



Innovation, Expertise, Service
Annual Report and Accounts 2007



Antonov plc is focused on commercialisation of automotive innovation. It holds a substantial intellectual property portfolio and is actively expanding this wherever commercial opportunities are identified.

The Antonov commercialisation strategy is based on finding soft market entry points for each technology. For example, for the six speed automatic transmission this is through a China supply base, for the dual speed supercharger through the high performance sector. In this way, Antonov can prove the validity of the technology to gain access to high volume applications.

For the first time, 2007 saw Antonov generating revenues from a combination of engineering support fees, sale of products and Licence Fees. It is anticipated that this revenue will grow through 2008 as the successful commercialisation started in 2007 gathers momentum.

Contents

1. Operational highlights	16. Consolidated balance sheet
2. Chairman's statement	17. Consolidated cash flow statement
4. Chief executive officer and Chief financial officer's review	18. Notes forming part of the financial statements
8. Board of directors	34. Parent company accounts
9. Report of the directors	35. Independent auditor's report to the members of Antonov plc
12. Statement of directors' responsibilities	36. Parent company balance sheet
13. Independent auditors' report to the members of Antonov plc	37. Notes forming part of the financial statements
14. Consolidated income statement	43. Group five year record
15. Consolidated statement of changes in equity	



Dual Speed Supercharger

Many car companies are seeking routes to downsize their engines. Turbocharging offers greater power but struggles to generate the low speed torque needed to match the feel of a larger engine.

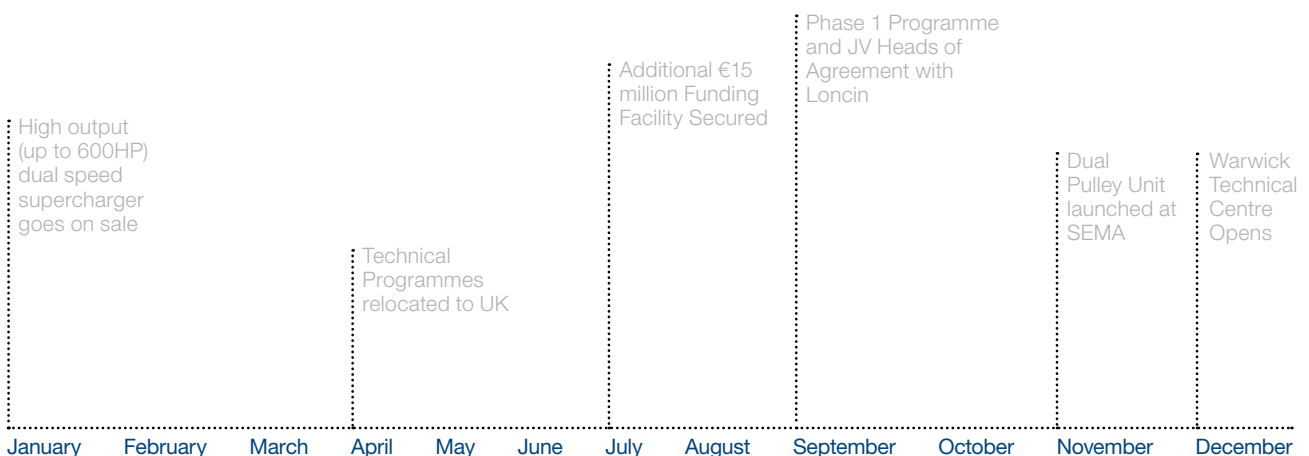
Supercharging can offer this but loses efficiency due to the difficulty to match the supercharger to the vehicle. Antonov's unique two speed module offers a highly efficient low cost solution. Initial low volume application to vehicles such as the Hummer H3 have proven that the Antonov solution gives a great drive with no economy penalty.

Financial highlights

- » Total revenues in 2007 amounted to £771k as compared to £11k for the full year 2006.
- » Operating loss for the year was £3,935k (2006: £4,083k) which reflects investments made in setting up the newly-established consolidated operational facility in Warwick (UK) and the costs of closing the company's operations in France and The Netherlands.
- » Loss for the year (after financial expense and taxation of £138k in total) was £4,073k. This compares with a loss of £3,396k* in 2006 which included the one time benefit of £925* financial income arising on the amendment to the terms of the Group's convertible loan notes.
- » Investment in new technology and commercial products, as capitalised within development costs, increased from £1,189k in 2006 to £2,259k in 2007.

*Restated for correction of share issue costs (see note 2).

Operational highlights



Chairman's statement



“We now have a highly professional engineering team in an impressive facility which will stand scrutiny from experts in the automotive industry.”

Christopher Ross FR Eng
Chairman

The steady transformation of the business has continued through the year and I am pleased to be able to say that all the major operational changes are complete. We now have a highly professional engineering team in an impressive facility which will stand scrutiny from experts in the automotive industry.

The changes made over the last three years are also bearing fruit as evidenced by the company results as we have delivered strong growth in revenues which amount to £771k in 2007. These revenues are a combination of licence fees, engineering service fees and sales of product. This is a direct result of our much stronger commercial position created by the engineering work done over the past two years with the building of a professional engineering team. Although we have continued to incur losses, there has been a significant element of one-off costs related to setting up the new Warwick Technical Centre and closure of the Group's operations in France and The Netherlands, of £150k, £350k and £20k respectively. This compares to the French redundancy costs of £34k in the prior year.

The six speed programme is expected to deliver demonstration vehicles by May, in line with our plan. These will not be with Geely (as anticipated in the previous year), since the Board had to make the difficult decision in September 2007 that cooperation was hindering progress of the company rather than helping it. However, with Loncin, we believe we have a much stronger partner whose independence from car manufacturers opens up a much

larger market for our transmission technology than would have been possible through Geely.

Supercharger revenues were lower than anticipated. However, we now have strong industry interest in the application of the two speed unit to support engine auxiliary drives. With our new team we can now build on these opportunities and deliver a professional service to increase the success rate of our technology.

At the same time, our focus on innovation has also continued with the filing of five new patent applications during the year. As we continue to increase our engagement with customers, we expect to identify new business problems and needs which will provide the opportunity for us to invent new solutions.

Our previous CFO, Peter Logsdon, left the Board in July 2007 and the Board is grateful for the substantial contribution he made in the restructuring of the Company, especially in the field of finance. Mory Motabar, who joined the Board as a Non-executive Director in April 2007, continues to act as Interim CFO as he steers the relocation of the Finance function through the move to the new location in Warwick. The Board expects to make a permanent appointment to the role of CFO following completion of the move to Warwick.

The technical operation completed the move to the new Warwick Technical Centre in December 2007 and recruitment has continued. The new location has enabled us to gain access to a strong pool of talent and



Six Speed Automatic Transmission

Antonov are developing a family of small passenger car transmissions suitable for engines from 1.5 to 2.5 litres. It is planned that this will be produced in China under a Joint Venture with Loncin. Initially this will target Chinese domestic vehicle makers but longer term the transmission will be made available worldwide.

we now have a highly experienced and capable team of automotive industry professionals. The new building gives us a world class facility with space to accommodate future growth. The operation in Paris is now completely closed and we have no employees in France as of 31 March 2008.

The high level of internal change in 2007 will be followed by a period of consolidation in 2008 but the commercial progress is expected to accelerate rapidly with the formation of the manufacturing joint venture with Loncin and the expansion of the dual speed product line.

The business continues to have the confidence of its funding partners and has already entered into agreement for the funding required to implement these ambitious plans for the future.

C.G.Ross
Chairman
Antonov plc



Antonov can undertake all aspects of vehicle integration and product development for its clients.

Chief executive officer and Chief financial officer's review



“As a result of this good work, we have a higher level of commercial opportunities than the Company has ever previously achieved.”

John Moore
Chief Executive Officer

2007 has been a year of significant internal change which has been managed without loss of focus on technical delivery and with significant commercial progress. I am very proud of the management team that has made this possible and the dedicated staff who have continued to work hard and effectively during this period of relocation and restructuring.

As a result of this good work, we started 2008 with a strong team in a world class facility and with a higher level of commercial opportunities than the Company has ever previously achieved.

Production Programmes

Six Speed Automatic Transmission

Production development of the Antonov six speed automatic transmission continues on schedule. The first prototypes have been built and will be initially tested in the new test facility in the Warwick Technical Centre before being built into demonstrator vehicles. These will be used in Europe and China to demonstrate the transmission to prospective customers.

The current design is aimed at mid-sized cars and will be suitable for gasoline/petrol engines of up to 2.5 litres and diesel engines of up to 2.0 litres. Initial discussions have been held with prospective customers in China and the next steps will be the availability of the demonstrator vehicles and the details of full product costing which are in preparation in close co-operation

with Loncin Chong Qing General Purpose Engine Co. Ltd (“Loncin”). Loncin is a leading Chinese manufacturer of high specification motor-cycles, small engines and a range of automotive components. Start of production is scheduled for mid 2010 with initial planned production capacity of 200,000 units per annum. However, the current high level of interest from Chinese automotive manufacturers indicates that the plan will need to allow for growth in this capacity to above 200,000 units per annum, which is now being taken into account within the planned production facility.

Joint venture negotiations with Loncin are expected to be completed in the second half of 2008 to set up a manufacturing plant in Chong Qing, PRC.

Dual Speed Supercharger

Many car manufacturers are seeking routes to downsize their car engines. Turbo-charging offers greater power but has limitations in generating the low speed torque needed to match the feel of a larger engine. Supercharging can offer this but loses efficiency due to the difficulty to match the supercharger to the vehicle. Antonov's unique two speed module offers a highly efficient low cost solution. Initial low volume application to vehicles such as the Hummer H3 has proven that the Antonov solution gives a great drive with no adverse fuel economy results.



Low Cost Four Speed Automatic Transmission

Many vehicle makers are now seeking to exploit the market potential for ultra-low cost cars that offer reasonable standards of safety and emissions within a minimalist four wheeled vehicle.

Antonov have already demonstrated that it can provide a low cost auto transmission in the work undertaken between 1998 and 2002. Work is now underway to progress this concept to provide improved efficiency and low production costs.

Aftermarket supercharger sales have been growing steadily. The decision by Hummer France to select the Antonov dual speed system as a dealer option was a significant step forward. However, it has become clear that expansion of the market for the complete supercharger will require investment in additional vehicle kits. In order to speed up access to market and reduce the entry barriers, a new product has therefore been developed which is a stand alone dual speed pulley. This can be applied to any supercharger system and does not require Antonov to invest in vehicle kits. This product is now on sale and will also enable us to provide vehicle makers with a trial unit for engine auxiliary drive systems for evaluation purposes.

Developing the market in the high volume sector is progressing well through Emporio which is expected to provide access to the important German auto industry with the goal of facilitating the drive to down-sized engines by providing a supercharging solution that provides high torque at low engine speeds.

Dual Speed Accessory and Alternator Drives

The work to commercialise the Antonov dual speed accessory drive has progressed more slowly than anticipated but with the much stronger technical capability we are now starting to accelerate interest. A

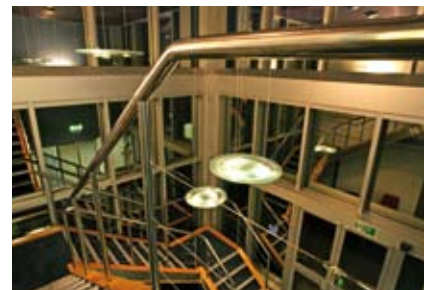
number of opportunities for initial engineering projects are being pursued and these are expected to lead to licensing opportunities.

Low Cost Four Speed Automatic

The renewed interest in the Antonov four speed automatic system is expected to result in engineering projects during 2008. These will be client confidential projects and as such will not be announced to shareholders, but we will report progress as far as constraints of confidentiality allow. The good news for shareholders is that the previous investments made in development of transmissions with Honda, GM and others is now being put to good use through identifying the appropriate target market for the technology.

People and Structure

Following the move to the new Warwick Technical Centre, we now have a team of 26 staff, a mix of permanent and contract staff, and will continue to grow the capability as required to meet the demands of client funded commercial programmes. It is notable that the level of experience in the new senior engineering team is much greater now. The average age of the principal engineers in Paris is 31 as compared with 49 in the new team which has a higher level of experience in delivering commercial projects as opposed to merely performing generic development work.



The new Warwick Technical Centre provides an excellent working environment and world class engineering facilities.

Chief executive officer and Chief financial officer's review *continued*



“The newly established consolidated facility in Warwick has already resulted in a more efficient operation which will also contribute towards our efforts to manage operating expenses in future periods.”

Mory Motabar
Chief Financial Officer

The new building has a total space area of over 2000 square metres, which provides us with the flexibility required for future planning. The investment over the last year has elevated our design and analysis capabilities to the industry's highest standards in addition to helping us to create a highly professional test capability. As a result, we are now able to meet all of our design and analysis needs in-house. We can also undertake the majority of test work although we will continue to outsource the prototype manufacturing and certain specialist test requirements.

The Paris facility is now completely closed and there are no remaining employees in France. The Thetford office will close by the middle of 2008 and the office in Rotterdam is now closed. However, the Rotterdam office lease will expire in March 2009 and on the basis that we do not expect to be able to exit the lease before the expiry date, full provision has been made for the remaining lease costs, which will not exceed £15k.

The consolidation of all European operations in one location will help us save overheads but will also improve the efficiency of the operation, allowing everyone to be clearly focused on moving the business forward.

We have initiated the setting up of a Wholly Owned Foreign Enterprise (WOFE) in Chong Qing, PRC, which will form the basis for the Loncin joint venture management. It is currently planned to comprise a permanent staff of four employees. All operational work will be referred back to the UK.

Financial

Group revenues for 2007 increased to £771k from £11k for the full year 2006. Revenues comprise engineering services fees from Geely and Loncin, as well as license fees from Emporio distribution agreement in Germany and receipts from sale of products, which demonstrates the success of our commercialisation strategy and efforts to broaden our business model.



Dual Speed Pulley

Development of the dual speed supercharger showed the dramatic benefits a two speed drive gives to a supercharged vehicle. However the cost of developing a complete installation kit is high and there are many existing supercharger installations in the market.

It was therefore clear that a stand alone dual speed pulley would make available the benefits of dual speed supercharging to a much larger market.

Initial development work is now complete and the product is on sale.

The operating loss before financial expense and tax for 2007 of £3,935k was lower than the operating loss of £4,083k for 2006. Positive impact of higher revenues, as compared with 2006 revenues, was partly offset by additional one-time operational costs related to the closure of the Company's operations in France and the setting up of the newly established consolidated operational facility in Warwick (UK). This has already resulted in a more efficient operation which will contribute towards our efforts to manage our operating expenses in future periods.

The loss for the year (after financial expense of £29k and tax charge of £109k) was £4,073k. This compares with a loss of £3,396k (restated) in 2006 which reflects a one-off benefit of £925k (restated) relating to the financial income arising on the amendment to the terms of the Group's convertible loan notes.

Investment in new technology and development of new products as capitalised within development costs increased to £2,259k in 2007, as compared with an investment of £1,189k in 2006.

The Company had a total funding facility of £12,613k in place at the end of December 2007, with no obligations related to external loans or borrowings. The funding facility will be used to support our commercialisation strategy, instead of development activities which has been the case historically. This will support us to generate more revenues, enabling us to reduce our dependency on external funding.

John Moore
Chief Executive Officer
Antonov plc

Mory Motabar
Chief Financial Officer
Antonov plc



Antonov now have a team of highly committed and experienced automotive industry professionals.

Board of directors



Left to right
Jos Haag, Mory Motabar,
John Moore and Christopher Ross.

Christopher Ross FR Eng Chairman

Christopher Ross, aged 62, joined the Board of Antonov in March 2004. Mr. Ross is a Chartered Engineer and is currently Chairman of Dunn-Line Plc, Deputy Chairman of Manganese Bronze Holdings Plc and a non-executive director of Carclo Plc, all are UK listed companies with interests in the automotive sector. He has also recently been appointed as non-executive director of Icona Solutions Limited, an engineering software provider. Previously, he was Chief Executive of Ricardo Plc. He is widely credited in the automotive industry for having transformed Ricardo into the world's No. 1 powertrain design and development business. He was honoured by Prince Philip in 1995 when he was initiated as a Fellow of the Royal Academy of Engineering.

Jos Haag Non-executive Director

Jos Haag, aged 60, has a background in business accountancy and economics and after graduating in 1973 he has been actively involved in the management of companies, mostly international, operating in a number of sectors. Since 1992, he has been active

in the field of management, corporate governance and interim management for private and listed companies. In recent years he has acted as Managing Director of ZBG, Geldrop, a holding company for a venture capital group and as Chairman of Intellect Holdings Limited, an ASX quoted electronic payment solutions company. Mr. Haag is currently involved in the management of a number of international companies including Antonov.

John Moore Chief Executive Officer

John Moore, aged 43, joined the Board of Antonov in January 2005. He is a Chartered Engineer and Fellow of the Institute of Mechanical Engineers. After graduating from Oxford University, he started his career with Ricardo Group plc working on advanced Diesel engines and transmission systems before moving into senior commercial roles. He has been involved with advanced automotive technologies for most of his career and has worked in both consultancy and manufacturing organisations. During this time he has worked with automotive clients in all major world markets and has particular experience in Asia. Prior to joining Antonov he was the Commercial Director of Lotus Engineering.

Mory Motabar Chief Financial Officer

Mory Motabar, aged 51, joined the Board in April 2007. He is a Chartered Accountant (ACA) with 28 years of finance experience which started in the accountancy profession in the City of London (seven years) and continued in various senior international finance positions in the Technology Sector (21 years). His most recent role was Chief Financial Officer at Seagull Software (1996 to 2007), which he guided through an IPO on Euronext – Amsterdam Exchange. Previously, he worked as Financial Director and Company Secretary at SCO in the UK, a NASDAQ listed Software Company and Amersham International plc, a Pharmaceutical Company listed on the London Stock Exchange. Mory received his Bachelor of Science degree in Mathematical Economics & Econometrics from the London School of Economics & Political Science in 1979.

Report of the directors for the year ended 31 December 2007

The directors present their report together with the audited financial statements for the year ended 31 December 2007.

Results and dividends

The Consolidated Income Statement is set out on page 14 and shows the loss for the year.

Principal activities and review of the business

The Group is engaged in the development and commercialisation of a range of transmission products for both automotive and non-automotive applications.

The operating results and future prospects are discussed in the Chief Executive Officer's Report and Chief Financial Officer's Review on pages 4 to 5. No dividends (2006: £Nil) are proposed and the loss of £4,073k (2006: £3,396k – restated) has been transferred to reserves.

The Group's key financial and other performance indicators during the year were as follows:

	2007 £'000	2006 (restated) £'000
Group revenue	771	11
Group loss before tax	(3,964)	(3,158)
Loss per share (pence)	(8.5)p	(9.5)p
Cash and short-term deposits	98	226
Shareholders' funds	4,213	1,985

Further details of the business review are contained in the Chief Executive Officer's Review.

Capital management

The primary objective of the Group's capital management is to ensure an appropriate level of liquid resources are available to fund the daily operations of the business. This has been achieved by a combination of funds received from drawdowns under the financing facilities as well as revenue received from customers. At 31 December 2007 the unutilised financing facility available amounts to £12,613k and total available cash balance was £98k.

Principal risks and uncertainties

• Foreign currency risk

The majority of the Group's revenues are denominated in Euros while its costs are principally denominated in sterling. As a result, the Group is subject to the risks of foreign currency movements. The Group does not operate any type of hedging programme to mitigate this risk.

• Market risk

Larger automotive-related companies are better placed and better resourced than the Group. It is possible that other companies may have competitive products in development, which are not known to the Group. Competitors may be able to develop more effective technologies which may be superior to those of the Group.

• Technological risk

The Group is exposed to future changes in technology which may make the market for products based on its particular designs less effective.

• Patent protection

The continuing ability to establish, protect and enforce our proprietary rights is fundamental to the Group. This is principally achieved through the process of patent application and establishing patent protection. However, should these applications or granted patents be challenged, then the defence of our rights could incur costs and the outcome cannot be predicted with certainty.

• Commercialisation

The Group's commercial progress depends upon its ability to establish and maintain successful relationships with appropriate licensees and other third parties to exploit successfully the Antonov technologies through development, manufacturing and distribution agreements.

Going concern

The directors are of the opinion that the working capital now available to the Group is sufficient for its foreseeable requirements and that, together with the generation of new revenue streams in 2008, they consider that it is appropriate for the accounts to be prepared on a going concern basis.

Post balance sheet events

Post balance sheet events are set out in note 31 to the financial statements.

Report of the directors continued

for the year ended 31 December 2007

Directors

The directors that held office during the year were:

R. Antonov (resigned 2 April 2007)
 D. A. Bovell (resigned 2 April 2007)
 J. E. Haag
 P. N. L. Logsdon (resigned 24 July 2007)
 J. W. Moore
 C. G. Ross
 M. Motabar (appointed 26 April 2007)

Beneficial interests

The directors of the Company during the year and their beneficial interests (unless otherwise stated) in the ordinary share capital of the parent company, options to purchase such shares under the Senior Executive Savings Related Share Option Scheme, and interests arising from the long term incentive scheme, were as follows:

	Options and similar interests		Shares	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
R. Antonov	75,000	250,571	2,956,704	2,956,704
D. A. Bovell	100,000	100,000	438,936	438,936
J. E. Haag	510,000	100,000	–	–
J. W. Moore	568,334	133,334	–	–
C. G. Ross	510,000	125,000	59,700	59,700
M. Motabar	300,000	–	–	–

Major interests

The directors are aware of the following interests that represent three per cent or more of the issued share capital of the Company at 31 March 2008:

Shareholder	Number of ordinary shares	Percentage of ordinary shares
Euroclear	38,093,431	63.8%
Quinvest	11,635,560	19.5%
HSBC Global Custody Nominee Ltd	3,705,047	6.2%
Antonov SARL	2,956,704	5.0%

Research and development

The Group continues to invest in research and development. This has resulted in improvements in current intellectual property and new ideas being developed which will benefit the Group going forward. Certain costs in relation to the supercharger and TX6 automatic gearbox projects totalling £2,259k have been capitalised in the balance sheet and the remainder has been written off as incurred through the Income Statement.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job.

Directors' indemnity insurance

The Group has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Financial instruments

Details of the use of financial instruments by the company are contained in notes 21 and 22 and its subsidiary undertakings are contained in note 16 to the financial statements.

Policy on the payment of creditors

The Group and the Company's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

The number of average days purchases of the Company represented by trade creditors at 31 December 2007 was: 48 days (2006: 23 days), Group: 81 days (2006: 49 days).

Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 8. Having made enquiries of the directors and of the Company's auditors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

By order of the Board

S. Alexander

Company Secretary

29 April 2008

Statement of directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements which comply with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union.

Group financial statements

Company law requires directors to prepare such financial statements in accordance with IFRS, the Companies Act and Article 4 of the IAS regulation. This requires the faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the directors to:

- properly select and apply appropriate accounting policies in accordance with IAS 8;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board. The directors are required to state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Antonov plc

We have audited the Group financial statements of Antonov plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 31. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Antonov plc for the year ended 31 December 2007.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the Directors' Report is not consistent with the Group financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Financial Highlights, Chairman's Statement, Chief Executive Officer's Report and Chief Financial Officer's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Ernst & Young LLP

Registered Auditor
Manchester

29 April 2008

Consolidated income statement

for the year ended 31 December 2007

	Note	2007 £'000	Restated* 2006 £'000
Revenue	7	771	11
Cost of sales		(26)	–
Gross profit		745	11
Operating expenses		(4,680)	(4,094)
Loss from operations	8	(3,935)	(4,083)
Finance (expense)/income	11	(29)	925
Loss before tax		(3,964)	(3,158)
Taxation	12	(109)	(238)
Loss for the year	25	(4,073)	(3,396)
Loss per share			
– Basic and diluted (pence)	13	(8.5p)	(9.5p)

* Restated for correction of share issue costs (see note 2).

The notes on pages 18 to 33 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2007

	Share capital £'000	Restated* share premium £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Warrant reserve £'000	Restated* retained losses £'000	Restated* total equity £'000
Balance at 1 January 2006	6,163	20,467	2,587	(85)	–	(31,688)	(2,556)
Adjustment to foreign exchange	–	–	–	47	–	–	47
Net income recognised directly in equity	–	–	–	47	–	–	47
Loss for the year – as restated	–	–	–	–	–	(3,396)	(3,396)
Total recognised income and expense for the year – as restated	–	–	–	47	–	(3,396)	(3,349)
Increase in share capital	2,565	5,162	–	–	–	–	7,727
Share issue costs – as restated	–	(269)	–	–	–	–	(269)
Movement on exchange of warrants	–	–	–	–	361	–	361
Share-based payment	–	–	–	–	–	71	71
Balance at 31 December 2006 – as restated	8,728	25,360	2,587	(38)	361	(35,013)	1,985
Adjustment to foreign exchange	–	–	–	114	–	–	114
Net income recognised directly in equity	–	–	–	114	–	–	114
Loss for the year	–	–	–	–	–	(4,073)	(4,073)
Total recognised income and expense for the year	–	–	–	114	–	(4,073)	(3,959)
Increase in share capital	1,858	4,582	–	–	–	–	6,440
Share issue costs	–	(484)	–	–	–	–	(484)
Movement on exchange of warrants	–	–	–	–	9	–	9
Share-based payment	–	–	–	–	–	222	222
Balance at 31 December 2007	10,586	29,458	2,587	76	370	(38,864)	4,213

* Restated for correction of share issue costs (see note 2).

All amounts are attributable to equity holders of the parent.

The notes on pages 18 to 33 form part of these financial statements.

Consolidated balance sheet

at 31 December 2007

	Note	2007 £'000	Restated* 2006 £'000
ASSETS			
Non-current assets			
Property, plant and equipment (PPE)	14	509	370
Intangible assets	15	4,524	2,212
Total non-current assets		5,033	2,582
Current assets			
Inventories	17	35	–
Trade and other receivables	18	1,424	434
Cash and short-term deposits		98	226
Total current assets		1,557	660
Total assets		6,590	3,242
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	2,377	1,248
Total current liabilities		2,377	1,248
Non-current liabilities			
Other creditors – Euro warrants	20	–	9
Total non-current liabilities		–	9
Total liabilities		2,377	1,257
Equity attributable to equity holders of the parent company			
Share capital	24	10,586	8,728
Share premium reserve	25	29,458	25,360
Capital redemption reserve	25	2,587	2,587
Foreign exchange reserve	25	76	(38)
Warrant reserve	25	370	361
Retained losses	25	(38,864)	(35,013)
Total equity		4,213	1,985
Total liabilities and equity		6,590	3,242

* Restated for correction of share issue costs (see note 2).

The financial statements on pages 14 to 33 were approved by the Board of Directors and authorised for issue on 29 April 2008 and were signed on its behalf by:

J. W. Moore
Director

M. Motabar
Director

The notes on pages 18 to 33 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2007

	2007 £'000	2007 £'000	Restated* 2006 £'000	Restated* 2006 £'000
Operating activities				
Loss before tax		(3,964)		(3,158)
Adjustments for:				
Depreciation	110		130	
Amortisation	43		81	
Accelerated amortisation of intangible assets	–		384	
Loss on disposal of tangible assets	60		15	
Share-based payments – stock options	222		71	
Share-based payments – non cash payments	19		298	
		454		979
Adjustments for non cash movements:				
Financial liabilities – convertible debt	–		(740)	
Exchange movements	33		–	
Euro warrants	–		(185)	
Other	29		–	
		62		(925)
Cash flow from operations before changes in working capital and provisions		(3,448)		(3,104)
(Increase)/Decrease in trade and other receivables	(536)		254	
(Increase)/Decrease in inventories	(35)		116	
Increase/(Decrease) in trade and other payables	1,535		(88)	
		964		282
Cash outflow from operating activities carried forward		(2,484)		(2,822)
Cash outflows from operating activities brought forward		(2,484)		(2,822)
Investing activities				
Payments to acquire PPE	(417)		(251)	
Proceeds on sale of PPE	123		–	
Payments to acquire intangible assets	(41)		(90)	
Capitalisation of development costs	(2,259)		(1,189)	
		(2,594)		(1,530)
Financing activities				
Proceeds from issue of ordinary shares	4,950		1,837	
Issue of convertible debt	–		2,471	
		4,950		4,308
(Decrease) in cash		(128)		(44)
Cash and cash equivalents at the beginning of the period		226		270
Cash and cash equivalents at the end of the period		98		226

* Restated for correction of share issue costs (see note 2).

The notes on pages 18 to 33 form part of these financial statements.

Notes forming part of the financial statements for the year ended 31 December 2007

1 Corporate information

Antonov plc is a public limited liability company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is 2 Hawkes Drive, Heathcote Industrial Estate, Warwick, Warwickshire CV34 6LX. Antonov's shares are publicly traded on AIM (The Alternative Investment Market of the London Stock Exchange) with a secondary listing on Euronext Amsterdam.

2 Basis of preparation and statement of compliance

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2007.

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2007.

The parent company financial statements of Antonov plc have been prepared in accordance with UK GAAP.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated below, and are presented in sterling.

Going concern

The accounts have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

At 31 December 2007, the Group had cash of £98k (2006: £226k) and an undrawn committed borrowing facility in respect of convertible loan notes of €2,100k, approximately £1,510k (2006: £2,000k) and €15,100k, approximately £11,103k from a committed share finance facility agreement (2006: £4,200k). Since 31 December 2007 the Group has received £288k from ordinary share warrants that have been exercised and £1,360k from the share finance facility agreement. The directors are of the opinion that the working capital now available to the Group is sufficient for its foreseeable requirements. The directors therefore consider that it is appropriate for the accounts to be prepared on a going concern basis.

Prior year adjustment

In preparing the financial statements for the current year the Group identified £269k of share issue costs that had been charged to the income statement in the prior year as opposed to being charged to the share premium account. This has resulted in a prior year adjustment for the Group. The finance income in the prior year has increased by £269k and consequently the loss for the prior year has decreased by £269k. There is no impact on total equity.

3 Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter company transactions and balances between Group companies are therefore eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

4 Significant accounting estimates

The key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of liabilities within the next financial year is the estimation of share-based payment costs. The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest and the continuing participation of employees (see note 27).

5 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group in the current or prior periods. In certain cases, they did however give rise to additional disclosures.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

5 Accounting policies (continued)

The principal effects of these changes are as follows:

IAS 1 Presentation of Financial Statements

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in the capital management section of the Operating and Financial Review.

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Amounts receivable consist of royalties, licence fees, professional services and support and maintenance payments.

Revenue is recognised for any element of a sale when all of the basic criteria are met for that element. These are given below.

Licence fees and royalties – revenue is recognised when persuasive evidence for the arrangement exists, delivery has occurred, fees are fixed or determinable, non refundable and require no further commitments with the collection being probable.

Professional services – invoiced in line with customer contracts and recognised on the basis of work performed using the stage of completion method and based on achievement of key milestones defined in the project.

Product sales – revenue is recognised when the significant risks and rewards of ownership of the products have passed to the buyer, usually on despatch.

Revenue is also accrued on the above elements when revenue can be recognised but has not been invoiced.

Revenue is deferred on the above elements when it has not been recognised but the invoice has been raised.

Revenue relating to contracts with multiple elements is allocated based on the fair value of each element and is recognised in accordance with the accounting principles for each element described above.

Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rate ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in a separate component of equity (the "foreign exchange reserve"). Exchange differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, are also taken to equity.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

The functional currency and the presentational currency of the Group is sterling.

Intangible assets

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

	Useful economic life	Amortisation method
Patent and trademark applications	20 years	Straight line basis
Software	3 years	Straight line basis

Patents and trademarks

Patent and trademark costs, which are included in intangible assets, are stated at cost, reduced by a provision for amortisation over the period of their expected useful lives of 20 years. The directors review the carrying value of all such assets for impairment when events or changes in circumstances indicate that the carrying value may be impaired.

Notes forming part of the financial statements continued

5 Accounting policies (continued)

Research and development expenditure

Expenditure on research and development activities that does not meet the criteria as stated below, is recognised as an expense in the Income Statement in the period in which it is incurred.

Development costs are capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all other items of property, plant and equipment to write off the cost, less estimated residual value, based on prices prevailing at the balance sheet date, evenly over their expected useful economic lives as follows:

	Useful economic life	Amortisation method
Motor vehicles	3 years	Straight line basis
Equipment	3 years	Straight line basis
Leasehold property improvements	5 years	Straight line basis

Impairment of assets

The carrying value of property, plant and equipment and intangible assets are reviewed for impairment if events or changes in circumstances indicate the carrying value is not recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Income tax

The tax expense represents the sum of the tax currently payable and deferred tax, together with research and development tax credits received.

Income tax is charged to equity or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised on all temporary differences arising between the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deductible temporary difference arises on share-based payments calculated as the difference between the tax base of the remuneration expense (being the option's intrinsic value at its future exercise date) and its carrying value of nil on the balance sheet. This gives rise to a deferred tax asset. As the tax deduction is based on the unknown future share price at the date of exercise, the tax base is estimated on the basis of the entity's share price at each balance sheet date. Where this amount exceeds the cumulative amount of the remuneration expense on equity-settled transactions recognised in the income statement and credited to equity, the excess deferred tax is recognised in equity in accordance with the principle that the tax follows the item. The deferred tax effects of cash settled transactions are always recognised in the income statement.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

5 Accounting policies (continued)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company; or different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method where the true value of money is material. Appropriate allowances for estimating irrecoverable amounts are recognised in the Income Statement when there is evidence that the asset is impaired. This impairment would be recognised within administrative expenses.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Share-based payments – equity settled transactions

Where share options are awarded to employees, the cost is measured by reference to the fair value of the options at the date of grant and is charged to the income statement over the vesting period. Fair value is determined by an external valuer using an appropriate pricing model. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. No reduction is recognised if the fair value decreases. Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Retirement benefit costs

The Group does not have a pension scheme for employees. However, the Group pays a contribution into personal pension schemes for certain employees on a salary-sacrifice basis.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an “operating lease”), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

Financial assets

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at amortised cost using the effective interest method if the time value of money is significant less any provision for impairment.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The carrying amount of the equity component is not re-measured in subsequent years.

Financial liabilities

Trade payables: Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Warrants: Where warrants are denominated in the functional currency of the parent entity, sterling, with a fixed price, they are treated as equity.

Notes forming part of the financial statements continued

5 Accounting policies (continued)

Where instruments are denominated in a currency other than the functional currency of the entity, they are considered to have a variable price and as such are recorded as a liability at fair value, with any movements on subsequent measurement through the income statement.

The warrants have been valued using an option pricing model. The model takes into account the risk free interest rate for the life of the option, the exercise price of the option, the current price of the underlying shares, the life of the option, the expected volatility of the option and any market based vesting conditions.

Other financial liabilities: These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently re-measured at amortised cost using the effective interest method.

6 New standards and interpretations not applied

During the year, IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRS)	Effective date
IFRS 2 Amendment to IFRS 2 – Vesting conditions and cancellations	1 January 2009
IFRS 3 Business combinations (revised January 2008)	1 July 2009
IFRS 8 Operating segments	1 January 2009
IAS 1 Presentation of Financial Statements (Revised September 2007)	1 January 2009
IAS 23 Borrowing Costs (Revised March 2007)	1 January 2009
IAS 27 Consolidated and separate financial statements (revised January 2008)	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)	Effective date
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The Group has not yet completed a detailed evaluation of the impact of the above standards and interpretations on its financial position but does not currently expect the adoption of these to have impact on its current financial condition.

7 Revenue

	2007 £'000	2006 £'000
Revenue arises from:		
Professional services – design and development	398	11
Product sales	35	–
License fees and royalties	338	–
	771	11

8 Loss from operations

	2007 £'000	2006 £'000
This is stated after charging:		
Depreciation of property, plant and equipment	110	130
Loss on disposal of property, plant and equipment	60	15
Amortisation of intangible fixed assets	43	465
Foreign exchange differences	31	3
Operating lease expense:		
Property	107	187
Auditors remuneration:		
Audit of the financial statements*	52	42
Local statutory audits for subsidiaries	3	24
Fees paid to the company's auditors for non-audit services:		
Fees in respect of prospectus for working capital review	25	15

* £11k (2006: £10k) of this relates to the Company.

9 Staff costs

	2007 £'000	2006 £'000
Staff costs (including directors) comprise:		
Wages and salaries	1,352	1,312
Share-based payment expense*	289	242
Social security costs	242	252
Pension costs	75	126
	1,958	1,932

* The share-based payment expense comprises the following:

	2007 £'000	2006 £'000
Payments settled by grant of stock options (note 28)	222	71
Payments settled by issue of shares	67	171
	289	242

The average number of employees (including directors) during the year, analysed by category, was as follows:

	2007 Number	2006 Number
Administration	13	8
Research and development	21	16
	34	24

The emoluments of the individual directors were as follows:

2007	Basic salary and fees £'000	Bonus £'000	Compensation for loss of office £'000	Benefits in kind £'000	Total £'000	Social charges and other insurances £'000	Pension contributions £'000
Director							
R. Antonov	22	–	–	–	22	3	3
D. A. Bovell	6	–	–	–	6	1	–
J. E. Haag	48	–	–	–	48	–	–
P. N. L. Logsdon	69	20	38	–	127	22	–
J. W. Moore	114	42	–	6	162	19	11
C. G. Ross	48	–	–	–	48	–	–
M. Motabar	128	–	–	–	128	–	–
	435	62	38	6	541	45	14

J. W. Moore's remuneration as stated above includes £45k to be paid in shares of Antonov plc (bonus: £40k, salary: £5k).

M. Motabar's remuneration as stated above includes £22k to be paid in shares of Antonov plc. There have been no options exercised during the year.

The Group paid into a personal pension scheme for J. W. Moore and paid into a statutory government scheme for R. Antonov and French employees during the year.

2006	Basic salary and fees £'000	Bonus £'000	Benefits in kind £'000	Total £'000	Social charges and other insurances £'000	Pension contributions £'000
Director						
R. Antonov	99	–	5	104	13	13
D. A. Bovell	71	30	–	101	13	–
J. E. Haag	48	–	–	48	–	–
P. N. L. Logsdon	67	20	–	87	–	–
J. W. Moore	84	40	6	130	16	23
C. G. Ross	30	30	–	60	–	–
	399	120	11	530	42	36

D. A. Bovell received 165,449 shares in the Company in part-payment of his salary and bonus. The fair value of these shares was £89,000.

C. G. Ross received 59,700 shares in part-payment of his fees and bonus. The fair value of these shares was £40,000.

Notes forming part of the financial statements continued

10 Segment information

The Group's primary reporting format for reporting segment information is business segments. The Group has one business segment which is the development and commercialisation of Antonov Automotive Transmissions. Therefore, all revenue, assets and liabilities and all other assets and liabilities and all other costs relate to this one business segment in both 2007 and 2006.

The Group's secondary reporting format for reporting segment information is geographic segments.

	External revenue by location of customers		Total assets by location of assets		Capital expenditure by location of assets	
	2007	2006	2007	2006	2007	2006
	£'000	£'000	£'000	£'000	£'000	£'000
China	398	–	–	–	–	–
France	31	11	69	502	–	79
Netherlands	–	–	704	2,316	–	146
UK	2	–	5,817	424	2,798	1,305
Luxembourg	340	–	–	–	–	–
	771	11	6,590	3,242	2,798	1,530

11 Finance (expense)/income

	2007 £'000	Restated* 2006 £'000
Convertible debt	–	740
Euro warrants	–	185
Other	(29)	–
	(29)	925

* Restated for correction of share issue costs (see note 2).

12 Tax on loss from operations

	2007 £'000	2006 £'000
Current tax		
Foreign tax charge/(credit)	109	(38)
Adjustment for prior periods	–	276
	109	238
Deferred tax		
Origination and reversal of temporary differences	–	–
	–	–
Total tax charge/(credit)	109	238

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	2007 £'000	Restated* 2006 £'000
Loss before tax	(3,964)	(3,158)
Expected tax credit based on the standard rate of corporation tax in the UK of 30% (2006 – 30%)	(1,189)	(947)
Expenses not deductible for tax purposes	167	(736)
Tax losses not recognisable	1,071	1,630
Adjustment for prior periods	–	276
Other adjustments	60	15
Total tax charge/(credit)	109	238

* Restated for correction of share issue costs (see note 2).

The adjustment for prior periods in 2006 is the result of a reassessment of tax to be reclaimed on research and development activities undertaken by a subsidiary undertaking. The computations containing these claims are still available for review by the local tax authorities.

13 Loss per share

	2007 £'000	Restated* 2006 £'000
Basic and diluted loss per share	(8.5p)	(9.5p)
Numerator		
Loss for the year	(4,073)	(3,396)
Loss used in basic EPS and diluted EPS	(4,073)	(3,396)

	Number of shares	Number of Shares
Denominator		
Weighted average number of shares used in basic and diluted EPS	47,681,072	35,836,277

	Number of shares
Contingently issuable shares	
Share options	2,315,647
Warrants	8,374,242
Total contingently issuable shares	10,689,889

* Restated for correction of share issue costs (see note 2).

All the contingently issuable shares (see note 25 for full details) have been excluded in the calculation of the weighted average number of shares for diluted EPS as they are anti-dilutive for the periods presented.

The significant ordinary shares issued after the year end are detailed below:

There have been 9,413,671 shares issued after the year end in relation to:

	Number of shares
Exercise of warrants	841,640
Issued under the terms of share finance facility agreement	7,129,723
Settlement of creditor	1,442,308
	9,413,671

Notes forming part of the financial statements continued

14 Property, plant and equipment

	Equipment £'000	Motor vehicles £'000	Leasehold property improvements £'000	Total £'000
At 31 December 2006				
Cost	607	208	–	815
Accumulated depreciation	(325)	(120)	–	(445)
Net book value	282	88	–	370
At 31 December 2007				
Cost	401	219	148	768
Accumulated depreciation	(120)	(139)	–	(259)
Net book value	281	80	148	509
Year ended 31 December 2006				
Opening net book value	215	43	–	258
Additions	170	81	–	251
Disposals	(12)	(2)	–	(14)
Depreciation	(95)	(35)	–	(130)
Exchange differences	4	1	–	5
Closing net book value	282	88	–	370
Year ended 31 December 2007				
Opening net book value	282	88	–	370
Additions	258	11	148	417
Disposals	(183)	–	–	(183)
Depreciation	(91)	(19)	–	(110)
Exchange differences	15	–	–	15
Closing net book value	281	80	148	509

At 31 December 2007 the Group had £305k (2006: £Nil) in respect of contractual commitments for tangible fixed assets.

15 Intangible assets

	Development costs £'000	Software £'000	Patent and trademark application costs £'000	Total £'000
At 31 December 2006				
Cost	1,604	123	2,918	4,645
Accumulated amortisation	–	(109)	(2,324)	(2,433)
Net book value	1,604	14	594	2,212
At 31 December 2007				
Cost	3,863	14	3,156	7,033
Accumulated amortisation	–	(14)	(2,495)	(2,509)
Net book value	3,863	–	661	4,524
Year ended 31 December 2006				
Opening net book value	415	21	944	1,380
Additions				
– Internally developed	1,189	–	–	1,189
– Externally acquired	–	–	90	90
Amortisation	–	(7)	(458)	(465)
Exchange differences	–	–	18	18
Closing net book value	1,604	14	594	2,212
Year ended 31 December 2007				
Opening net book value	1,604	14	594	2,212
Additions				
– Internally developed	2,259	–	–	2,259
– Externally acquired	–	–	41	41
Amortisation	–	(14)	(29)	(43)
Exchange differences	–	–	55	55
Closing net book value	3,863	–	661	4,524

At 31 December 2007 the Group had no contractual commitments for development or other intangible fixed assets (2006: £Nil).

16 Subsidiaries

The principal subsidiaries of Antonov plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and operation	Proportion of ownership interest	Nature of business	Parent	Status
Antonov Automotive Technologies BV (AAT)	The Netherlands	100%	Licensing	Antonov plc	Trading
Antonov Automotive Technologies Ltd	United Kingdom	100%	Design, research and development, sales and marketing	Antonov plc	Trading
Antonov Automotive Europe BV	The Netherlands	100%	Licensing	AAT	Non-trading
Antonov Automotive Far East BV	The Netherlands	100%	Licensing	AAT	Non-trading
Antonov Automotive North America BV	The Netherlands	100%	Licensing	AAT	Non-trading
Antonov Automotive Technologies France SARL	France	100%	Research and development	AAT	Trading

As a result of the relocation of operations from France to Warwick (UK), Antonov Automotive Technologies France SARL is in the process of being liquidated.

17 Inventories

	2007 £'000	2006 £'000
Work-in-progress	35	–

18 Trade and other receivables

	2007 £'000	2006 £'000
Trade debtors	446	–
Other debtors and prepayments	978	299
Taxation	–	98
Amounts owed by directors	–	34
Amounts owed by related parties	–	3
	1,424	434

Trade debtors of £344k at 31 December 2007 are denominated in Euros (2006: £Nil).

	Carrying amount £'000	Less than 30 days £'000	Between 31 and 60 days £'000	Between 61 and 90 days £'000	More than 90 days £'000
Trade debtors					
As at 31 December 2007	446	88	3	11	344

Trade debtors due more than 90 days are primarily due from one customer, which will be received during 2008.

The maximum amount owed by directors during the year was £34,000 (2006: £34,000). This relates to R. Antonov who resigned as a director on 2 April 2007.

19 Trade and other payables – current

	2007 £'000	2006 £'000
Trade creditors	1,029	525
Other creditors and accruals	1,348	694
Amounts owed to related parties	–	29
	2,377	1,248

Notes forming part of the financial statements continued

20 Financial liabilities

	2007 £'000	2006 £'000
Other creditors – Euro warrants	–	9
	–	9

21 Financial instruments – risk management

The Group is exposed through its operations to one or more of the following financial risks:

- Fair value or cash flow interest rate risk
- Foreign currency risk
- Liquidity risk
- Market price risk
- Credit risk

Policy for managing these risks is set by the Board following recommendations from the Chief Financial Officer. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

Fair value and cash flow interest rate risk

It is currently Group policy that all of its external Group borrowings (excluding short-term overdraft facilities) are fixed. This policy is managed centrally. Operations are not permitted to borrow long-term from external sources locally.

Foreign currency risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the Group's primary functional currency (sterling). Although its global market penetration arguably reduces the Group's risk in that it has diversified into several markets, the net assets from such overseas operations are exposed to currency risk giving rise to gains or losses on retranslation into sterling. The Group does not consider hedging its net investments in overseas operations as generally it does not consider that the cash flow risk created from such hedging techniques warrants the reduction in the small movements in the consolidated net assets.

Foreign exchange risk also arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. The foreign exchange risk is minimal and no hedging techniques have been considered appropriate.

Liquidity risk

The liquidity risk of each Group entity is managed centrally by management of Antonov plc in the UK. Management assess what funds are required on a monthly basis and ensure that adequate funds are available to all operations using drawdown facilities on convertible debt or by issuing shares for cash via new share issues or the conversion of warrants.

Market price risk

The directors believe that the exposure to market price risk from activities negligible.

Credit risk

In 2007, the Group had a number of credit sales related to projects which exposed the Group to credit risk. It is the Group's policy to assess the credit risk of new customers before entering contracts.

The exposure to credit risk in other circumstances is not considered significant.

22 Financial assets and liabilities – numerical information

Maturity of financial liabilities

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

	2007 £'000	2006 £'000
Within one year	–	9
	–	9

22 Financial assets and liabilities – numerical information (continued)

Borrowing facilities

The Group has undrawn committed borrowing facilities available at 31 December 2007 in which all conditions have been met.

	Fixed rate £'000	2007 total £'000
Expiry within one year	1,511	1,511
	1,511	1,511

The Group had undrawn committed borrowing facilities available at 31 December 2006 in which all conditions had been met.

	Fixed rate £'000	2007 total £'000
Expiry in more than two years	1,950	1,950
	1,950	1,950

Interest rate risk

The Group had no loans or other borrowings during the year.

Fair values

The book value and fair value of financial assets and liabilities are as follows:

	Book value 2007 £'000	Fair value 2007 £'000	Book value 2006 £'000	Fair value 2006 £'000
Cash	98	98	226	226
Financial liabilities – Euro warrants	–	–	(9)	(9)
	98	98	217	217

To the extent that financial assets are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 December 2006 and 2007.

23 Deferred tax

A deferred tax asset has not been recognised for the following:

	2007 £'000	2006 £'000
Unused tax losses	11,178	10,353
Fixed asset timing differences	(11)	–
	11,167	10,353

The movement in the Group's unrecognised deferred tax assets in the year relates to exchange differences, the loss arising in the year and a review of the brought forward tax position. If the Group generates profits in the future the unrecognised deferred tax assets are potentially recoverable.

Notes forming part of the financial statements continued

24 Share capital

	2007 Number	Authorised 2007 £'000	2006 Number	2006 £'000
Ordinary shares of 20p each	60,000,000	12,000	60,000,000	12,000

	2007 Number	Issued and fully paid 2007 £'000	2006 Number	2006 £'000
Ordinary shares of 20p each				
At 1 January 2007	43,638,606	8,728	30,813,526	6,163
Debt conversion rights exercised	725,972	145	4,117,697	824
Issue of shares	7,775,671	1,555	8,707,383	1,741
Exercise of warrants	790,903	158	–	–
At 31 December 2007	52,931,152	10,586	43,638,606	8,728

During the year a total of 9,292,546 shares were issued. Total proceeds from the issue of shares were £4.95 million.

Shares are reserved to issue under share option contracts. The terms and conditions are:

Senior executive share options

At 31 December 2007 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of Option	Exercise price
2002	464,815	September 2002 – April 2007	€1.07
2005	58,334	May 2006 – January 2008	1.20p
2005	108,333	December 2006 – November 2007	€1.60
2006	400,000	February 2006 – February 2009	120p
2007	1,605,000	October 2007 – October 2012	62p

Contingently issuable shares

Year ended 31 December 2007:

	At the beginning of the year	New in the year	Exercised in the year	Lapsed in the year	At the end of the year	Exercise period	Exercise price
Warrants issued pursuant to placings:							
– unlisted	3,259,263	2,461,560	(790,903)	(621,887)	4,308,033	to Dec 09	€0.58–€0153
– listed	4,066,209	–	–	–	4,066,209	to Dec 09	124p–336p
	7,325,472				8,374,242		
Options granted to directors and employees:							
R. Antonov	250,571	–	–	(175,571)	75,000	to 01.02.09	120p
D. A. Bovell	100,000	–	–	–	100,000	to 01.02.09	120p
J. N. Dickens	10,000	–	–	–	10,000	to 25.04.12	160p
M. Emmerson	266,764	–	–	(266,764)	–	–	–
J. E. Haag	100,000	435,000	–	(25,000)	510,000	to 15.10.12	62p–120p
K. E. Ludvigsen	10,000	–	–	–	10,000	to 25.04.12	160p
C. Minnar	10,000	–	–	–	10,000	to 25.04.12	160p
J. W. Moore	133,334	435,000	–	–	568,334	to 15.10.12	62p–120p
C. G. Ross	125,000	435,000	–	(50,000)	510,000	to 15.10.12	62p–120p
M. Motabar	–	300,000	–	–	300,000	to 15.10.12	62p
Employee share options	25,813	200,000	–	(3,500)	222,313	to 15.10.12	62p–160p
	1,031,482				2,315,647		
	8,356,954	4,266,560	(790,903)	(1,142,722)	10,689,889		

24 Share capital (continued)

Year ended 31 December 2006:

	At the beginning of the year	New in the year	Exercised in the year	Lapsed in the year	At the end of the year	Exercise period	Exercise price
Warrants issued pursuant to placings:							
– unlisted	3,422,181	1,056,867	(764,035)	(455,750)	3,259,263	to Dec 09	€0.58–€0.80
– listed	3,591,209	475,000	–	–	4,066,209	to Dec 09	124p–336p
	7,013,390				7,325,472		
Options granted to directors and employees:							
R. Antonov	175,571	75,000	–	–	250,571	to Feb 09	€1.07
D. A. Bovell	25,000	75,000	–	–	100,000	to Feb 09	€1.07
J. N. Dickens	10,000	–	–	–	10,000	to 25.04.12	160p
M. Emmerson	266,764	–	–	–	266,764	to 18.04.07	41p–84p
J. E. Haag	25,000	75,000	–	–	100,000	to Feb 09	107p–120p
K. E. Ludvigsen	10,000	–	–	–	10,000	to 25.04.12	160p
C. Minnar	10,000	–	–	–	10,000	to 25.04.12	160p
J. W. Moore	33,334	100,000	–	–	133,334	to Feb 09	120p
C. G. Ross	50,000	75,000	–	–	125,000	to Feb 09	107p–120p
Employee share options	39,413	–	–	(13,600)	25,813	to 20.05.09	40p–108.5p
	645,082				1,031,482		
	7,658,472	1,931,867	(764,035)	(469,350)	8,356,954		

25 Reserves

	Restated* share premium £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Warrant reserve £'000	Restated* retained losses £'000
Balance at 1 January 2006	20,467	2,587	(85)	–	(31,688)
Proceeds on share issue	5,162	–	–	–	–
Share issue costs (as restated)	(269)	–	–	–	–
Translation differences on overseas operations	–	–	47	–	–
Share-based payment expense	–	–	–	–	71
Movement on exchange of warrants	–	–	–	361	–
Loss for the year – as restated	–	–	–	–	(3,396)
Balance at 31 December 2006 as restated	25,360	2,587	(38)	361	(35,013)
Proceeds on share issue	4,582	–	–	–	–
Share issue costs	(484)	–	–	–	–
Translation differences on overseas operations	–	–	(392)	–	–
Exchange difference on long-term loan	–	–	506	–	–
Share-based payment expense	–	–	–	–	222
Movement on exchange of warrants	–	–	–	9	–
Loss for the year	–	–	–	–	(4,073)
Balance at 31 December 2007	29,458	2,587	76	370	(38,864)

* Restated for correction of share issue costs (see note 2).

26 Leases

Operating leases – lessee

The minimum total of future lease payments due are as follows:

	2007 £000	2006 £000
Not later than one year	147	27
Later than one year and not later than five years	485	–
Later than five years	546	–
	1,178	27

Notes forming part of the financial statements continued

27 Share-based payments

The Company operates an equity-settled share-based remuneration scheme for directors and staff.

	2007 weighted average exercise price	2007 number	2006 weighted average exercise price	2006 number
Outstanding at 1 January 2007	102.0p	1,031,482	93.4p	645,082
Granted during the year	62.0p	1,805,000	120.0p	400,000
Lapsed in the year	230.0p	(520,835)	227.2p	(13,600)
Outstanding at 31 December 2007	76.9p	2,315,647	102.0p	1,031,482

Included in the total outstanding at 31 December 2007 are options to purchase shares held by the following ex-directors:

R. Antonov 75,000
D. Bovell 100,000
J. N. Dickens 10,000
K. E. Ludvigsen 10,000
C. Minnaar 10,000

The exercise price of options outstanding at the end of the year ranged between 62p and 160p (2006: 40p and 160p) and their weighted average contractual life was four years (2006: two years).

Under the scheme, options vest if the share price reaches or exceeds a value within the range of 240p to 140p, dependent on the option, for a continuous period of ten consecutive business days. Of the total number of options outstanding at the end of the year, nil (2006: nil) had vested and were exercisable at the end of the year.

There were no options exercised during the period.

The weighted average exercise price of each option granted during the year was 62p (2006: 120p).

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled and cash-settled share-based remuneration schemes operated by the Group.

In 2007, share options were granted on 16 October 2007. The exercise prices of the options granted on those dates were 62p, and their estimated fair values were 23p.

The fair values were calculated using the Monte Carlo Model. The principal assumptions used were:

	16 October 2007
Share price at date of grant	£0.60
Exercise price	£0.62
Expected volatility	45.00%
Risk free rate	5.20%
Expected dividend yield	nil

Expected volatility was determined by reference to historic volatility of the Company's share price in the period before the date of grant.

The Group recognised total expenses of £222k (2006: £71k) relating to stock option equity-based payments during the year.

During the year, one supplier was paid in shares for services provided to the Group. The fair value of the services provided was £406k.

28 Related party transactions

Trading transactions

During the year Group companies entered into the following transactions with related parties who are not members of the Group.

	Sales of goods		Purchases of goods		Amounts owed by related parties		Amounts owed to related parties	
	Year ended 31/12/07 £	Year ended 31/12/06 £	Year ended 31/12/07 £	Year ended 31/12/06 £	Year ended 31/12/07 £	Year ended 31/12/06 £	Year ended 31/12/07 £	Year ended 31/12/06 £
Four Stroke SARL	25,589	7,035	–	–	–	28,920	–	–
Antonov Holdings SARL	–	544	–	367	–	–	2,981	3,015

All of the entities listed are considered to be related parties as they are controlled by R. Antonov, a former director of the Group and a significant shareholder.

The above transactions were undertaken on normal commercial terms.

Details of director's remuneration are given in note 9. There are no additional key management personnel.

Details of subsidiaries are given in note 16.

The Group is dependent upon its significant shareholder for funding. The funds provided during the year by this shareholder was as follows:

	2007 £'000	2006 £'000
Shareholder		
Quinvest BV	4,500	1,200

29 Other commitments

The Group had no other commitments outstanding as at 31 December 2007.

30 Contingent liabilities

There are no contingent liabilities to report for the year.

31 Post balance sheet events

The parent company entered into a new equity financing agreement with Quinvest BV on 17 January 2008 for €25 million. This agreement replaces the equity financing agreement signed on 27 July 2007 for €15 million. Quinvest is a substantial shareholder of Antonov plc and as such the agreement of the extended credit facility is classed as a related party transaction.

Parent company accounts statement of directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of financial statements which comply with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements. The directors have elected to prepare the financial statements for the company in accordance with UK GAAP.

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Antonov plc

We have audited the parent company financial statements of Antonov plc for the year ended 31 December 2007 which comprise the balance sheet and the related notes 1 to 15. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Antonov plc for the year ended 31 December 2007.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the parent company directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Financial Highlights, Chairman's Statement, Chief Executive Officer's Report and Chief Financial Officer's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Ernst & Young LLP

Registered Auditor
Manchester

Company balance sheet

at 31 December 2007

	Note	2007 £'000	Restated* 2006 £'000
Fixed assets			
Tangible assets	7	15	30
Investment in subsidiaries	8	23,242	22,242
		23,257	22,272
Current assets			
Debtors: amounts falling due within one year	9	1,621	6,482
Debtors: amounts falling due after one year	9	8,700	–
Cash at bank and in hand		19	199
		10,340	6,681
Creditors: amounts falling due within one year	10	1,029	526
Net current assets		9,311	6,155
Total assets less current liabilities		32,568	28,427
Creditors: amounts falling due after one year	11	–	9
Net assets		32,568	28,418
Capital and reserves			
Called up share capital	13	10,586	8,728
Share premium account	12	29,458	25,360
Warrant reserve	12	370	361
Profit and loss account	12	(7,846)	(6,031)
Shareholders' funds	13	32,568	28,418

* Restated for correction of share issue costs (see note 2).

The financial statements were approved by the Board of Directors and authorised for issue on 29 April 2008.

J. W. Moore
Director

M. Motabar
Director

Notes forming part of the financial statements for the year ended 31 December 2007

1 Corporate Information

Antonov plc is a public limited liability company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is 2 Hawkes Drive, Heathcote Industrial Estate, Warwick, Warwickshire CV34 6LX. Antonov's shares are publicly traded on AIM (The Alternative Investment Market of the London Stock Exchange) with a secondary listing on Euronext Amsterdam.

2 Basis of preparation and statement of compliance

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2007.

The parent company financial statements of Antonov plc have been prepared in accordance with UK GAAP.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated below, and are presented in sterling.

Going concern

The accounts have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

At 31 December 2007, the Company had cash of £19k (2006: £119k) and an undrawn committed borrowing facility in respect of convertible loan notes of €2,100k, approximately £1,510k (2006: £2,000k) and €15,100k, approximately £11,103k from a committed share finance facility agreement (2006: £4,200k). Since 31 December 2007 the Company has received £288k from ordinary share warrants that have been exercised and £1,360k from the share finance facility agreement. The directors are of the opinion that the working capital now available to the Company is sufficient for its foreseeable requirements. The directors therefore consider that it is appropriate for the accounts to be prepared on a going concern basis.

Prior year adjustment

In preparing the financial statements for the current year the Company identified £269k of share issue costs that had been charged to the income statement in the prior year as opposed to being charged to the share premium account. This has resulted in a prior year adjustment for the Company. The finance income in the prior year has increased by £269k and consequently the loss for the prior year has decreased by £269k. There is no impact on total equity.

3 Significant accounting estimates

The key source of estimation uncertainty that has a significant risk of causing material adjustment to the carrying amounts of liabilities within the next financial year is the estimation of share-based payment costs. The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest and the continuing participation of employees (see note 28 of the Group accounts).

4 Accounting policies

The following principal accounting policies have been applied consistently in the preparation of these financial statements:

Revenue

Revenue represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Revenue is accrued when it can be recognised but has not been invoiced.

Revenue is deferred on the above elements when it has not been recognised but the invoice has been raised.

Revenue relating to contracts with multiple elements is allocated based on the fair value of each element and is recognised in accordance with the accounting principles for each element described above.

Foreign currencies

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rate ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

The functional currency and the presentational currency of the Company is sterling.

Notes forming part of the financial statements continued

4 Accounting policies (continued)

Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all other items of property, plant and equipment to write off the cost, less estimated residual value, based on prices prevailing at the balance sheet date, evenly over their expected useful economic lives as follows:

	Useful economic life	Amortisation method
Motor vehicles	Three years	Straight line basis
Equipment	Three years	Straight line basis

Impairment of assets

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value is not recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Income tax

The tax expense represents the sum of the tax currently payable and deferred tax, together with research and development tax credits received.

Income tax is charged to equity or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised on all temporary differences arising between the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill amortisation which is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deductible temporary difference arises on share-based payments calculated as the difference between the tax base of the remuneration expense (being the option's intrinsic value at its future exercise date) and its carrying value of nil on the balance sheet. This gives rise to a deferred tax asset. As the tax deduction is based on the unknown future share price at the date of exercise, the tax base is estimated on the basis of the entity's share price at each balance sheet date. Where this amount exceeds the cumulative amount of the remuneration expense on equity-settled transactions recognised in the income statement and credited to equity, the excess deferred tax is recognised in equity in accordance with the principle that the tax follows the item. The deferred tax effects of cash settled transactions are always recognised in the income statement.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method where the true value of money is material. Appropriate allowances for estimating irrecoverable amounts are recognised in the Income Statement when there is evidence that the asset is impaired. This impairment would be recognised within administrative expenses.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

4 Accounting policies (continued)

Share-based payments – equity settled transactions

Where share options are awarded to employees, the cost is measured by reference to the fair value of the options at the date of grant and is charged to the income statement over the vesting period. Fair value is determined by an external valuer using an appropriate pricing model. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. No reduction is recognised if the fair value decreases. Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Retirement benefit costs

The Company does not have a pension scheme for employees.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an “operating lease”), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

Financial assets

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at amortised cost using the effective interest method if the time value of money is significant less any provision for impairment.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The carrying amount of the equity component is not re-measured in subsequent years.

Financial liabilities

Trade payables: Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Warrants: Where warrants are denominated in the functional currency of the parent entity, sterling, with a fixed price, they are treated as equity.

Where instruments are denominated in a currency other than the functional currency of the entity, they are considered to have a variable price and as such are recorded as a liability at fair value, with any movements on subsequent measurement through the income statement.

The warrants have been valued using an option pricing model. The model takes into account the risk free interest rate for the life of the option, the exercise price of the option, the current price of the underlying shares, the life of the option, the expected volatility of the option and any market based vesting conditions.

Other financial liabilities: These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently re-measured at amortised cost using the effective interest method.

Notes forming part of the financial statements continued

5 Loss for the financial year

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account and in these financial statements. The Group loss for the year includes a loss after tax of £2,037k (2006: £385k – restated) which is dealt with in the financial statements of the parent company.

6 Employees

The average number of employees (including directors) during the year was as follows:

	2007 number	2006 number
Product development	1	1
Administration	4	4
	5	5

7 Tangible assets

	Plant and equipment £'000
Cost	
At 1 January 2007	51
Additions	2
At 31 December 2007	53
Depreciation	
As at 1 January 2007	21
Charge for the year	17
At 31 December 2007	38
Net book value	
At 1 January 2007	30
At 31 December 2007	15

8 Investments in subsidiaries

	Group undertakings £'000	Total £'000
At 1 January 2007	22,242	22,242
Additions	1,000	1,000
At 31 December 2007	23,242	23,242

Subsidiary undertakings

The principal undertakings in which the Company's interest at the year end is 20% or more are presented in the Group financial statements.

9 Debtors

Amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed by related undertaking	1,008	6,412
Other debtors and prepayments	613	70
	1,621	6,482

Amounts falling due after one year

	2007 £'000	2006 £'000
Amounts owed by related undertaking	8,700	–

10 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	174	114
Other creditors and accruals	855	412
	1,029	526

11 Creditors: amounts falling due after one year

	2007 £'000	2006 £'000
Other creditors – Euro warrants	–	9
	–	9

12 Reserves

	Restated* share premium account £000	Warrant reserve £000	Restated* profit and loss account £000
At 1 January 2006	20,467	–	(5,717)
Issue of shares	5,162	–	–
Loss for the year – as restated	–	–	(385)
Share issue costs – as restated	(269)	–	–
Share-based payment	–	–	71
Movement on exchange of warrants	–	361	–
At 31 December 2006 (as restated)	25,360	361	(6,031)
Issue of shares	4,582	–	–
Loss for the year	–	–	(2,037)
Share issue costs	(484)	–	–
Share-based payment	–	–	222
Movement on exchange of warrants	–	9	–
At 31 December 2007	29,458	370	(7,846)

* Restated for correction of share issue costs (see note 2).

13 Reconciliation of movements in shareholders' funds

	Share capital £000	Restated* share premium £000	Restated* retained losses £000	Warrant reserve £000	Total shareholders funds £000
Changes in shareholders funds for 2006					
Balance at 1 January 2006	6,163	20,467	(5,717)	–	20,913
Loss for the year – as restated	–	–	(385)	–	(385)
Share issue costs – as restated	–	(269)	–	–	(269)
Share-based payment	–	–	71	–	71
Movement on exchange of warrants	–	–	–	361	361
Increase in share capital	2,565	5,162	–	–	7,727
Balance at 31 December 2006 as restated	8,728	25,360	(6,031)	361	28,418
Loss for the year	–	–	(2,037)	–	(2,037)
Share issue costs	–	(484)	–	–	(484)
Share-based payment	–	–	222	–	222
Movement on exchange of warrants	–	–	–	9	9
Increase in share capital	1,858	4,582	–	–	6,440
Balance at 31 December 2007	10,586	29,458	(7,846)	370	32,568

* Restated for correction of share issue costs (see note 2).

Notes forming part of the financial statements continued

14 Leases

The minimum total of future lease payments due are as follows:

	2007 £'000	2006 £'000
Not later than one year	4	–
Later than one and not later than five years	7	–
	21	–

15 Contingent liabilities

There are no contingent liabilities to report for the year.

Group five year record

	2007 IFRS £'000	Restated* 2006 IFRS £'000	2005 IFRS £'000	2004 UK GAAP £'000	2003 UK GAAP £'000
Revenue	771	11	75	–	–
Loss from operations	(3,935)	(4,083)	(3,794)	(3,109)	(2,142)
Loss before tax	(3,964)	(3,158)	(5,590)	(3,122)	(2,134)
Loss for the year	(4,073)	(3,396)	(5,218)	(3,173)	(2,162)
Loss per share	(8.5p)	(9.5p)	(17.3p)	(11.7p)	(8.3p)

* Restated for correction of share issue costs (see note 2).

Notes

Company information and advisors

Country of incorporation of parent company

Great Britain

Legal form

Public limited company

Company number

03003533

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester M2 3EY

Directors

Roumen Antonov – (Resigned 2 April 2007)
David Alan Bovell – (Resigned 2 April 2007)
Jan Eeuwe Haag – Non-executive Director
Peter Nicholas Lancashire Logsdon – (Resigned 24 July 2007)
John Westwood Moore – Chief Executive Officer
Christopher Graham Ross FR Eng – Non-executive Director and Chairman
Mohammad Motabar – Chief Financial Officer

Secretary and registered office

Sam Alexander – Company Secretary
Antonov plc
2 Hawkes Drive
Heathcote Industrial Estate
Warwick
Warwickshire
CV34 6LX

