution of the Company, to capitalise any sum standing to the credit of any of the company's reserve accounts by appropriating the relevant sum to the holders of Ordinary Shares on the register on the date of the Resolution (or such other date as may be specified in the resolution or determined as provided in the resolution) in proportion to their existing holdings.

By this route, the Company can therefore convert its Merger Reserve into share capital and share capital can be cancelled in the same way as the Share Premium Account, as described above.

The Board proposes to capitalise the Merger Reserve by applying the sum in issuing new Deferred Shares, credited as fully paid.

The Deferred Shares will have no income or voting rights. The only rights attaching to the Deferred Shares will be to receive the amount paid up upon them on a winding up of the Company, once holders of the Ordinary Shares have received £1,000,000 per Ordinary Share held.

No certificates will be issued in respect of the Deferred Shares. The Deferred Shares will therefore be of negligible value. They are being brought into existence for the purpose of being cancelled.

The capitalisation is the subject of Resolution 3 set out in the Notice of General Meeting on page 9 of this document. As a precursor to that Resolution, it is necessary

- a) for the Company's capital to be increased, and that is the subject of Resolution 1 and
- b) for the rights which will attach to the Deferred Shares to be defined and that is the subject of Resolution 2.

The requirement to have an authorised share capital was abolished by the repeal on 1st October 2009 of the relevant provisions in the Companies Act. For companies already existing at that date such provisions continue but operate as a restriction in the company's articles of association on the number of shares that can be issued. However shareholders wishing to remove the deemed restriction were empowered to do so by means of an ordinary resolution.

The Board take the view that it is no longer appropriate to have a restriction on the amount of share capital that may be issued. Therefore removing the restriction is more appropriate than simply enlarging it to accommodate the transactions at present intended.

Resolutions 1 to 3 are proposed as Ordinary Resolutions.

Cancellation of Deferred Shares

The Deferred Shares once they have been created will represent issued share capital in the Company's books of £712,000, which is undistributable.

However, with the sanction of a special resolution of the shareholders, the Deferred Shares may be cancelled and the reserve arising on that cancellation may be carried forward to the Company's Profit and Loss Account where it may be applied in eliminating the balance of the deficit thereon and in creating a reserve which, may in due course be treated by the Company as distributable.

The effects of the Proposals

If the Proposals are implemented, the deficit on the Company's Profit and Loss Account will be eliminated and a positive reserve created, thus enabling the Company to consider in the future a purchase of own shares scheme and result in a more realistic perception of its true financial position.

General Meeting

The Proposals all require the approval of the Company in General Meeting.

Accordingly, set out on pages 9-11 of this document is a notice convening a General meeting of the company to be held as soon as is convenient after the conclusion of the Annual General Meeting (called for 11.00 a.m. on that day) and of the General Meeting that follows it, on 8th March 2010 at Corsley Conference Centre, Old School, Deep Lane, Corsley, Wiltshire, BA12 7QF at which meeting the Resolutions will be proposed.

Action to be taken by Shareholders

Enclosed within this document is a pink Form of Proxy. Whether or not you propose to attend the General Meeting in person, you are urged to complete and return the pink Form of Proxy in accordance with the instructions printed upon it as soon as possible. To be valid, completed Forms of Proxy must be received by the Company's

registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by no later than 11.00 a.m. on 4th March 2010. Completion of a Form of Proxy will not preclude you from attending and voting at the General Meeting in person should you wish to do so.

Recommendation

The Directors believe that the capital reorganisation and the Resolutions set out in this document and the Notice of General Meeting are in the best interests of the Company and its Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their aggregate holding of 8,587,127 Ordinary Shares representing approximately 72.2 per cent of the total number in issue.

Yours faithfully

Allan Harle
Chairman

Notice of General Meeting

Inspectron Holdings Limited

(Incorporated and registered in England and Wales with registered number 1281003)

NOTICE IS GIVEN that a general meeting of the Company will be held at Corsley Conference Centre, Old School, Deep Lane, Corsley, Wiltshire, BA12 7QF on 8th March 2010 as soon as is convenient after the conclusion of the Annual General Meeting (called for 11.00 a.m. on that day) and of the General Meeting that follows it for the purpose of considering, and if thought fit passing, the following, of which resolutions 4 and 5 are proposed as special resolutions:

Ordinary Resolutions

1. That the restriction setting out the maximum number of shares that the Company may allot (previously stated as the authorised share capital in its Memorandum of Association but taking effect as a restriction in its Articles of Association by virtue of the provisions of paragraph 42 of Schedule 2 to the Companies Act 2006 (Commencement No 8, Transitional Provisions and Savings) Order 2008) be revoked
2. That 35,600 Deferred Shares of £20 nominal value each be created which shall have the following rights and restrictions:
 - (i) The holders of Deferred Shares shall have no right to receive notice or to attend or vote at any general meeting of the Company;
 - (ii) The holders of Deferred Shares shall have no right to receive any dividend or other distribution of profits;
 - (iii) On a return of capital on a winding up or otherwise the surplus assets of the Company remaining after payment of its liabilities shall be applied
 - a) first in the repayment to the holders of Ordinary Shares of £1,000,000 per share inclusive of the amount paid up on such shares
 - b) second in the repayment to the holders of Deferred Shares of the amount paid up on such shares and
 - c) the balance of such assets shall be distributed among the holders of the Ordinary Shares rateably according to the amount paid up on such shares.
 - (iv) No certificates shall be issued for the Deferred Shares;
 - (v) The Deferred Shares may at any time be cancelled for no consideration by way of a reduction of capital
3. That, upon the recommendation of the Directors that it is desirable to capitalise the sum of £712,000 (being the sum standing to the credit of the Company's Merger reserve), such sum be capitalised and accordingly the Directors be authorised and directed to appropriate the said sum to the holders of the Ordinary Shares in the capital of the Company registered at the close of business on the date of this resolution and to apply such sum in paying up in full at par on behalf of such holders 35,600 Deferred Shares of £20 each and

that such Deferred Shares be allotted and distributed credited as fully paid to and among the said holders as far as practicable pro-rata to the number of Ordinary Shares of £20 each held by such Ordinary Shareholders respectively and so that the Directors shall have full power to do such acts and things as may be needed or desirable to give effect to the said capitalisation, allotment and distribution.

Special Resolutions

4. That, subject to and conditional upon the passing of Resolutions 1 and 3 above the issued share capital of the Company be reduced by cancelling and extinguishing altogether the 35,600 issued Deferred Shares of £20 each.
5. That the amount standing to the credit of the Share Premium Account of the Company be reduced to nil.

BY ORDER OF THE BOARD
John Edwin Clare
Secretary

Registered Office
Apex House
West End
Frome
Somerset BA11 3AS

Date: 10th February 2010

Notes:

Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to the Company at Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and

- received by the Company no later than 11.00 a.m. on 4th March 2010.
6. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Changing proxy instructions

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

- Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company using one of the following method:

- By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company no later than 11.00 a.m. on 4th March 2010.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communication

9. Except as provided above, members who have general queries about the Meeting should [write to the Company Secretary at the Company's registered office which is Apex House, West End, Frome, Somerset, BA11 3AS (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this notice of general meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.