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The whole text of the document should be read, but your attention is, in particular, drawn to the section entitled “Risk Factors” on pages 10 to 13 of this document.

A copy of this document, which comprises a prospectus relating to the Company, prepared in accordance with the Prospectus Rules made under Section 84 of the Financial Services and Markets Act 2000, has been made available to the public as required by the Prospectus Rules. This document has been approved by the Financial Services Authority under sections 87A-D of the Financial Services and Market Act 2000.

Application will be made for admission and listing of the Listing Shares and Listed Warrants, which are currently admitted to trading on AIM, to be admitted to trading on Eurolist by Euronext Amsterdam. It is expected that Admission will become effective and that dealings in the Listing Shares and Listed Warrants will commence on Eurolist by Euronext Amsterdam on 13 March 2007. It is emphasised that no application is being made for admission of these securities to the Official List.

The Company and the Directors, whose names appear on page 14, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Antonov plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 3003533)

Admission of Listing Shares and Listed Warrants to trading on Eurolist by Euronext Amsterdam

Financial Adviser
Dawnay, Day
Corporate Finance Limited

This document does not constitute an offer to sell, or a solicitation of an offer to buy, Shares or warrants in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The Listing Shares and Listed Warrants have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America or any province or territory of Canada, Australia, South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Listing Shares and Listed Warrants may not, subject to certain exceptions, be offered or sold, directly or indirectly in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan.

Dawnay, Day is authorised and regulated in the United Kingdom by the FSA and is acting exclusively for the Company and no one else in connection with Admission. Dawnay, Day will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Dawnay, Day nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it.

In line with the regulations of Euronext Amsterdam, SNS Securities N.V. assumes the role of listing agent (the “Listing Agent”) to this transaction in due observance of the applicable regulations of Euronext Amsterdam (including rule 6204 Rulebook I, Euronext Notice N6-01, and Rule A 2701/2 of the local Rulebook II).

Investors are being advised that as of 1 July 2005 listing agents are not obliged by law or by Euronext Amsterdam to perform any kind of due diligence investigation and/or to verify the accuracy and completeness of the information contained in a prospectus. Consequently, SNS Securities has not performed a due diligence investigation and did not verify the information contained in this document, nor did SNS Securities have any role in drafting this document.

No liability whatsoever is accepted by Dawnay, Day for the accuracy of any information or opinions contained in this document or for the omissions of any material information, for which it is not responsible. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

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PART 1

SUMMARY

THE FOLLOWING SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS DOCUMENT.

Any decision to invest in the Listing Shares and Listed Warrants should be based on a consideration of this document as a whole. Where a claim relating to the information contained in this document is brought before a court, a plaintiff might, under the national legislation of the EEA States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

ADMISSION TO EUROLIST BY EURONEXT AMSTERDAM

The Purpose of this document is to admit the Listing Shares and Listed Warrants to trading on Eurolist by Euronext Amsterdam. The Company is seeking the Admission to Eurolist by Euronext Amsterdam for both the Listing Shares and the Listed Warrants due to the local presence of many Shareholders and Warrantholders in the Netherlands. Further information on the Listed Warrants is contained in Part 6 of this document.

INFORMATION ON ANTONOV PLC

Introduction

The Antonov Group has developed a range of technologies in power transmission systems, and have two commercial programmes underway.

History

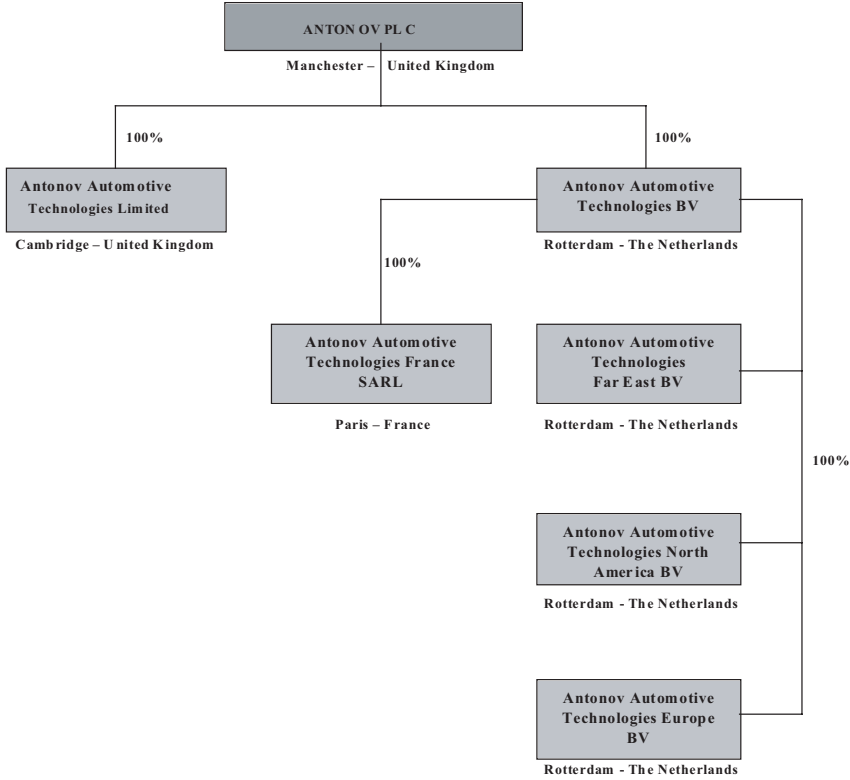
Antonov Automotive Technologies BV was founded in 1991 to exploit various inventions made within the automatic transmission field.

By the end of 1991, the Company had retrofitted two demonstration vehicles with the 3-speed Antonov Mechanical Module and a motorcycle wet clutch. This led to the development of the 6-speed Antonov Automatic Drive and the Antonov Dual Clutch.

Antonov now has 17 employees with a commercial office based in Thetford, England and design and testing facilities in Paris, France. The Group's holding company Antonov plc, was listed on the London Stock Exchange in 1995 and on the Amsterdam Stock Exchange in 1997.

Operational Structure

The current operational structure within the Group is as follows:



Antonov plc – holding company

Antonov Automotive Technologies Limited – Group administration, sales & marketing, contract management and product strategy

Antonov Automotive Technologies BV – and its Dutch subsidiaries – Intellectual property custody, management and licensing

Antonov Automotive Technologies France SARL – Engineering support for Group including Innovation and Product Development

Transmission Fundamentals

Every motor vehicle needs some form of transmission to take output from the power unit to the driven wheels and allow the vehicle to come to a standstill without stopping the engine. The former is solved using a gearbox, the latter with a clutch.

The gearbox

Gearboxes are required to allow a motor greater scope of speed and for managing the relationship between speed and power.

Automatic transmissions

Developed to relieve the driver of the task of changing gears, General Motors began producing Hydramatic automatic transmissions in 1940, and they made a real breakthrough during the war by adapting a hydrodynamic torque convertor to an automatic gearbox.

Patents

The Group's strategy is to license its technology and the Directors have recognised the need for comprehensive patent protection of the Antonov transmission concept. Through the Group's patents the Directors are confident the intellectual property of the Group is adequately protected.

The Antonov Technology Portfolio

The Company has three "families" of innovative transmission products, which are explained further below.

The Antonov automatic drive (AAD)

The AAD is an innovative automatic transmission employing planetary gears in a kinematics scheme using parallel transfers of power. Antonov developed its first 6-speed planetary automatic transmission in 1996.

Antonov dual clutch automatic (DCA)

Dual clutch transmissions, like manual transmissions, can apply any steps in ratio between any speed and with any overall ratio, which makes them applicable to a wide variety of vehicles. Antonov has now created a new DCA concept, based on proprietary kinematics, which is both lighter and smaller than existing dual clutch competitors.

The Antonov mechanical module (AMM)

Antonov has developed a family of 2, 3 and 4-speed small mechanical gearboxes for applications ranging from auxiliary drives to transmissions for low cost vehicles.

Possible applications range from optimising an engine supercharger for a car or boat, to improving compressor drives, as well as for transmissions on recreational vehicles.

Antonov Strategy

Commercial programmes

The Group is currently executing two commercial programmes:

TX6 transmission

In December 2005, Antonov granted an option, to Great Wall Motors, to acquire a production licence for a new 6 speed automatic transmission based on Antonov's AAD technology. This Option has expired but Antonov have continued the TX6 Programme while seeking alternative licensees and have exchanged Heads of Agreement with Zhejiang Geeley Automobile Gearbox Co.

The AR2 supercharger drive

In co-operation with Rotrex A/S, Antonov has developed a compact auto-shifting 2 speed drive unit based on the AMM technology. The main purpose of the programme however is not directly commercial, but rather to prove the capability of the AMM technology in an automotive application. This is a key part of the strategy to seek applications to license the AMM technology for high volume automotive applications.

Opportunities

In addition to the live programmes under its strategy, Antonov has a number of programme opportunities that in the opinion of the Board have significant commercial potential. However, in order to progress these, the Group will require further working capital and investment.

6 Speed AAD transmission for additional clients

Antonov is actively seeking further licensees for the AAD technology.

Dual clutch transmission

This is still regarded as an opportunity but currently minimal investment is being made in the technology until a committed licensee is identified.

AMM front end accessory drive

In 2004, Antonov first assessed the benefits of a two speed drive unit fitted to the front of the engine to drive the front end accessories (FEAD) comprising the alternator, water pump and air conditioning pump. The driver for this technology is primarily efficiency. A study commissioned by Antonov has shown the potential for up to 5 per cent. saving in fuel consumption. There are also secondary benefits in the ability to specify smaller auxiliary units and enabling the engine to operate at a lower idle speed.

Antonov is in discussion with potential development partners and hopes to initiate a demonstrator programme during 2006.

AMM low cost vehicle transmission

A new application for this transmission has emerged in the form of ultra low cost vehicles for the developing world, the simplest European or Asian car is much too complex and expensive for this market. However, there is a real benefit to have 4 wheeled transport and it is thought that a number of the major car companies are now planning ultra low cost cars to meet this need. The Antonov transmission is well matched to this application.

Further opportunities

There are a range of further opportunities, but the Board intends to maintain focus on a small number of applications to balance the benefit of a range of applications against the risk of trying to run too many programmes to ensure that they are done well.

Transmission Markets

The automotive industry is dominated by multinational auto makers, known as original-equipment manufacturers or OEMs. Whether they make transmissions themselves or outsource them, the OEMs control the entire transmission industry by specifying which transmissions will be installed onto vehicles. As every motor vehicle has some form of transmission, the overall size of the transmission market is ultimately determined by the size of the new vehicle market.

Over the past five decades the automatic transmission has become the dominant transmission in new vehicles in North America and Japan. The conventional automatic has achieved this despite being less fuel efficient than its manual equivalent. However, manual gearboxes still occupy a predominant position in Europe.

Competition

Antonov's principal competition remains those technologies that can also deliver significant improvements in fuel economy, ease and cost of manufacture and reduce overall weight, an important contributor to improved fuel economy. Set out below are the transmission technologies and companies that, in the Board's opinion, offer a competitive technology to the AAD and DCA:

- Manual Transmissions,
- Conventional Automatic Transmissions,
- Other Automatic Transmissions including : CVT, IVT, AMT
- Other Driveline Systems including : Electric Traction Systems, Hybrid Electric Drive Systems

Licensees and strategic partners

The Board has sought strategic partners to accelerate the adoption of its revolutionary transmission technologies.

Current Trading and Prospects

Due to the non-cyclical nature of the Company's business, the Directors believe that there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's business prospects for at least the current financial year.

As at the date of this document the Company is currently executing two production programmes, the Six Speed Automatic and the 2 speed mechanical module with the Rotrex supercharger. It has a range of further programme opportunities at various stages in the pipeline and it will be initiating further programmes as they mature.

6 Speed Automatic

Antonov is working to set up a production programme to deliver a family of small automatic transmissions for transverse 2 and 4 wheel drive passenger cars. This will be a six speed electronically controlled transmission with a wet-clutch start from rest system. The Directors believe this will provide excellent performance and driveline efficiency. On 14 January 2007 Antonov signed a Production Licence Agreement with Zhejiang Greely Automobile Gearbox Co.

2 Speed Supercharger Drive

The supercharger drive system has been developed for low volume manufacture by Antonov. This has been designed to operate with Rotrex superchargers and has been developed with Rotrex's cooperation. NZWL has been selected as the manufacturing partner. Sales will be managed through distributors in both the USA and Europe, but the lead distributor is Wheel to Wheel Powertrain LLC based in Michigan.

In addition, on 29 November 2006, the Company signed a Distribution Agreement with Emporio International Sarl ("Emporio") giving it the exclusive right to distribute and commercialise the Company's AMM technology in the German market which Emporio will do through a fully owned German subsidiary (GmbH). The agreement covers the resale of the Company's 2 Speed Supercharger Drive system to tuning companies and dealers and a sales agreement for Emporio to seek licensees for this and other AMM applications such as the 2 speed Front End Accessory Drive.

The supercharger drive first production units are currently undergoing proof testing and vehicle application work has been undertaken to generate kits for sale.

Although the Directors believe that this programme should generate revenue for Antonov, its main purpose is strategic, as it allows Antonov to demonstrate the mechanical module in production, which may lead to further high volume opportunities.

Production Programme Opportunities

The Board expects each of the following opportunities to be converted to a programme in the next 12 to 18 months. In all cases Antonov has a number of potential interested parties with the relationship at stages from initial discussions through to specific programme plans.

All these programme plans are dependent on gaining commitment from a client. Antonov does not intend to make investments in these programmes until a financial commitment is made by a client with the capability to take the product to volume production.

2 Speed Front End Accessory Drive

2 Speed Auxiliary Drive – the use of a 2 speed pulley to drive the front end accessories can improve vehicle fuel consumption by up to 5%. Antonov has a number of interested Tier 1 manufacturers and plans to initiate this as a programme later in 2006. This will design and build units to demonstrate the real world benefits and seek initial production applications from vehicle makers.

4 Speed Mechanical Module Transmission for low cost cars

In 2001, Antonov developed a simple 4 speed automatic for passenger cars and demonstrated it. Although this did not meet the requirements for a high specification car, there is now growing interest

in it for emerging markets low cost vehicles. The Board expects to initiate a programme during 2007 to build a demonstration unit for a simple 600cc car, based on the last unit built in 2001. This will be used by a client to market the low cost transmission concept to a range of vehicle makers.

During 2006 expenditure on the development projects associated with the 2-speed supercharger drive and the 6-speed automatic transmission have increased. This will be reflected in the level of capitalised development costs in the second half of 2006.

The key financial information on the Group set out below has been extracted without adjustment from the audited result of Antonov for the years ended 31 December 2003, 31 December 2004, 31 December 2005 and the unaudited interim results for the six months ended 30 June 2006.

Financial Highlights

	Year ended 31 December			Six months ended
	2003 (UK GAAP) £'000	2004 (IFRS) £'000	2005 (IFRS) £'000	30 June 2006 (IFRS) £'000
Turnover	–	–	75	14
Cost of sales	–	–	–	–
Gross profit	–	–	75	14
Loss from operations	(2,142)	(3,109)	(3,794)	(1,350)
Loss before taxation	(2,134)	(3,122)	(5,590)	395
Tax credit/(charge)	(28)	(51)	372	(301)
Loss for the year	(2,162)	(3,173)	(5,218)	94
Total assets	1,992	2,109	2,941	3,210
Loss per share – Basic and diluted	8.3p	11.7p	17.3p	0.01p

Extraordinary general meeting

An extraordinary general meeting of the Company was convened for 10.00 a.m. on 18 December 2006 (the “EGM”). At the EGM, resolutions of the Company were proposed in relation to, *inter alia*, section 80 and section 95(1) of the Act to exercise all the powers of the Company to allot relevant securities to be issued in connection with the Share Finance Facility Agreement entered into on 2 September 2006 with Quivest B.V., providing the Group with €8 million of further funding.

The Group’s Funding Facilities

The Group’s move towards commercialisation has been enabled by the funding facilities put in place by the Directors. The Group has secured a number of funding facilities allowing the Group to move towards commercialisation.

At the date of this document the Group had the following committed funding facilities available for drawdown:

- €0.1 million from the €6.75 million June 2005 facility;
- €2.8 million from the €3.6 million July 2006 facility; and
- €1.8 million from the €4 million September 2006 share finance facility.

The Group has an option for a further €4 million pursuant to the September 2006 share finance facility.

Risk Factors

An investment in the Shares is subject to a number of risks which could materially and adversely affect the Company's business, financial condition or results of operations, certain of which are highlighted below:

- ***No long term product supply arrangements*** – The Company relies upon its suppliers and problems experienced by such a party could have a material adverse effect on the Company.
- ***Competition*** – Competitors may be able to develop more efficient technologies than, or may produce products superior to, those of the Group.
- ***Dependence on limited product line and limited design and services*** – The Company offers limited products and therefore needs to pursue commercial opportunities in relation to these, if it is not successful in this strategy its ability to produce profits will be restricted.
- ***Product risk*** – fundamental technical problems may be encountered
- ***Proprietary technology and unpredictability of patent protection*** – The Group's products and services are highly dependent upon its technology, the Group relies on patents, copyrights and trade secret laws, as well as customer licensing arrangements.
- ***Changing technology*** – future changes in technology could make the market for the Company's products redundant.
- ***The Company's objectives may not be fulfilled*** – there can be no guarantee that the Company will achieve its objectives
- ***Early stage of commercialisation and continuing losses*** – the Company has incurred net losses to date, there can be no guarantee that it will ever produce significant revenues.
- ***Attraction and retention of key employees*** – the Group depends on members of its senior management team, the retention of their services cannot be guaranteed.
- ***Dependence on sales and marketing and engineering*** – The Group has limited staff, therefore larger Companies have a competitive advantage.
- ***Capital*** – The Company may need to raise further capital, there can be no guarantee that it would succeed.
- ***Risks relating to the Listing Shares and the Listed Warrants*** – The market value of the Listing Shares and Listed Warrants may go down as well as up. An investment in a share which is traded on a public market such as AIM or Euronext may be difficult to realise and carries a high degree of risk, subsequently he/she may lose all of his/her investment.

PART 2

RISK FACTORS

An investment in the Listing Shares and Listed Warrants involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Listing Shares and Listed Warrants. The risks and uncertainties described below, which are not set out in any particular order of priority, are the material risk factors facing the Group, which are currently known to the Directors. Additional risks and uncertainties not presently known or which are currently deemed immaterial may also have a material adverse effect on the Group's business, financial condition and operational performance.

Before deciding whether to make an investment in the Listing Shares and Listed Warrants, prospective investors should carefully consider all the information in this document, including the risks described below. If any or a combination of the following risks materialise, the Group's business, financial condition and operational performance could be materially and adversely affected to the detriment of the Group and its shareholders. In this event, the price of the Listing Shares and Listed Warrants could decline and investors may lose all or part of their investment.

An investment in the Listing Shares and Listed Warrants may not be suitable for all of its recipients. Before making an investment decision, prospective investors should consult an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

There are various risks and other factors associated with an investment in the Company. In particular:

Risks relating to the Group

No long term product supply arrangements

The Company does not have the ability or resource to manufacture or assemble products based on its designs. Whilst the manufacture and assembly of certain products based on the Company's designs can be and is being outsourced, most products based on the Company's designs will be dependent on adoption and subsequent manufacture and assembly by major OEMs. To the extent that the Company may become dependent on a single party to manufacture and assemble its products, the possibility exists that problems experienced by such a party could have a material adverse affect on the Company.

Competition

Larger automotive related companies are better placed and better resourced than the Company. 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 than, or may produce products superior to those of the Group.

Dependence on limited product line and limited design and services

The Company has a limited product line and offers a limited design and support service to its customers. The Company therefore needs to pursue actively commercial opportunities in relation to its technology. If the Company is not successful in this strategy, its ability to generate revenues and, in time, profits will be restricted.

Product risk

There can be no assurance that unforeseen fundamental technical problems will not be encountered in carrying out further development work and volume production engineering of the Company's products.

Proprietary technology and unpredictability of patent protection

The Group's products and services are highly dependent upon its technology and the scope and limitations of its proprietary rights therein. In order to protect its technology, the Group relies on a combination of patents, copyrights and trade secret laws, as well as customer licensing arrangements. If the Company's assertion of proprietary rights is held to be invalid or if another party's use of the Group's technology were to occur to any substantial degree, the Group's business, financial condition and operational performance could be materially adversely affected.

The Group's success will also depend on its ability to defend existing patents, and obtain further patent protection for its technology. There can be no assurance that the Group's patents can be used to protect the Group successfully against the unauthorised use of its technology by others or fully compensate the Group for such unauthorised use. Furthermore, there can be no assurance that patent applications which Group companies have made or will make, will be granted, or if granted will offer the Group the required protection. And there can be no assurance that the Group's technologies and any new products under development by the Group will not infringe the patents or other intellectual property rights of others. Other persons could bring legal actions against the Group claiming damages. There can be no assurance that the Group would prevail in any action, and if it becomes involved in litigation, the litigation could consume a substantial portion of the Group's resources. There is also no assurance that the Group can meaningfully protect its rights to unpatented proprietary technology or that others will not independently develop substantially equivalent or superior technology. If the Group is unable to obtain patent protection for its new products, competitors may be able to market competing products. Although the Group has entered into confidentiality agreements with its consultants, representatives and certain of its employees, there can be no assurance that the confidentiality of trade secrets and proprietary know-how will be preserved or that similar trade secrets or proprietary know-how will not be independently developed by others.

Changing technology

The Company is exposed to future changes in technology which may make the market for products based on its particular designs products less effective, or at worst redundant.

The Company's objectives may not be fulfilled

The value of an investment in the Company is dependent upon the Company achieving the strategy and aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects.

Early stage of commercialisation and continuing losses

The Company is at an early stage in the commercialisation and marketing of its products. The Group has incurred net losses to date. These losses have arisen mainly from the costs incurred in the research and development of the Antonov transmission technology and from general administrative costs. There can be no assurance that the Group will ever achieve significant revenues or profitable operations. The Group's success will depend on the sale of licences of its technology. However, there can be no assurance that manufacturers will buy licences or that where licences have been granted a licensor will be successful in marketing the technology and generating revenue.

Attraction and retention of key employees

The Group depends on members of its senior technical and management team. Whilst it has entered into contractual arrangements with the aim of securing the services of each of its key personnel, the retention of their services cannot be guaranteed. Whilst the Group is not dependent on any one key employee, the loss of two or more at any particular time could be seriously detrimental to the Group's prospects.

Finding and hiring replacements for its senior technical and management team could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact the Group's financial results.

The Group's success depends upon its ability to attract and motivate highly skilled technical, managerial, marketing, sales and client support personnel. Because competition to attract such

personnel is intense in both the industries and in the localities in which the Group is based or operating, the Group may experience difficulty in attracting, integrating or retaining the number of qualified personnel needed to implement successfully its business strategy. If the Company is delayed in recruiting key employees, it may be forced to incur significant additional recruitment, compensation and relocation expenses. If it is unable to hire and retain such personnel in the future, the Group may not be able to operate its business as it does today or meet the needs of its customers or enter new market areas or introduce new products.

Dependence on sales and marketing and engineering

The Group has a limited number of sales, marketing and engineering staff and, therefore, larger companies with a bigger workforce generally have a competitive advantage. The Group has plans to increase its sales and marketing team but there is no guarantee that these plans would be successful in increasing business opportunities.

Capital

Historically, the Company has consistently funded Group operations through a series of small fundraisings. There can be no assurance that the Company will be able to continue to raise sufficient capital to meet the Group's development plans and/or cover further net losses of the Group. Although the Company is of the opinion the Group has sufficient working capital for its present requirements, that is at least 12 months from the date of this document.

Also, if the Company raises funds by issuing additional Ordinary Shares or debt securities convertible into Ordinary Shares, its Shareholders will experience dilution, which may be significant, to their ownership interest in the Company. If the Company raises funds by issuing shares of a different class or by issuing debt, the holders of such different classes of shares or debt securities may have rights senior to the rights of Shareholders.

The Company may need to raise additional capital in the future to fund the expansion of the Group's business, or to acquire or invest in complementary businesses, technologies or services. If additional financing is not available, or available only on terms that are not acceptable to the Company, it may be unable to fund the development and expansion of the Group's business, attract qualified, skilled personnel, promote its brand name, take advantage of business opportunities or respond to competitive pressures. Any of these events may harm the Group's business.

Risks relating to the Listing Shares and the Listed Warrants

The price of Listing Shares and Listed Warrants is likely to be volatile and subject to fluctuations. The trading prices of many companies in the same sector have been highly volatile. Accordingly, the market price of the Listing Shares and Listed Warrants may also be subject to wide fluctuations. As the Listing Shares and Listed Warrants are already traded on AIM, information about their past performance can be obtained from the London Stock Exchange.

If the Group's revenues do not grow, or grow slower than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Listing Shares and Listed Warrants may decline. In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Listing Shares and Listed Warrants may fall for reasons unrelated to the Company's business, financial condition or operational performance.

The market for the Listing Shares and Listed Warrants will be informed, in part, by the research and reports that industry or financial analysts publish about the Group or its business. The Company does not control these analysts. If one or more of the analysts who cover the Group downgrades the Listing Shares and Listed Warrants, their price could decline rapidly. If one or more of these analysts ceases coverage of the Group, it could lose visibility in the market, which in turn could cause the price of Listing Shares and Listed Warrants to decline or experience significant volatility.

Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on a public market such as AIM or Euronext, such as

the Listing Shares and Listed Warrants, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Listing Shares and Listed Warrants will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all his/her investment.

Listed Warrants

The Listed Warrants were constituted by an instrument by way of a deed poll (the “Listed Warrant Instrument”) dated 8 June 2005. Potential investors should read and understand the provisions of the Listed Warrant Instrument, as detailed in Part 6 of this document, prior to purchasing the Listed Warrants. In particular, potential investors should be aware of the subscription period for the Listed Warrants. Failure of a Warrantholder to exercise their subscription right within the subscription period will render the Listed Warrants worthless.

PART 3

DIRECTORS, SECRETARY AND ADVISERS

Directors	Christopher Graham Ross FR Eng (<i>Non-executive Chairman</i>) John Westwood Moore (<i>Chief Executive Officer</i>) Peter Nicholas Lancashire Logsdon (<i>Chief Financial Officer</i>) Roumen Antonov (<i>Deputy Chairman and Technical Director</i>) David Alan Bovell (<i>Non-executive Director</i>) Jan Euwe Haag (<i>Non-executive Director</i>) All of the Company's Registered Office
Company Secretary and Registered Office	Nigel William Brown St James's Court Brown Street Manchester M2 2JF
Principal place of Business of the Company	Keystone Innovation Centre Croxton Road Thetford IP24 1JD
ISIN Codes	Ordinary Shares: GB00B03THB32 Listed Warrants: GB00B08H5305
Euronext Fondscodes	Ordinary Shares: 43072 Listed Warrants: 29335
Financial Adviser	Dawnay, Day Corporate Finance Limited 15 Grosvenor Gardens London SW1W 0BD
Listing Agent Euronext	SNS Securities N.V. Nieuwezijds Voorburgwal 162 P.O. Box 235 1000 AE Amsterdam The Netherlands
Auditors and Reporting Accountants	Ernst & Young LLP (A member of ICAS) 100 Barbirolli Square Manchester M2 3EY
Solicitors to the Company	Halliwells LLP St. James's Court Brown Street Manchester M2 2JF
Solicitors to the Financial Adviser	Olswang 90 High Holborn London WC1V 6XX
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART 4

ADMISSION AND LISTING ON EUROLIST BY EURONEXT AMSTERDAM

The purpose of this document is to admit the Listing Shares (as detailed below) and Listed Warrants to trading on Eurolist by Euronext Amsterdam. The expected timetable of principle events is as follows:

Publication of this document	6 March 2007
Dealings commence in the Listing Shares on Eurolist by Euronext Amsterdam from 9.00 a.m. on,	13 March 2007
Dealings commence in the Listed Warrants on Eurolist by Euronext Amsterdam from 9.00 a.m. on,	13 March 2007

The Company will make an application to Euronext for Admission to trading of the Listing Shares and Listed Warrants as detailed below. The Company is seeking the Admission to Eurolist by Euronext Amsterdam for both the Listing Shares and the Listed Warrants due to the local presence of many Shareholders and Warrantholders in the Netherlands.

The Ordinary Shares are admitted to trading on AIM and with the exception of the Listing Shares have been listed on Eurolist by Euronext Amsterdam. The Listing Shares are identical to the Ordinary Shares and will be traded under the same ISIN code GB00B03THB32 and Fondscode 43072. Furthermore the Listing Shares will become accepted for clearance through the book-entry facilities of Euroclear Netherlands and Crest.

The Listed Warrants will be listed on Eurolist by Euronext Amsterdam under Fondscode 29335. These Listed Warrants will be identical to the Listed Warrants traded on the AIM under ISIN code GB00B08H5305. Furthermore, the Listed Warrants will become accepted for clearance through the book-entry facilities of Euroclear Netherlands and Crest.

The Listing Shares detailed below have been admitted to trading on AIM and the Company now seeks for the Listing Shares to be admitted to trading on Eurolist by Euronext Amsterdam.

<i>Date of issue</i>	<i>Type of issue</i>	<i>Issue price per Share</i>	<i>Number of Shares issued</i>
11 April 2003	Placing under general authority to allot shares	£0.24	4,753,161
12 May 2003	Placing under general authority to allot shares	£0.24	525,000
3 March 2004	Exercise of warrants	£0.30	500,000
10 March 2004	Exercise of warrants	£0.45	500,000
1 June 2004	Executive Directors Bonus Scheme	£0.27	53,300
24 June 2004	Placing under general authority to allot shares	£0.24	153,733
8 September 2004	Conversion of loan facility	£0.30	4,166,667
13 September 2004	Placing under general authority to allot shares	£0.45	800,000
9 November 2004	Placing under general authority to allot shares	£0.50	1,550,000
13 December 2004	Placing under general authority to allot shares	£0.50	500,000
4 March 2005	Placing under general authority to allot shares	€1.734	34,602*
10 March 2005	Placing under general authority to allot shares	€2.00	62,500*
25 May 2005	Executive Directors Bonus Scheme	€2.11	50,000*
26 July 2005	Placing under general authority to allot shares	€1.5732	216,930*
1 September 2005	Conversion of loan facility	€1.20 – €1.62	791,331*
11 October 2005	Conversion of loan facility/placing under general authority to allot	€1.43 – €1.65	800,764*
1 December 2005	Conversion of loan facility/exercise of warrants	€1.20 – €1.56	471,637*
5 January 2006	Conversion of loan facility/exercise of warrants	€1.20 – €1.95	370,301*
13 January 2006	Placing under general authority to allot shares**	€1.20 – €1.95	74,526*
3 February 2006	Conversion of loan facility/exercise of warrants	€1.20 – €1.71	366,959*
10 March 2006	Conversion of loan facility	€1.54	259,969*

<i>Date of issue</i>	<i>Type of issue</i>	<i>Issue price per Share</i>	<i>Number of Shares issued</i>
13 April 2006	Conversion of loan facility and placing under general authority to allot shares ¹	€1.49 – €1.58	178,655*
12 May 2006	Conversion of loan facility and exercise of warrants	€1.20 – €1.39	336,133*
19 June 2006	Conversion of loan facilities	€1.17 – €1.72	2,637,119*
13 July 2006	Conversion of loan facilities	€0.69	436,747*
28 July 2006	Placing under general authority	€0.50	180,000*
15 August 2006	Placing under general authority**	€0.42	85,449*
15 August 2006	Conversion of loan facilities	€1.20 – €1.36	285,049*
1 September 2006	Conversion of loan facilities	€0.67	628,437*
4 September 2006	Conversion of loan facilities	€1.60	52,280*
4 September 2006	Placing under general authority	€0.57	598,370*
8 September 2006	Conversion of loan facilities	€0.54 – €0.64	542,695*
14 September 2006	Placing under general authority	€0.60	2,000*
19 September 2006	Conversion of loan facilities	€0.57	526,316*
3 October 2006	Conversion of loan facilities	€0.50	595,829*
30 October 2006	Conversion of loan facilities	€0.45	895,857*
1 November 2006	Placing under general authority	€0.48	826,720*
3 November 2006	Placing under general authority	€0.62	483,870*
10 November 2006	Placing under general authority	€0.45	361,514*
17 November 2006	Placing under general authority	€0.60	666,667*
19 December 2006	Conversion of loan facilities	€0.63	258,716*
19 December 2006	Settlement of Creditor	€0.63	133,333*
20 December 2006	Placing under general authority	€0.99	404,040*
21 December 2006	Placing under general authority	€0.67	59,700*
21 December 2006	Placing under general authority	€0.67	80,000*
28 December 2006	Placing under general authority	€1.15	260,870*
28 December 2006	Conversion of loan facilities	€1.20	236,734*
15 January 2007	Exercise of warrants	£0.39	330,688*
19 January 2007	Exercise of warrants	£0.50	193,548*
26 January 2007	Placing under general authority	€1.50	279,441*
30 January 2007	Exercise of warrants	£0.49	266,667*
20 February 2007	Conversion of loan facilities	€1.37	307,467*
26 February 2007	Conversion of loan facilities	€1.40	222,905*

* These shares were issued following the share consolidation of 1 new ordinary share of 20p each for every 4 existing ordinary shares of 5p each effected on 26 November 2004.

** Placing under general authority to David Bovell in consideration for his services.

*** Placing under general authority to Christopher Ross, in lieu of part of his remuneration for 6 months ended 31 December 2006.

A total of 4,066,209 Listed Warrants have been admitted to AIM. The Company now seeks for these Listed Warrants to be admitted to trading on Eurolist by Euronext Amsterdam. The Listed Warrants will be accepted for clearance through the book entry facilities of Euroclear Netherlands and CREST. Further information on the Listed Warrants is contained in Part 6 of the document.

PART 5

INFORMATION ON ANTONOV PLC

1. Introduction

Antonov has developed a range of technologies in power transmission systems and is commercialising these, primarily in the automotive sector.

The Group has two commercial programmes underway, namely the application of its 6 speed automatic transmission to a range of small cars and the sale of a two speed drive unit for the Rotrex range of aftermarket superchargers.

2. History

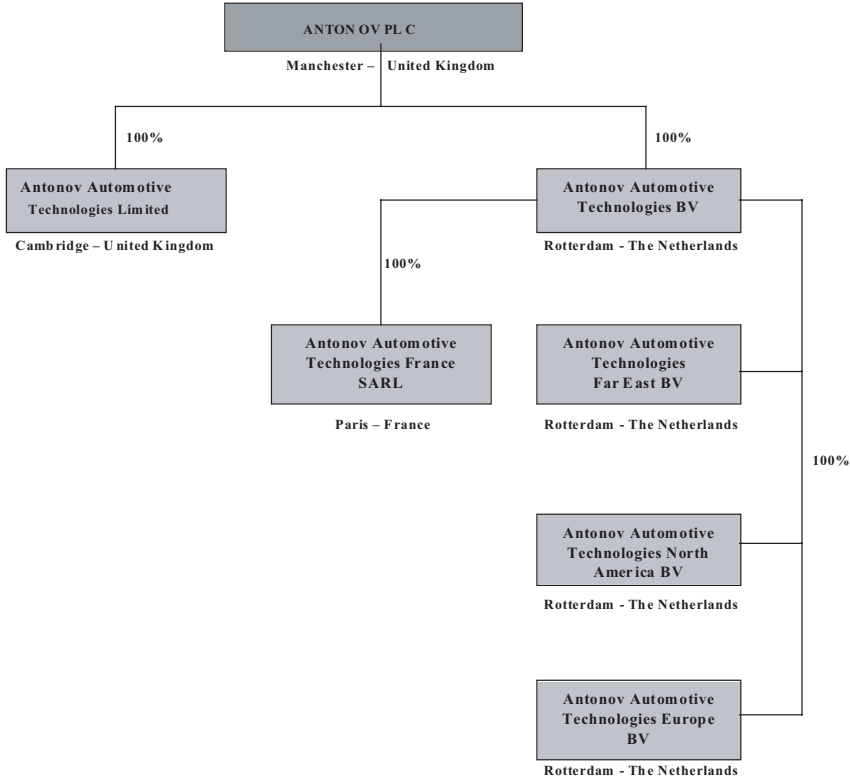
In 1991, Roumen Antonov and Novem International BV, a Dutch venture capital company, founded Antonov Automotive Technologies BV.

By the end of 1991, the Company had already retrofitted two Peugeot 205 demonstration vehicles with the 3-speed Antonov Mechanical Module (“AMM”) using modified planetary gears from a ZF automatic gearbox, a starting device from a Citroen 2CV and a motorcycle wet clutch. Although rather rudimentary, these demonstration vehicles proved the unique concepts behind the AMM and led to the development of the 6 Speed Antonov Automatic Drive (“AAD”) and the Antonov Dual Clutch (“DCA”).

Antonov now has 20 employees with a commercial office based in Thetford, England and design and testing facilities in Paris, France. The Group’s holding company, Antonov plc, was listed on the London Stock Exchange in 1995 and on the Amsterdam Stock Exchange in 1997.

Operational Structure

The current operational structure for the Group is as follows:



Antonov plc – Holding company

Antonov Automotive Technologies Limited (“AATL”) – Group administration, sales & marketing, contract management and product strategy

Antonov Automotive Technologies BV (“AAT BV”) and its Dutch subsidiaries – Intellectual property custody, management and licensing

Antonov Automotive Technologies France SARL (“AAT SARL”) – Engineering Support for Group including Innovation and Product Development

4. Current Group Structure

The Chart above depicts the Group’s current structure, which has evolved from the different functions that the three constituent parts of the Group have traditionally performed on a geographical basis, which are:

- **Group:** – Antonov plc, being the Group’s holding company and the seat of the Board of Directors. All strategic decisions are made at this level and carried out by the relevant subsidiary companies.
- **United Kingdom:** – Antonov Automotive Technologies Limited. Set up in the last 12 months and formally registered as a new subsidiary in December 2005. This company has responsibility for the commercialisation of the Group’s intellectual property under licence from AAT BV. From the start of 2006, client programmes and associate licences are managed by AATL. These are largely executed by contracting the engineering support to AAT SARL, but other external agencies are also used where appropriate. AATL also provides the employment structure for the Group’s administration functions in the UK.
- **The Netherlands:** – Antonov Automotive Technologies BV and its Dutch based subsidiaries. Before the start of 2006 AAT BV was responsible for both sales and marketing and custody of the Group’s intellectual property. Also during this time AATL, based in Cambridge in the UK was a

branch of AAT BV. Prior to John Moore joining the Group in January 2005 the sales and marketing function was carried out from the AAT BV base in Rotterdam. From January 2005 this function was transferred to the Group's newly established base in Thetford, Norfolk in the UK.

AAT BV commissions AAT SARM, its wholly owned French subsidiary, to undertake research activity, which leads to the filing of patents in the name of AAT BV. AAT BV pays AAT SARM for this on a cost plus basis.

Prior to 2006 all licensing contracts were entered into with customers by AAT BV.

- **France:** – AAT SARM occupies the premises at which the Group's research centre is based on the outskirts of Paris. AAT SARM currently employs 14 permanent staff, of which 3 are administrative rather than technical. AAT SARM currently has a total of 19 technical staff (including contract staff), under the leadership of Roumen Antonov. It is responsible, under contract from AAT BV, for inventing all the Group's intellectual and building generic prototypes which are used to demonstrate proof of concept. Furthermore, AAT SARM supports client application programmes, again under contract from AATBV.

5. Future Group Structure

Since the second half of 2004, when the commercialisation of the Group's products began with a license being granted to MG Rover, the Group has begun to expand both its sales and marketing functions and its product development capabilities. This expansion has been mainly centred at the Group's Cambridge facilities under the leadership of John Moore. Initially the Cambridge facility was simply a branch operation of AAT BV, but it has since become clear that undertaking all sales and marketing as well as product development from this base is the preferred operational and management choice.

AATL was therefore established in December 2005 as a 100% owned subsidiary of Antonov plc. In the future the Directors intend that all licensing activity will originate from AATL, to which end AATL has licensed all the relevant technology from AAT BV. AATL will be the contracting party with all future customers.

The Directors intend that AATL will also evolve into the Group's centre of excellence for product development. This function involves taking the generic technology created by AAT SARM and developing and refining it for specific customer applications. AATL will also provide consulting services to its customers and will therefore be a profit centre.

Transmission Fundamentals

Every motor vehicle needs some form of transmission to take the output from the power unit to the driven wheels and allow the vehicle to come to a standstill without stopping the engine. The former is solved using a gearbox also known as a transmission, and the latter is solved using a clutch mechanism or other component known as a "start device".

6.1 The gearbox

Gearboxes, manual or automatic, are required to allow a given motor, such as an internal combustion engine, greater scope of speed. The fundamental component of all transmissions is the gear. Gears are used in powertrains for a multitude of applications to provide 'mechanical advantage'. This mechanical advantage is described as the relationship between speed and power (or more accurately torque). Without gears the speed of an automobile for instance, would be limited to the speed of the engine, measured in revolutions per minute ('rpm'). Therefore, the gearbox provides a means to alter the speed/torque relationship, allowing the user to select high torque at low speed for starting and acceleration, and only moderate torque at higher speeds.

6.2 Automatic transmissions

The origin of the automatic transmission can be found in the first half of the last century, when experimenters first tried to relieve the driver of the then difficult task of changing gears. An

important breakthrough came in 1940, when General Motors began producing the first Hydra-Matic automatic transmissions with a hydraulic coupling as a start device and epicyclic gear train. Gear ratios were selected by an automatic hydro-mechanical system reacting to both vehicle speed and accelerator position. A further breakthrough came during the war when General Motors engineers successfully adapted a hydrodynamic torque converter to an automatic transmission for Buick's Hellcat tank destroyer. This evolved into the post-war Buick Dynaflo automatic transmission. Over the following 60 years the basic automatic transmission system, consisting of hydraulics, torque converters and planetary gears, has remained largely unchanged.

7. Patents

The Group's strategy is to license its technology and the Directors seek to protect this technology by securing patents in respect of the Antonov transmission concept.

Set out below is a list of Antonov's key patents:

<i>Antonov Reference No.</i>	<i>Patent Description</i>	<i>Patent No.</i>	<i>Coverage</i>
3	Base patent for the AMM concept relating to control of shifting torque	US 5263906	FR, US, AU, BR, CA, JP, KR, PO, RF, AT, BE, DE, DK, ES, GB, GR, IT, NL, SE, India.
26	AMM 3 speed configuration.	FR 0206319 (granted)	PCT Application
28	AAD 6 speed configuration.	FR 0313510	PCT Application
29	DCA 6/7 speed configuration.	FR 0403015	PCT Application
30	Manual shift actuator for DCA.	FR 0410084	Initial Application

Further Information in relation to Antonov's key patents is set out in Part 11 of this document.

Ultimately, the effectiveness of patent protection cannot be tested other than by way of legal challenge. However, as at the date of this document the Directors are not aware of any action being taken in respect of Antonov Group's patents with the exception of the ongoing dispute with Toyota Motor Co summarised below relating to the first listed patent. With regard to patent applications pending no prior art has been identified which, the Group's patent agents, Pontet & Allano, consider would prevent the patents from being granted.

8. The Antonov Technology Portfolio

The Company has three "families" of innovative transmission products, which are explained further below.

8.1 *The Antonov automatic drive (AAD)*

Antonov developed its first 6-speed planetary automatic transmission in 1996, which was based on Antonov's AMM technology. By 2002, this AMM based configuration had been demonstrated in various automobiles at autoshows and company demonstrations. In 2003, a new kinematic layout, the AAD, was invented and worldwide patents were applied for. The AAD is based on architecture unique to Antonov and is designed to address the latest market requirements and OEM specifications.

The AAD is an innovative automatic transmission employing planetary gears in a kinematics scheme using parallel transfers of power. This architecture makes the AAD flexible and modular. The AAD is capable of any overall ratio between gears, any steps between any of the speeds, with direct drive in 4th and 5th gears offering the potential for increased fuel efficiency at high speeds. The AAD is suitable for 4, 5 or 6 speed gearboxes because of its modular design. A prototype of

the AAD 6- speed has been fitted into a Rover Streetwise automobile, which completed validation testing in association with Powertrain Limited in 2005.

The Board anticipates that the AAD's main market will be in sub-2 litre automobiles. The Board considers the following to be some of the most significant advantages of the AAD compared to incumbent and emerging transmission technologies:

- **Size and weight** – The six-speed AAD is smaller than conventional 6 speed automatics, making it one of the smallest in the world. The AAD is approximately 20-30 per cent. lighter than conventional auto transmissions.
- **Cost of entry** – The AAD is based entirely on conventional automotive transmission design practice and achieves its enhanced functionality through innovative kinematics. By avoiding the need for new materials or processes, the cost of both development and tooling are greatly reduced compared with other more complex new systems, such as continuously variable transmissions.
- **Length** – The AAD 6-speed has a length of less than 350mm, which is a key factor when seeking to fit a gearbox in smaller cars. Length constraints are one of the major reasons why automatic gearboxes are not widely fitted in small cars.
- **Cost of manufacture** – The AAD requires only conventional components and production technologies.
- **Efficiency** – The AAD does not require a torque converter or its high-flow hydraulic system to enable start from rest thereby increasing the efficiency of the transmission.
- **Performance** – General performance advantages over automated manual transmissions include faster acceleration due to the continuous drive to the wheels during gearshift. This is in contrast to automated manual transmissions which disengage and then re-engage drive during gear changes. There are also no torque limits for the Antonov system in comparison with older continuously variable transmission (CVT) systems.
- **Durability** – As no fundamental new production technologies are included within the AAD, the transmission should offer equal durability and component lifetime when compared to conventional automatics.

8.2 *Antonov dual clutch automatic (DCA)*

Dual clutch automatic transmissions have only recently emerged as a serious alternative to conventional automatics due to their enhanced efficiency and driveability. Dual clutch transmissions, like manual transmissions, can apply any steps in ratio between any speed and with any overall ratio, which makes them applicable to a wide variety of vehicles. However, existing dual clutch systems are generally heavier and bulkier in packaging than their traditional automatic transmission equivalents.

Antonov has now created a new DCA concept, based on proprietary kinematics, which is both lighter and smaller than existing dual clutch competitors. The Antonov DCA transmission can also be readily converted into a manual gearbox, further reducing the overall development and production costs for potential licensees.

This factor means that the manual and automatic variants of the DCA will be manufactured on the same production line, leading to economies of scale savings for both units.

The DCA will be available in 5, 6 and 7-speed variants, either as an automatic or a manual. The Board anticipates that the DCA's main market will be in larger (2 litre and above) automobiles.

8.3 *The Antonov mechanical module (AMM)*

Antonov has developed a family of 2, 3 and 4-speed small mechanical gearboxes for applications ranging from auxiliary drives to transmissions for low cost vehicles. The completely self-contained mechanical devices work autonomously with self-adapting modules without the need for any hydraulic or electronic controllers. The main purpose of these devices is to increase the torque output from the motor at low speeds thereby either delivering increased performance or permitting the employment of smaller and more economical motors for a specified output.

The AMM uses thrust forces already inherent within the gearbox to enable smooth gear shifting in place of high flow, high-pressure hydraulic systems and mechanical linkages. This approach simplifies the entire gear-train.

Possible applications range from optimising an engine supercharger for a car or boat, to improving compressor drives, as well as for transmissions on recreational vehicles. Potential applications which have been identified, include:

- compressors, superchargers and turbochargers;
- actuators;
- car accessories and generators;
- leisure vehicles

These modules are based on original Antonov patents using centrifugal forces already apparent within the gearbox to shift gears up and down.

9. **Antonov Strategy**

9.1 *Commercial programmes*

The Group is currently executing two commercial programmes:

- **TX6 transmission**

In December 2005, Antonov granted an option to Great Wall Motors to acquire a production licence for a new 6 speed automatic transmission based on Antonov's AAD technology. This Option has expired but Antonov have continued the TX6 Programme while seeking alternative licensees and have exchanged Heads of Agreement with Zhejiang Geely Automobile Gearbox Co.

- **The AR2 supercharger drive**

In co-operation with Rotrex A/S, Antonov has developed a compact auto-shifting 2 speed drive unit based on the AMM technology. This is being produced by NZWL in Leipzig and is being marketed through distributors in the US and Europe.

The units are being priced to provide a margin that will both fund the overhead of managing the supply and provide a payback on the upfront investment.

The main purpose of the programme however is not directly commercial, but rather to prove the capability of the AMM technology in an automotive application. This is a key part of the strategy to seek applications to license the AMM technology for high volume automotive applications.

9.2 *Opportunities*

In addition to the live programmes under its strategy, Antonov has additional programme opportunities that in the opinion of the Board have significant commercial potential. However, in order to progress these, the Group will require further working capital and investment.

- **6 speed AAD transmission for additional clients**

Antonov is actively seeking further licensees for the AAD technology. The Directors believe that this will be supported by success with Geely and in turn, success with other licensees will encourage Geely that they have made a good decision in choosing the Antonov technology. In the

past, Antonov has had limited resources such that once a programme was started, there was little capacity to pursue other parallel opportunities. As a result, the programmes have not developed the momentum needed to progress to production and have not proceeded beyond the investigation stage.

In the Directors' opinions further AAD licensees will create the additional attention in the market that the system needs to protect its future.

- **Dual clutch transmission**

This is still regarded as an opportunity but currently minimal investment is being made in the technology until a committed licensee is identified.

- **AMM front end accessory drive**

In 2004, Antonov first assessed the benefits of a two speed drive unit fitted to the front of the engine to drive the front end accessories (FEAD) comprising the alternator, water pump and air conditioning pump. The driver for this technology is primarily efficiency and a study commissioned by Antonov has shown the potential for up to 5 per cent. saving in fuel consumption. There are also secondary benefits in the ability to specify smaller auxiliary units and enabling the engine to operate at a lower idle speed.

Antonov is in discussion with potential development partners and hopes to initiate a demonstrator programme during 2006.

- **AMM low cost vehicle transmission**

In 1999/2000, Antonov developed a 4 speed automatic transmission in conjunction with General Motors that was fitted to an Opel Corsa. This used the AMM principle for gear shifting, with a torque converter for start from rest and low pressure oil use to supplement the mechanical shift control. It offered a robust and simple automatic transmission with low cost and ease of maintenance. At the time, the interest was for small city cars for the developed world, and the overall shift quality was not quite good enough to compete with the latest electronic controlled automatics and the trend for these vehicles was to 5 or 6 speed transmissions.

However a new application for this transmission has emerged in the form of ultra low cost vehicles for the developing world. In these regions there is a great demand for transport that is largely met by small motorcycles. Even the simplest European or Asian car is much too complex and expensive for this market. However there is a real benefit to have 4 wheeled transport and it is thought that a number of the major car companies are now planning ultra low cost cars to meet this need. The Antonov transmission is well matched to this application.

This unit could also be applied to a range of small off-highway applications such as lawn tractors and small dump trucks to replace the rubber belt type CVTs currently in use. This market will be increasingly concerned about driveline efficiency as emissions controls are applied for the first time.

9.3 *Further opportunities*

There are a range of further opportunities, but the Board intends to maintain focus on a small number of applications to balance the benefit of a range of applications against the risk of trying to run too many programmes to ensure that they are done well. These potential applications include a 2 speed AMM drive for fuel cell and electric vehicles and a 2 speed AMM compressor drive.

10. **Transmission markets**

The automotive industry is dominated by multinational auto makers, known as original-equipment manufacturers or OEMs. Whether they make transmissions themselves or outsource them, the OEMs control the entire transmission industry by specifying which transmissions will be installed onto vehicles. The multinational automotive manufacturers maintain testing and acceptance of new transmission technologies as a core competency. However, there has been increasing co-operation between large OEMs to develop new transmissions.

As every motor vehicle has some form of transmission, the overall size of the transmission market is ultimately determined by the size of the new vehicle market. Sales of cars and commercial vehicles, which generally have the same transmission requirements, amounted to 59.1 million in 2003. Total car and commercial-vehicle sales grew by 2.2 per cent. Per annum between 2002 and 2003. Market forecasts suggest slow growth to 2012.

Table 1: Total Vehicle Production by Area (includes cars, light and LCVs) in unit ('000s)

Region	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
NAFTA	19,672	19,524	19,350	19,249	19,315	19,625	19,680	19,570	19,650	19,825	20,625	20,660	20,775
W-Europe	16,655	16,678	16,201	15,964	16,300	16,500	16,700	16,800	16,700	16,800	16,900	16,900	17,000
E-Europe	2,198	2,677	2,768	2,750	2,940	3,210	3,465	3,780	4,015	4,235	4,435	4,635	4,835
Asia	4,424	4,571	5,465	6,555	8,100	9,700	10,800	11,800	12,300	13,000	14,200	15,300	16,000
Japan	5,900	5,848	5,932	5,695	5,740	5,740	6,200	6,400	6,500	6,540	6,700	6,960	7,080
Mercosur	1,785	1,584	1,414	1,587	1,850	2,050	2,100	2,250	2,300	2,400	2,500	2,600	2,800
Other*	2,257	2,041	2,131	2,324	2,550	2,620	2,720	2,930	3,000	3,350	3,440	3,620	3,800
Total	52,891	52,923	53,261	54,124	56,795	59,645	61,665	63,530	64,465	66,150	68,800	70,675	72,290

“W Europe” is EU15 + EFTA “E Europe” includes “new EU 10”

* Other includes Turkey, Middle East, all Africa, non-Merosur Latin America, Oceania.

Source: Published world production figures to 2003; just-auto.com forecasts

Over the past five decades the automatic transmission has become the dominant transmission in new vehicles in North America and Japan. The conventional automatic has achieved this despite being less fuel efficient than its manual equivalent. However, manual gearboxes still occupy a predominant position in Europe.

The dominant market position in Europe is the direct result of three factors:

- Europeans drive smaller cars making it technologically very difficult to fit conventional automatic gearboxes because of size constraints;
- conventional automatic gearboxes are materially more expensive than manual gearboxes; and
- fuel in Europe is more expensive than other parts of the world. Automatics are generally less efficient than manuals which affects fuel consumption.

The Directors consider that the significant market drivers that are likely to affect the automatic transmission markets are as follows:

- **Environmental pressures and legislation** – Governmental pressure on fuel economy and exhaust emissions continues to be intense, as shown by future regulatory requirements in both Europe and the United States. As a consequence, OEMs are setting a high priority on improvement of vehicle efficiency and reduction of ‘greenhouse’ gas emissions through the application of new drive-train technologies.
- **Rising fuel prices** – Developed countries have experienced significant increases in the price of forecourt fuel over the past ten years. In response to this trend, as manufacturers attempt to differentiate their products by miles per gallon (mpg) consumption, automatic transmissions have been identified as an important target for fuel efficiency improvements.
- **Traffic congestion** – Drivers will tend to prefer automatic transmissions in cities or heavily congested areas because they are recognised as reducing stress and fatigue. In Japan, where traffic congestion is heavy, the installation rates for automatic transmissions were 77 per cent. in 2000 and are forecast to rise to 84 per cent. by 2010. (Source: just-auto.com; Global Market Review of Automotive Transmissions).

11. Competition

Antonov’s principal competition remains those technologies that can also deliver significant improvements in fuel economy, ease and cost of manufacture and reduce overall weight, an important contributor to improved fuel economy. Set out below are the transmission technologies and companies that, in the Board’s opinion, offer a competitive technology to the AAD and DCA:

11.1 *Manual transmissions*

Manual transmissions are currently the most widely installed form of transmission in the automotive market with installation at 25 million units per year in 2002. Whilst the manual gearbox is the transmission of choice for performance or sports enthusiasts, the inconvenience of manually dis-engaging and re-engaging gears is becoming increasingly unacceptable. ZF Friedrichshafen AG forecasts that manual transmissions will decline from 85 per cent. of the European transmission market in 2000 to less than 72 per cent. in 2010. In emerging markets such as China there is a strong preference for automatic transmissions.

11.2 *Conventional automatic transmissions*

Conventional automatic gearboxes suffer inefficiency from their need to have high-pressure hydraulic systems to operate their brake bands and clutches. Typically they also require the use of hydraulic torque converters, which introduce a further loss of efficiency. In the important North American market traditional 4-speed automatic transmissions currently account for by far the majority of the entire automatic market. In 2002, conventional automatics accounted for 48.6 per cent. of new light duty vehicle production.

From 2003, for the first time, automatic transmissions exceeded manual gearboxes in share of the total light vehicle market. By 2012, conventional automatic transmissions are expected to have 46.9 per cent. of the overall transmission market.

The advantages and disadvantages of conventional automatic transmissions are summarised below:

Advantages:

Proven technology – Designers and manufacturers have over 50 years operational experience.

Accepted driveability – Drivers have accepted the characteristics of the conventional automatic transmission.

Disadvantages:

Heavy – Automatic transmissions are significantly heavier than their manual counterparts.

Large – Conventional four and five-speed automatic transmissions are larger than alternatives.

Inefficient – Automatic transmissions have lower efficiency than alternatives – currently around 88 per cent. efficient.

Manufacture – Product development costs are very high, which means that only the largest OEMs have been able to create their own conventional automatics.

11.3 *Other automatic transmissions* – The well-known drawbacks regarding conventional automatic gearboxes have generated alternative innovative solutions. Four main alternatives are currently available or under development:

- belt and pulley continuously variable transmission (“CVT”);
- roller-in-toroid infinitely variable transmission (“IVT”);
- dual clutch transmission (“DCT”); and
- automated manual transmission (“AMT”).

11.3.1 *CVT*

Rather than having a fixed set of gear combinations, the CVT transmission allows a number of engine speeds to vehicle speed ratios. One embodiment of the CVT uses a fixed-length steel drive belt to connect two double cone-shaped pulleys. The control system alters the effective diameter of input and output pulleys through hydraulic controls to achieve the optimum transmission for the driving conditions. North American customers have complained that the CVT keeps the engine tone constant while gaining speed, which diminishes the sensation of acceleration. To overcome this objection, engineers at some companies have developed the ‘multitronic’ CVT that

simulates the step changes of a conventional automatic transmission. CVT technology has been under development for over thirty years but currently accounts for less than 2 per cent of the automatic market.

The advantages and disadvantages of CVTs are summarised below:

Advantages:

Efficient – wide range of ratios offers potential for high overall fuel-efficiency processes.

Disadvantages:

Costly build – The CVT's unusual high-precision parts have required new manufacturing plants and processes.

Expensive – Due to the high precision and complex control systems, CVTs have a high unit cost.

Poor driveability – Disconcerted constant engine tone and speed when accelerating.

Small customer base – less than 2 per cent. of current automatic transmission sales are CVT.

11.3.2 *IVT*

The IVT was first invented in 1899. However, in the UK, interest in the system has been revived with its development by Torotrak plc. IVT differs from conventional automatics as it does not require a torque converter. In place of the torque converter, the IVT transmits drive through a set of two 'variators'. By varying the angles of the variators, the drive ratio can be changed, and by using a system of lockable clutches and a planetary gearset, the drive is transmitted to the road wheels. Torotrak plc currently has reached 'concept readiness' with General Motors and signed 'evaluation' licences with Ford Motor Company and Aisin AW, one of the world's largest suppliers of transmissions. It has also recently announced that it has signed a licence with an Italian off-road vehicle manufacturer.

The advantages and disadvantages of IVTs are summarised below:

Advantages:

Fuel efficient – 20 per cent. vehicle fuel economy improvement claimed on conventional automatics.

Disadvantages:

Unproven technology – The technology is still at the improvement claimed on conventional automatics. prototype stage and requires highly advanced technologies for materials and lubrication to work.

Acceleration – Constant drive to the wheels delivers smooth acceleration.

Expensive – The IVT demands costly materials and processes to achieve competitive durability.

High performance – Capable of high overdrive ratios – 70mph at 1,000rpm.

Manufacture – Completely new manufacturing facilities are required, which will involve considerable up-front capital expenditure and the write-off of existing plant.

Torotrak plc announced in November 2002 that it does not expect car-makers to launch the IVT before 2007 – 2008.

11.3.3 *AMT*

A significant development of the manual gearbox is the "auto-manual". Whilst the driver initiates gearshifts using either a lever or steering-wheel controls, the actual clutch operation and ultimate gear selection is electronically controlled. Except for Europe, where its penetration could reach as high as 15 per cent by 2012, the AMT is seen by a leading forecaster as "likely always to remain a minority interest."

The advantages and disadvantages of the AMT are summarised below:

Advantages: Disadvantages:

Acceleration – Constant drive to the wheels delivers smooth acceleration. **Expensive** – Significant cost of automation equipment.

Ease of manufacture – Based on manual gearbox **Comfort** – Shift smoothness is poor when compared with conventional automatics

11.4 Other driveline systems

11.4.1 *Electric traction systems*

In principle, transmissions could be replaced by an all-electric drive system consisting of an engine-driven generator sending power to a motor or motors driving the wheels. Capable of developing maximum torque from a standing start, such motors would not necessarily need a change-speed transmission system. However, with existing systems the loss of efficiency from the conversion into electrical energy and back again is seen as a disadvantage of pure electric traction.

11.4.2 Hybrid electric drive systems

Hybrid electric vehicles use both an internal combustion engine and an electric motor to provide the motive force. Some hybrid vehicles, such as the Toyota Prius, use an automatic transmission in addition to their electric motor. Whilst the potential of electric and hybrid electric vehicles cannot be ignored, forecasters do not see them significantly impacting the market for mechanical transmissions to 2012.

11.4.3 Licensees and strategic partners

The Board has sought strategic partners to accelerate the adoption of its revolutionary transmission technologies. Over the past decade, Antonov has signed various agreements with Honda, Sitma, NZWL and Gajra. The work with Rotrex A/S, a Danish company involved in the development of superchargers (see below), is under a co-operation agreement based on mutual benefit rather than a conventional licence.

Rotrex A/S was formed in 1990 and became a member of the A.P. Moller Group in 2000. The A.P. Moller Group is the largest Danish group of companies and is listed on the Copenhagen Stock Exchange with a market capitalisation of £402.1974m (as at 1 August 2006). Since 1997, Rotrex A/S has participated in the development of OEM supercharger applications and grown its aftermarket supercharger business organically.

In 2002, Honda acquired a non-exclusive worldwide licence to use Antonov's AMM technology. Heads of Agreement with Geely have been signed for a non-exclusive worldwide licence to the AAD technology as described above.

12. Current Trading and Prospects

Due to the non-cyclical nature of the Company's business, the Directors believe that there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's business prospects for at least the current financial year.

As at the date of this document, the Company is currently executing two production programmes, the six speed automatic transmission and the 2 speed mechanical module with the Rotrex supercharger. It has a range of further programme opportunities at various stages in the pipeline and it will be initiating further programmes as they mature.

6 Speed Automatic

Antonov is working to set up a production programme to deliver a family of small automatic transmissions for transverse 2 and 4 wheel drive passenger cars. This will be a six speed electronically controlled transmission with a wet-clutch start from rest system. The Directors believe this will provide excellent performance and driveline efficiency. On 14 January 2007 Antonov signed a Production

Licence Agreement with Zhejiang Geely Automobile Gearbox Co, the transmission manufacturing subsidiary of Geely Automotive (“Geely”).

Under the licence, Geely will have the non-exclusive worldwide rights to manufacture and sell transmissions covered by the Antonov 6 speed automatic patents and will also receive design support from Antonov.

Antonov will receive both licence fees totalling €900,000 payable over the next nine months and then a production royalty on each transmission produced.

2 Speed Supercharger Drive

The supercharger drive system has been developed for low volume manufacture by Antonov. This has been designed to operate with Rotrex superchargers and has been developed with Rotrex’s cooperation. NZWL has been selected as the manufacturing partner. Sales will be managed through distributors in both the USA and Europe, but the lead distributor is Wheel to Wheel based in Michigan.

In addition, on 29 November 2006, the Company signed a Distribution Agreement with Emporio International Sarl (“Emporio”) giving it the exclusive right to distribute and commercialise the Company’s AMM technology in the German market which Emporio will do through a fully owned German subsidiary (GmbH). The agreement covers the resale of the Company’s 2 Speed Supercharger Drive system to tuning companies and dealers and a sales agreement for Emporio to seek licensees for this and other AMM applications such as the 2 speed Front End Accessory Drive.

The supercharger drive first production units are currently undergoing proof testing and vehicle application work has been undertaken to generate kits for sale.

Although the Directors believe that this programme should generate revenue for Antonov, its main purpose is strategic, as it allows Antonov to demonstrate the mechanical module in production, which may lead to further high volume opportunities.

Production Programme Opportunities

The Board expects each of the following opportunities to be converted to a programme in the next 12 to 18 months. In all cases Antonov has a number of potential interested parties with the relationship at stages from initial discussions through to specific programme plans.

All these programme plans are dependent on gaining commitment from a client. Antonov does not intend to make investments in these programmes until a financial commitment is made by a client with the capability to take the product to volume production.

2 Speed Front End Accessory Drive

2 Speed Auxiliary Drive – the use of a 2 speed pulley to drive the front end accessories can improve vehicle fuel consumption by up to 5%. Antonov has a number of interested Tier 1 manufacturers and plans to initiate this as a programme later in 2006. This will design and build units to demonstrate the real world benefits and seek initial production applications from vehicle makers.

4 Speed Mechanical Module Transmission for low cost cars

In 2001, Antonov developed a simple 4 speed automatic for passenger cars and demonstrated it. Although this did not meet the requirements for a high specification car, there is now growing interest in it for emerging markets low cost vehicles. The Board intends to initiate a programme in 2007 to build a demonstration unit for a simple 600cc car, based on the last unit built in 2001. This will be used by a client to market the low cost transmission concept to a range of vehicle makers.

During 2006 expenditure on the development projects associated with the 2-speed supercharger drive and the 6-speed automatic transmission have increased. This will be reflected in the level of capitalised development costs in the second half of 2006.

The key financial information on the Group set out below has been extracted without adjustment from the audited results of Antonov for the years ended 31 December 2003, 31 December 2004, 31 December 2005 and the unaudited interim results for the six months ended 30 June 2006.

Financial Highlights

	Year ended 31 December			Six months ended
	2003 (UK GAAP) £'000	2004 (IFRS) £'000	2005 (IFRS) £'000	30 June 2006 (IFRS) £'000
Turnover	–	–	75	14
Cost of sales	–	–	–	–
Gross profit	–	–	75	14
Loss from operations	(2,142)	(3,109)	(3,794)	(1,350)
Loss before taxation	(2,134)	(3,122)	(5,590)	395
Tax credit/(charge)	(28)	(51)	372	(301)
Loss for the year	(2,162)	(3,173)	(5,218)	94
Total assets	1,992	2,109	2,941	3,210
Loss per share – Basic and diluted	8.3p	11.7p	17.3p	0.01p

Extraordinary general meeting

An extraordinary general meeting of the Company was convened for 10.00 a.m. on 18 December 2006 (the “EGM”). At the EGM, resolutions of the Company were proposed in relation to, *inter alia*, section 80 and section 95(1) of the Act to exercise all the powers of the Company to allot relevant securities to be issued in connection with the facility letter entered into on 2 September 2006 with Quivest B.V., further details of which are given at paragraph 11.8 of Part 13 of this document.

The Group’s Funding Facilities

The Group’s move towards commercialisation has been enabled by the funding facilities put in place by the Directors. The Group has secured a number of funding facilities which are detailed in paragraph 11 of Part 13 of this document.

At the date of this document the Group had the following committed funding facilities available for drawdown:

- €0.1 million from the €6.75 million June 2005 facility;
- €2.8 million from the €3.6 million July 2006 facility; and
- €1.8 million from the €4 million September 2006 share finance facility.

The Group has an option for a further €4 million pursuant to the September 2006 share finance facility.

13. Dividend Policy

The Group is at an early stage of its development and has yet to generate significant revenues. As such, the payment of dividends is most unlikely in the medium term.

14. Further information

Your attention is drawn to the further information set out in Parts 2 to 12 of this document. You are advised to read the whole of this document and not rely solely on the information contained in this Part 5.

PART 6

INFORMATION CONCERNING THE LISTED WARRANTS

The Listed Warrants

The Listed Warrants were constituted by an instrument by way of deed poll (the “Listed Warrant Instrument”) which was entered into on 8 June 2005 by the Company following a determination of the Board to create the warrants subject to approval by the Shareholders in general meeting on 26 November 2004.

The Listed Warrant Instrument contains provisions, inter alia, to the following effect:

1 Constitution and Form of the Listed Warrants

- 1.1 Each Listed Warrant confers the right, exercisable on the terms and subject to the conditions set out in the Listed Warrant Instrument, to subscribe in cash at the Subscription Price (as defined in paragraph 1.3 below) (subject to the provisions of paragraph 5 below) for one Ordinary Share provided that the total number of Listed Warrants which may be issued subject to the terms of the Listed Warrant Instrument shall be limited to 4,066,209.
- 1.2 The Listed Warrants are in registered form and rank *pari passu* to each other. They are transferable in accordance with the provisions of the Listed Warrant Instrument summarised in paragraph 5 below. The Listed Warrants have been issued on the terms of the Listed Warrant Instrument which is binding upon the Company and each Listed Warrantholder and all persons claiming through them.
- 1.3 The subscription price on exercise of the Listed Warrants is 100p per Ordinary Share (the “Subscription Price”).

2 Certificates and Conditions

Entitlement to the subscription rights and other rights attaching to the Listed Warrants for the time being held by a Listed Warrantholder are evidenced by the issue, without charge, to such warrantholder of a certificate which shall have endorsed thereon the conditions attaching to the Listed Warrants and which are summarised below. The Company is not bound to issue more than one certificate for Listed Warrants held jointly by several persons and delivery of a certificate to one joint holder shall be sufficient delivery to them all.

3 Subscription Rights

- 3.1 Subscription rights conferred by a Listed Warrant may be exercised in whole or in part at any time during the period commencing on the date of issue of the Listed Warrants up to 31 December 2009 (the “Subscription Period”) by a Listed Warrantholder completing a notice of exercise (the “Notice of Exercise”) and lodging the relevant certificate at the registered office of the Company for the time being together with a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Listed Warrants are being exercised (the “Subscription Monies”).
- 3.2 Once lodged, a Notice of Exercise of a Listed Warrant is irrevocable.
- 3.3 To the extent that the subscription rights conferred by a Listed Warrant have not been exercised by the end of the Subscription Period, then such unexercised subscription rights shall automatically lapse on the day following the last day of the Subscription Period.
- 3.4 Any Ordinary Shares failing to be issued upon the exercise of subscription rights shall be allotted and issued to such persons as may be nominated by the Listed Warrantholder in the Notice of Exercise no later than fourteen days after the certificate (with such Notice of Exercise duly completed and accompanied by the requisite remittance for the Subscription Monies) is lodged at the registered office of the Company. In the event of a partial exercise of subscription rights

represented by a certificate, the Company will, at the same time, issue to the Listed Warrantholder free of charge, a new certificate for his remaining subscription rights.

- 3.5 Each Listed Warrant will be cancelled once the subscription rights attaching thereto either have been exercised in full (and Ordinary Shares have been allotted pursuant to such exercise) or have lapsed pursuant to paragraph 3.3 above.
- 3.6 Ordinary Shares allotted pursuant to the exercise of the Listed Warrants will rank pari passu with all the other Ordinary Shares in issue for all dividends and distributions paid on any date or by reference to any record date on or after the date on which the relevant Notice of Exercise and relevant remittance is lodged at the registered office of the Company and otherwise shall have the rights and privileges prescribed in the articles of association of the Company. The Company undertakes to its Listed Warrantholders to use its reasonable endeavours to procure that all such Ordinary Shares arising on the exercise of a Listed Warrant are admitted to trading on AIM and Eurolist by Euronext Amsterdam forthwith following their allotment and issue (save that the Company will not bear the costs of any stamp duty or SDRT or similar taxes or costs in relation to this obligation).
- 3.7 The Listed Warrants do not confer on the Listed Warrantholders any rights of distribution by way of dividends or otherwise in addition to the subscription rights attached to them.

4 Variation of Share Capital

- 4.1 Upon any variation in the issued share capital of the Company by way of subdivision, or consolidation on a date prior to the end of the Subscription Period, the Subscription Price and/or the number of Ordinary Shares arising on the exercise of the Listed Warrants will be adjusted in such manner as may be agreed between the Company and by an extraordinary resolution of the Listed Warrantholders, or, in the absence of agreement, as the Company's auditors shall certify as fair and reasonable in the context of that share capital variation.
- 4.2 The Company shall procure that no such event as is referred to in paragraph 4.1 above shall occur prior to the end of the Subscription Period unless the auditors of the Company shall either, prior to or contemporaneously with the relevant resolution of the members or the Directors giving effect to or sanctioning such event, certify the appropriate adjustments. The Company shall send notice of such adjustments to the Listed Warrantholders as soon as practicable (and in any event no later than seven days) following such resolution as aforesaid together with a replacement certificate evidencing the adjusted Subscription Price and/or number of the Ordinary Shares arising on the exercise of subscription rights.

5 Transfer and Transmission of Listed Warrants

- 5.1 An accurate register of entitlement to the Listed Warrants (the "Register") is to be kept by the Company and there it is entered in the Register:
 - 5.1.1 the names and addresses of the persons for the time being entitled to be registered as the holders of Listed Warrants held by every such registered holder; and
 - 5.1.2 the date on which the name of every such registered holder is entered in the Register in respect of the Listed Warrants standing to his name.
- 5.2 Any change in the name or address of any Listed Warrantholder shall forthwith be notified. Listed Warrantholders or any of them and any person authorised by any such Listed Warrantholder is at liberty at all reasonable times during office hours to inspect the Register and to take copies of, or extracts from, the same or any part thereof.
- 5.3 The Company is entitled to treat the Listed Warrantholder entered in the Register as the absolute owner of a Listed Warrant and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in such Listed Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

- 5.4 Every transfer of a Listed Warrant shall be made by an instrument or transfer in the usual or common form or in any other form which may be reasonably approved for the time being by the Directors.
- 5.5 The instrument of transfer of a Listed Warrant shall be executed by or on behalf of the transferor but need not be executed by or on behalf of the transferee. The transferor is deemed to remain the holder of the Listed Warrant until the name of the transferee is entered in the register in respect thereof. Where a Listed Warrantholder transfers only part of the Listed Warrants entitlement comprised in a certificate, the Company shall upon delivery of the existing certificate cancel the same and issue new certificates in respect of the revised entitlement under the Listed Warrant without charge.
- 5.6 The Directors may decline to recognise any instrument of transfer of a Listed Warrant or part thereof unless such instrument is deposited at the registered office of the Company accompanied by the certificate for the Listed Warrant to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors shall decline to recognise any instrument of transfer of a Listed Warrant not permitted in accordance with the provisions of paragraph 5.4 above or which is in favour of more than four transferees. The Directors may waive production of any certificate upon production to them of satisfactory evidence of the loss or destruction of such instrument together with such indemnity as they may reasonably require.
- 5.7 No fee shall be charged for any registration of a transfer of a Listed Warrant or part thereof or for the registration of any other documents which in the reasonable opinion of the Directors require registration.
- 5.8 In the event of the death of a Listed Warrantholder, the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased where he was sole or only surviving Listed Warrantholder, shall be the only persons recognised by the Company as having any title to his Listed Warrants.
- 5.9 Subject to any other provision of the Listed Warrant Instrument any person becoming entitled to a Listed Warrant in consequence of the death or bankruptcy of a Listed Warrantholder or otherwise than by transfer may, upon producing such evidence of title as the Directors shall reasonably require, and subject to the remaining provisions of the Listed Warrant Instrument, elect either to be registered himself as holder of the Listed Warrant or to have some person nominated by him registered as transferee of the Listed Warrant. Subject to any other provisions attaching to the Listed Warrant, if the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. All the limitations, restrictions and provisions contained in the Listed Warrant Instrument relating to the right of transfer and the registration of transfers of Listed Warrants shall be applicable to any such notice of election as if the death or bankruptcy of the Listed Warrantholder had not occurred and the notice of election were a transfer executed by such Listed Warrantholder.
- 5.10 A person becoming entitled to a New Warrant in consequence of the death or bankruptcy of a Listed Warrantholder is entitled to receive and may give a good discharge for any moneys payable in respect thereof, but is not entitled to receive notices of or to attend or vote at meetings of the Listed Warrantholders or, save as aforesaid, to any of the rights or privileges of a Listed Warrantholder until he has become the registered holder of the New Warrant.

6 Meetings of Listed Warrantholders

- 6.1 The Company at any time may, and upon a request in writing of Listed Warrantholders holding Listed Warrants conferring not less than ten per cent of the aggregate Listed Warrants entitlement shall, convene a meeting of Listed Warrantholders. Every such meeting shall be convened within 14 days of receipt of the request by the Company and be held at such reasonably, convenient, and appropriate place as the Directors may approve within 35 days after receipt of the request by the Company and will commence at a time between 10.00 a.m. and 4.00 p.m. (Greenwich Mean time).

- 6.2 At least 21 days' notice of the meeting shall be given to Listed Warrantheolders but any meeting of Listed Warrantheolders may be called by shorter notice if it is so agreed by Listed Warrantheolders holding Listed Warrants conferring not less than 95 per cent of the aggregate Listed Warrants entitlement. The notice shall specify the day, time and place of the meeting and the terms of the resolutions to be proposed. The accidental omission to give notice to, or the non-receipt of any such notice by, any of the Listed Warrantheolders shall not invalidate the proceedings at any meeting.
- 6.3 At any such meeting, subject to the remaining provisions of this paragraph 6, two or more persons holding Listed Warrants present in person or by proxy or by representative being or representing in the aggregate Listed Warrantheolders entitled to subscribe for in aggregate not less than ten per cent of the aggregate Listed Warrants' entitlement shall (except for the purpose of passing an extraordinary resolution) form a quorum for the transaction of business and/no business other than the choosing of a chairman shall be transacted at any meeting unless the requisite quorum shall be present at the commencement of business. The quorum at any such meeting for the passing of an extraordinary resolution shall be two or more persons holding Listed Warrants present in person or by proxy or by representative being or representing in the aggregate listed Warrantheolders entitled to subscribe for in aggregate not less than 50 per cent of the aggregate Listed Warrants' entitlement. Whenever there is only one holder of Listed Warrants, a quorum at any meeting of Listed Warrantheolders shall, for all purposes, be that Listed Warrantheolder or any proxy for or representative of that Listed Warrantheolder.
- 6.4 If, within half an hour after the time appointed for any meeting, a quorum is not present, the meeting shall stand adjourned for such period, not being less than 14 days nor more than 28 days, and to such time and place, as may be appointed by the chairman. At such adjourned meeting two or more persons (or, if there is only one holder of Listed Warrants, one person present in person or being a proxy or a representative) present in person holding Listed Warrants or being proxies or representatives (whatever the subscription rights conferred by the number of Listed Warrants so held or represented) shall for all purposes form a quorum and shall have the power to pass any resolution (including an extraordinary resolution) and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting.
- 6.5 Every question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which the chairman may be entitled as a Listed Warrantheolder or as a proxy or representatives.
- 6.6 At any meeting, unless a poll is demanded by the chairman or by one or more Listed Warrantheolders (or by their proxies or representatives) being or representing in the aggregate Listed Warrantheolders registered as the holders of Listed Warrants conferring not less then 10 per cent of the aggregate Listed Warrants entitlement (before or on the declaration of the result of a shown of hands), a declaration by the chairman that a resolution has been carried or carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- 6.7 If at any meeting a poll is so demanded, it shall be taken in such manner and, subject as hereinafter provided, either at once or after any adjournment, as the chairman directs, and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded. Any poll demanded at any meeting on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment.
- 6.8 The Company (through its representatives and legal and financial advisers) is entitled to have notice of, attend and speak at any meeting of Listed Warrantheolders. Save as aforesaid, no person is entitled to attend or vote at any meeting of Listed Warrantheolders or to join with others in requesting the convening of such a meeting unless he is a Listed Warrantheolder or the duly appointed proxy or representative of a Listed Warrantheolder. Neither the Company nor any

subsidiary of the Company is entitled to vote in respect of Listed Warrants held by it or on its behalf nor shall the holding of any such Listed Warrants count towards a quorum.

- 6.9 Subject as provided in paragraph 6.8 above, at any meeting:
- 6.9.1 on a show of hands, every Listed Warrantholder who is present in person or by proxy or representative shall have one vote; and
- 6.9.2 on a poll, every Listed Warrantholder who is present in person or by proxy or by representative shall have a number of votes equal to the number of Listed Warrants held by him.
- Any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.
- 6.10 A meeting of Listed Warrantholders shall in addition to all other powers (but without prejudice to any powers conferred on other persons in the Listed Warrant Instrument) have the following powers exercisable by extraordinary resolution, namely:
- 6.10.1 power to sanction any compromise or arrangement proposed to be made between the Company and the Listed Warrantholders or any of them;
- 6.10.2 power to sanction any proposal by the Company for the modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Listed Warrantholders against the Company under a new warrant instrument;
- 6.10.3 power to sanction any proposal by the Company for the exchange or substitution for the Listed Warrants of, or the conversion of the Listed Warrants into, shares, stock, bonds, debentures, debenture stock or other obligations or securities of the Company, or any other body corporate formed or to be formed;
- 6.10.4 power to assent to any modification of the conditions and/or the provisions contained in the Listed Warrant which shall be proposed by the Company;
- 6.10.5 power to authorise any person to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any extraordinary resolution;
- 6.10.6 power to discharge or exonerate any person from any liability in respect of any act or omission for which such person may have become responsible under this Instrument;
- 6.10.7 power to give any authority, direction or sanction which under the provisions of the Listed Warrant Instrument is required to be given by extraordinary resolution; and
- 6.10.8 power to appoint any persons (whether Listed Warrantholders or not) as a committee or committees to represent the interests of the listed Warrantholders and to confer upon such committee any powers or discretions which the Listed Warrantholders could themselves exercise by extraordinary resolution.
- 6.11 An extraordinary resolution shall be binding upon all the Listed Warrantholders, whether present or not present at such meeting, and each of the Listed Warrantholders shall be bound to give effect thereto accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of such resolution justified the passing thereof.
- 6.12 The Company may with the sanction of the Listed Warrantholders by extraordinary resolution prescribe further regulations regarding the holding of meetings of Listed Warrantholders and attendance and voting thereat.

7 Modification of Rights

- 7.1 Any modification to the Listed Warrant Instrument may be effected only by deed poll executed by the Company with the prior sanction of an extraordinary resolution of the Listed Warrantholders.
- 7.2 All or any of the rights for the time being attached to the Listed Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the approval of the Company or the Directors and with the sanction of an extraordinary resolution of the Listed Warrantholders.

8 Purchase

The Company shall have the right to offer to purchase Listed Warrants by private treaty at any price. The Listed Warrantholders have no obligation to accept any such offer. All Listed Warrants so purchased by the Company shall forthwith be cancelled and shall not be available to be re-issued or re-sold.

9 Liquidation and Takeovers

- 9.1 If, prior to the exercise in full of the aggregate amount of the subscription rights, an order is made or an effective resolution is passed for the winding-up or dissolution, whether voluntary or involuntary, of the Company or if any other dissolution of the Company by operation of law is to be effected then:
 - 9.1.1 if such winding up or dissolution shall be for the purpose of a reorganisation or amalgamation pursuant to a scheme of arrangement under Section 425 of the Act and such scheme of arrangement is sanctioned by an extraordinary resolution of the Listed Warrantholders, the terms of such scheme of arrangement will be binding on the Listed Warrantholders; and
 - 9.1.2 in any other case, the Company shall immediately notify each Listed Warrantholder with subscription rights which remain unexercised that such an order has been made or resolution has been passed or other dissolution is to be effected and each such Listed Warrantholder shall be entitled at any time within one month after the date such notice is given to elect by notice in writing to the Company to be treated as if he had, immediately before the date of the making of the order or passing of the resolution or other dissolution, exercised all of his remaining subscription rights and he shall be entitled to receive out of the assets which would otherwise be available in the liquidation to the holders of Ordinary Shares, such a sum, if any, as he would have received had he been the holder of and paid for the Ordinary Shares to which he would have become entitled by virtue of such exercise, after deducting from such sum an amount equal to the amount which would have been payable by him in respect of such shares if he had exercised the subscription rights, but this provision shall not have the effect of requiring a Listed Warrantholder to make an actual payment to the Company. Subject to the foregoing all Listed Warrants shall lapse on the liquidation of the Company.
- 9.2 Upon an offer being made to the holders of all the Ordinary Shares to acquire the whole or any part of the Ordinary Share capital where such offer would result in the right to cast a majority of the vote which may ordinarily be cast on a poll at a general meeting becoming vested in the offeror (a "Takeover Event") the Company shall give notice to the Listed Warrantholders of such Takeover Event within 14 days of its becoming aware of such Takeover Event and the Listed Warrantholders shall be entitled to exercise their subscription rights, in whole or in part, at any time within the period of 42 days immediately following the date on which the Takeover Event in question shall have become unconditional in all respects and not subject to abandonment or failure or any right of termination.
- 9.3 After the occurrence of a Takeover Event, the Company shall promptly furnish copies to the Listed Warrantholders of all information distributed (including general media solicitations) by the offeror to members of the Company, and all information distributed by the Company to its members in relation to such Takeover Event.

9.4 On the occurrence of a Takeover Event if an offer has been made to the Listed Warrantholders to acquire all of the outstanding subscription rights and the value of the consideration receivable by the Listed Warrantholders pursuant to such offer shall be assessed by the auditors of the Company (acting as experts not arbitrators) and which assessment shall have been confirmed in writing to the Listed Warrantholders no less than 21 days (or if that is not possible such period as is possible) prior to the expiry of such offer) to have a value at least equal to the consideration that the Listed Warrantholders would have received (after deduction of the Subscription Price) pursuant to the offer or proposal had the Listed Warrantholders exercised their subscription rights on the date on which such offer or proposal becomes wholly unconditional then to the extent that such offer or proposal is not taken up in respect of any subscription rights and to the extent that such subscription rights have not been or may not be exercised in accordance with paragraph 9.2 above by the date of expiry of such offer, those subscription rights shall be cancelled.

9.5 If on the occurrence of a Takeover Event under the terms of such offer or proposal the consideration consists solely of the issue of ordinary shares of the offeror and the offeror makes available to the Listed Warrantholders warrants to subscribe for ordinary shares of the offeror in exchange for the subscription rights on such terms as the auditors of the Company consider to be fair and reasonable (acting as experts not arbitrators having regard to the terms of the offer and any other circumstances which may appear to the auditors of the Company to be relevant) then at any time after such offer or proposal has become or has been declared wholly unconditional, and the offeror is in a position compulsorily to acquire the whole of the equity share capital of the Company, any member of the Board shall be authorised as attorney for any Listed Warrantholder:

9.5.1 to execute transfers of the Listed Warrants to the offeror in consideration of the issue of warrants to subscribe for ordinary shares of the offeror as contemplated above, whereupon the Listed Warrants shall be cancelled; and

9.5.2 to do all such acts and things as may be reasonably necessary or desirable in connection with the transfer of the Listed Warrants.

10 Accounts/Circulars/Authorities

10.1 The Company will send to each Listed Warrantholder a copy of its annual and (if any) interim report and accounts and copies of all notices and circulars issued to members, at the same time as the relevant documents are sent to members.

10.2 The Company will keep available for issue sufficient authorised but unissued share capital to satisfy in full the unexercised subscription rights.

11 Replacement of Certificates

If a certificate is mutilated, defaced, lost, stolen or destroyed it will be replaced at the registered office of the Company for the time being at the expense of the Company and on such terms as to evidence and indemnity as the Company may reasonably require. Mutilated or defaced certificates must be surrendered before replacements will be issued.

12 Governing Law

The Listed Warrant Instrument shall be governed by and construed in accordance with English law.

PART 7

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003

Audited financial information on the Company for the year ended 31 December 2003

The financial information set out in this Part 7 comprises the financial information for the Group for the two years ended 31 December 2003 which has been prepared in accordance with UK GAAP.

The financial statements for the Group set out in this Part 7 do not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts for the year ended 31 December 2003 has been delivered to the Registrar of Companies. The accounts for each period were audited and reported on under section 235 of the Companies Act 1985 by Ernst & Young LLP, registered auditors of 100 Barbirolli Square, Manchester, M2 3EY. The audit report for the period was unqualified and no statements were made under section 237(2) or (3) of the Act. Whilst not qualified, the audit report for the 2003 financial year made reference to a fundamental uncertainty in their preparation in the following terms:

“In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the group raising additional financing. The financial statements do not include any adjustments that would result from a failure to obtain funding. Details of the circumstances relating to this material uncertainty are described in Note 1. Our opinion is not qualified in this respect”

The financial information set out below has been extracted, without material adjustment, from the published audited consolidated financial statements of Antonov for the year ended 31 December 2003.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANTONOV PLC

We have audited the Group's accounts for the year ended 31 December 2003 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 20. These accounts have been prepared on the basis of the accounting policies set out therein.

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, including the accounts which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in respect of the Accounts.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if 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 transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Chairman's Statement, Directors' Report, Corporate Governance statement, Remuneration Committee report and the Pro-forma abbreviated financial statements in Euros. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the basis of preparation. The accounts have been prepared on the going concern basis and the validity of this depends on the Group raising additional financing. The accounts do not include any adjustments that would result from a failure to obtain funding. Details of the circumstances

relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Manchester

14 June 2004

Group profit and loss account

for the year ended 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
Turnover and other revenue	2	–	139
Cost of sales		–	–
Gross profit		–	139
Development costs and administrative expenses		(2,142)	(2,134)
Operating loss	3	(2,142)	(1,995)
Net interest receivable and similar income		8	18
Loss on ordinary activities before taxation		(2,134)	(1,977)
Taxation on loss on ordinary activities	6	(28)	(30)
Loss on ordinary activities after taxation		(2,162)	(2,007)
Loss per share (basic and diluted)	8	2.1p	2.0p

Group balance sheet

as at 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
Fixed assets			
Intangible fixed assets	9	1,440	1,401
Tangible fixed assets	10	64	87
		1,504	1,488
Current assets			
Stock	12	51	78
Debtors	13	254	210
Cash in hand and at bank		183	878
		488	1,166
Creditors			
Amounts falling due within one year (including convertible debt)	15	(534)	(439)
Net current (liabilities)/assets		(46)	727
Total assets less current liabilities		1,458	2,215
Capital and reserves			
Called up share capital	16	5,266	5,002
Share premium	16	16,761	15,815
Capital reserve	16	2,587	2,587
Profit and loss account	16	(23,156)	(21,189)
Equity shareholders' funds	16	1,458	2,215

Approved by the Board of directors and signed on their behalf on 14 June 2004 by

R. Antonov
Chairman

D. Bovell
Finance Director

Company balance sheet
as at 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
Fixed assets			
Investments in subsidiaries	11	<u>20,014</u>	<u>18,788</u>
Current assets			
Debtors	13	50	104
Cash in hand and at bank		<u>31</u>	<u>27</u>
		81	131
Creditors			
Amounts falling due within one year (including convertible debt)	15	<u>(330)</u>	<u>(84)</u>
Net current (liabilities)/assets		<u>(249)</u>	<u>47</u>
Total assets less current liabilities		<u><u>19,765</u></u>	<u><u>18,835</u></u>
Capital and reserves			
Called up share capital	16	5,266	5,002
Share premium	16	16,761	15,815
Profit and loss account	16	<u>(2,262)</u>	<u>(1,982)</u>
Equity shareholders' funds	16	<u><u>19,765</u></u>	<u><u>18,835</u></u>

Approved by the Board of directors and signed on their behalf on 14 June 2004 by

R. Antonov
Chairman

D. Bovell
Finance Director

Group cash flow statement

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
Net cash outflow from operating activities	3b	<u>(2,050)</u>	<u>(1,719)</u>
Returns on investments and servicing of finance			
Interest received		10	28
Interest paid		<u>1</u>	<u>–</u>
Cash inflow from returns an investments and servicing of finance		<u>9</u>	<u>28</u>
Tax paid		(32)	(29)
Capital expenditure and financial investment			
Paid for purchase of intangible fixed assets		(85)	(239)
Paid for purchase of tangible fixed assets		(19)	(58)
Receipts from sale of tangible fixed assets		<u>1</u>	<u>14</u>
Cash outflow from capital expenditure and financial investment		<u>(103)</u>	<u>(283)</u>
Net cash outflow before use of liquid resources and financing		<u><u>(2,176)</u></u>	<u><u>(2,003)</u></u>
Financing activities			
Issue of shares for cash	16	1,241	2,495
Costs of raising capital	16	–	(89)
Convertible loans	19	<u>175</u>	<u>–</u>
Net cash inflow from financing		<u>1,416</u>	<u>2,406</u>
Net (decrease)/increase in cash	19	<u><u>(760)</u></u>	<u><u>403</u></u>

Group statement of total recognised gains and losses
for the year ended 31 December 2003

	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>
Loss on ordinary activities after taxation	(2,162)	(2,007)
Currency translation differences	195	110
Total recognised losses in the period	<u>(1,967)</u>	<u>(1,897)</u>

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	<i>Notes</i>	<i>2003</i>	<i>2002</i>
		<i>£'000</i>	<i>£'000</i>
Total recognised losses in the period		(1,967)	(1,897)
Other movements:			
Issue of shares (net of costs)	16	1,210	2,499
Total movements in the period		(757)	602
Shareholders' funds at 1 January		2,215	1,613
Shareholders' funds at 31 December		<u>1,458</u>	<u>2,215</u>

Notes to the accounts

at 31 December 2003

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts.

Basis of preparation

The accounts have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost accounting rules.

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 2003 the Group had cash of £183,329 and an undrawn committed borrowing facility in respect of convertible loan notes of approximately £705,000 (€1,000,000). Since the year-end ordinary share warrants have been exercised raising approximately a further £251,250 and, during March 2004, a convertible loan facility in the amount of approximately £703,500 (€1,050,000) has been agreed. These funds will only support the working capital needs of the business until late summer 2004. They will not therefore, be sufficient on their own to allow the Group to continue to develop the Antonov transmission and hence further sources of funding will be required to be negotiated.

Whilst there is considerable uncertainty as to the outcome of this matter certain technical and commercial advances have been achieved and to date the Group has been successful in raising further sources of funding as it has needed to. The directors are currently involved in negotiations regarding additional financing and expect to finalise these negotiations in the near future. They are therefore confident that the Group will be able to raise the capital it requires and consider that it is appropriate for the accounts to be prepared on a going concern basis. However, if additional funding cannot be agreed, the Company may be unable to continue in operational existence, and adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise and to reclassify fixed assets as current assets. It is not possible to quantify the effect of such adjustments on the Group's accounts.

Basis of consolidation

The Group accounts consolidate the accounts of Antonov plc and all its subsidiary undertakings. These accounts are made up to 31 December 2003. No profit and loss account is presented for Antonov plc as permitted by section 230 of the Companies Act 1985.

Intangible assets

Intangible assets represent patent and trademark application costs and are stated at historic cost, reduced by a provision for depreciation over the period of their expected useful lives of twenty years. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost reduced by a provision for depreciation over the period of their expected useful lives of three to seven years. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Financial fixed assets

Investments in subsidiaries in the Company balance sheet are stated at cost, less provision for impairment where necessary.

Stock

Stocks are stated at the lower of cost and net realisable value. In respect of certain prototypes appropriate cost reflects agreements to provide prototypes in lieu of income receivable. Where this method is applied the initial value attributed is limited to net realisable value. Work in progress includes the cost of direct materials and labour.

Liquid resources

All funds on deposit with banks except for those amounts on current accounts are classified as liquid resources for cash flow statement purposes.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All these exchange differences are taken to the profit and loss account. On consolidation, the balance sheets of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries are translated at the average rate of exchange during the year. The resulting exchange differences and those arising on the re-translation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account.

Research and development

Research and development expenditure is written off in the period in which it is incurred.

Leasing

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover, other revenue and segmental information

All turnover, other revenue, losses and net assets/liabilities relate to the development and commercialisation of the Antonov Automatic Transmission. Turnover and other revenue in 2003 relates to sales to:

	2003 £'000	2002 £'000
Asia	–	139

3. Operating loss

(a) Operating loss is stated after charging:

	2003 £'000	2002 £'000
Directors' emoluments	338	396
Auditors' remuneration		
audit services	27	22
non-audit services	10	5
Amortisation of intangible assets	165	125
Depreciation of tangible assets	49	56
Operating lease rentals – land and buildings	88	73
Research and development expense	1,252	1,221

(b) Reconciliation of operating loss to net cash outflow from operating activities.

The operating loss may be reconciled to net cash outflow from operating activities as follows:

	2003 £'000	2002 £'000
Operating loss	(2,142)	(1,995)
Amortisation of intangible assets	165	125
Depreciation of tangible assets	49	56
(Increase)/decrease in stocks	33	(25)
(Increase)/decrease in debtors	(53)	5
(Decrease)/increase in creditors	(102)	117
Net cash outflow from operating activities	<u>(2,050)</u>	<u>(1,719)</u>

4. Staff costs and directors' remuneration

The remuneration of the executive directors is as follows:

	2003 £'000	2002 £'000
R. Antonov		
Basic salary	103	91
Bonus	–	–
Benefits	6	9
	<u>109</u>	<u>100</u>
Social charges and other insurances	26	25
Pension contributions	13	9
	<u>148</u>	<u>134</u>

	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
M. Emmerson		
Basic salary	42	89
Bonus	–	38
Benefits	1	4
	<u>43</u>	<u>131</u>
Social charges and other insurances	1	6
Pension contributions	5	75
	<u>49</u>	<u>212</u>
M. Schinzig		
Basic salary	68	–
Bonus	–	–
Benefits	9	–
	<u>77</u>	<u>–</u>
Social charges and other insurances	16	–
Pension contributions	7	–
	<u>100</u>	<u>–</u>
D. Bovell		
Basic salary	10	–
Bonus	10	–
Benefits	–	–
	<u>20</u>	<u>–</u>
Social charges and other insurances	–	–
Pension contributions	–	–
	<u>20</u>	<u>–</u>

Mr. Bovell's emoluments are paid to a third party for the provision of his services.

The remuneration of the non-executive directors is as follows:

	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
J.N. Dickens		
Payments to third parties in respect of services	<u>26</u>	<u>26</u>
K.E. Ludvigsen		
Payments to third parties in respect of services	<u>12</u>	<u>12</u>
C. Minnaar		
Payments to third parties in respect of services	<u>12</u>	<u>12</u>

Details of directors' share options can be found in the Director's Report and note 16.

An analysis of staff costs is as follows:

	2003 £'000	2002 £'000
Wages and salaries	406	425
Social security and health care costs	112	148
Pension	61	48
	<u>579</u>	<u>621</u>

The average monthly number of employees for each period was as follows:

	2003 Number	2002 Number
Product development	12	13
Administration	5	4
	<u>17</u>	<u>17</u>

5. Interest

	2003 £'000	2002 £'000
Interest receivable	9	18
Interest payable on convertible loan notes	(1)	–
	<u>8</u>	<u>18</u>

6. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £'000	2002 £'000
Current tax:		
Overseas tax	<u>28</u>	<u>30</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities can be reconciled as follows:

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(2,134)	(1,977)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	640	593
Tax losses not recognisable	(732)	(687)
Higher tax rate on overseas earnings	74	64
Expenses not allowable for tax	(26)	(8)
Tax depreciation in excess of depreciation for the period	16	8
Actual tax charge for the year	<u>(28)</u>	<u>(30)</u>

(c) *Factors that may affect future tax charges*

The Group expects to continue to incur overseas taxation in certain jurisdictions against which losses in other jurisdictions are not relievable. In addition, until the Group begins to receive revenues from the licensing of its technology, due to the availability of accumulated tax losses, the Group does not expect to incur any significant tax charge.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as no dividends have been declared and the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

7. Reconciliation of net cash flow to movement in net funds

	<i>Note</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
Increase in cash in the period		(760)	403
Cash inflow from loans		(175)	–
Change in net funds arising from cash flows	19	(935)	403
Conversion of loans to equity	19	–	93
Exchange differences	19	65	15
Movement in net funds in the period		(870)	511
Net funds at 1 January	19	878	367
Net funds at 31 December	19	8	878

8. Loss per ordinary share

The calculation of basic and diluted loss per share is based on the loss on ordinary activities after taxation of £2,162,000 (2002: £2,007,000) and on 104,017,884 ordinary shares of 5p, representing the weighted average number of shares in issue in 2003 (2002: 97,924,333).

9. Intangible fixed assets

At 31 December, 2002 and 2003 Group intangible fixed assets comprised:

	<i>Software</i> <i>£'000</i>	<i>Patent and</i> <i>trademark</i> <i>application</i> <i>costs</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Cost			
At 31 December 2002	89	2,365	2,454
Exchange adjustment	7	198	205
Additions	–	87	87
At 31 December 2003	<u>96</u>	<u>2,650</u>	<u>2,746</u>
Amortisation			
At 1 January 2003	87	966	1,053
Exchange adjustment	7	81	88
Provided during the year	–	165	165
At 31 December 2003	<u>94</u>	<u>1,212</u>	<u>1,306</u>
Net book value at 31 December 2003	<u>2</u>	<u>1,438</u>	<u>1,440</u>
Net book value at 31 December, 2002	<u>2</u>	<u>1,399</u>	<u>1,401</u>

10. Tangible fixed assets

At 31 December 2002 and 2003 Group tangible fixed assets comprised:

	<i>Motor vehicles £'000</i>	<i>Other fixed assets £'000</i>	<i>Total £'000</i>
Cost			
At 31 December 2002	77	266	343
Exchange adjustment	6	22	28
Additions	–	20	20
Disposals	–	(62)	(62)
At 31 December 2003	<u>83</u>	<u>246</u>	<u>329</u>
Depreciation			
At 1 January, 2003	61	195	256
Exchange adjustment	5	16	21
Charge for the year	13	36	49
Disposals	–	(61)	(61)
At 31 December 2003	<u>79</u>	<u>186</u>	<u>265</u>
Net book value at 31 December 2003	<u>4</u>	<u>60</u>	<u>64</u>
Net book value at 31 December 2002	<u>16</u>	<u>71</u>	<u>87</u>

11. Investments in subsidiaries

	<i>Company 2003 £'000</i>
At 1 January 2003	18,788
Additions	1,226
At 31 December 2003	<u>20,014</u>

Additions represent additional capital contribution to AAT.

All subsidiaries are 100 per cent. owned. Their names and countries of operation and incorporation are as follows:

	<i>Country</i>	<i>Activity</i>	<i>Parent</i>
Antonov Automotive Technologies B.V. ('AAT').	The Netherlands	Licensing	Antonov plc
Antonov Automotive Europe B.V.	The Netherlands	Licensing	AAT
Antonov Automotive Far East B.V.	The Netherlands	Licensing	AAT
Antonov Automotive North America B.V.	The Netherlands	Licensing	AAT
Antonov Automotive Technologies France S.A.R.L.	France	Service	AAT

12. Stock

	<i>Group at 31 December</i>	
	<i>2003 £'000</i>	<i>2002 £'000</i>
Work in progress	<u>51</u>	<u>78</u>

13. Debtors

These comprised:

	<i>Group at 31 December</i>		<i>Company at 31 December</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts due from related undertakings	13	25	–	–
Amounts due from Group undertakings	–	–	–	69
Other debtors and prepayments	241	185	50	35
	<u>254</u>	<u>210</u>	<u>50</u>	<u>104</u>

14. Deferred taxation

There is no net provision for deferred taxation. £191,000 (2002: £175,000) of depreciation timing differences have been offset against trading losses. The amounts of unrecognised deferred tax assets are as follows:

	<i>Group at 31 December</i>		<i>Company at 31 December</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trading losses	7,577	6,359	562	486
Depreciation timing differences	–	–	–	–
	<u>7,577</u>	<u>6,359</u>	<u>562</u>	<u>486</u>

The movement in the Group's unrecognised deferred tax asset in the year relates to exchange differences, the loss arising in the period and a review of the brought forward tax loss position.

15. Creditors: Amounts falling due within one year

Creditors falling due within one year comprise:

	<i>Group at 31 December</i>		<i>Company at 31 December</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Convertible loan note	175	–	175	–
Trade creditors	135	182	14	1
Amounts due to Group undertakings	–	–	47	–
Corporation tax	17	17	–	–
Other taxes and social security costs	39	62	–	–
Other creditors and accruals	168	178	94	83
	<u>534</u>	<u>439</u>	<u>330</u>	<u>84</u>

The convertible loan note at 31 December 2003 is unsecured and bears interest at 7.5 per cent. per annum. The total amount available under the loan notes is €1,250,000. The loan note is convertible, at the option of either party, into ordinary shares at a price of €0.30 per share at any time after 30 June 2004. If not converted the loan note is repayable at par on 30 days notice by either party at any date after 31 December 2004. The loan note also has 1.5 million share warrants attached and details of these have been included in note 16 below.

16. Share capital and reserves

<i>Share Capital</i>	<i>2003</i> <i>Number</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>Number</i>	<i>2002</i> <i>£'000</i>
Authorised:				
ordinary shares of 5p each	154,189,471	7,709	154,189,471	7,709
Allotted, called up and fully paid	105,319,348	5,266	100,041,187	5,002

On 1 April 2003, 5,278,161 ordinary shares with an aggregate nominal value of £263,908 were issued raising gross proceeds of £1,241,000. A further 153,733 ordinary shares were agreed to be issued in satisfaction of preliminary expenses.

<i>Contingently Issuable Shares</i>	<i>At the end</i> <i>of the year</i>	<i>Exercise</i> <i>period</i>	<i>Exercise</i> <i>price</i>
Warrants issued pursuant to placings	15,669,924	to 31.03.08	20p to 40p
R. Antonov	586,950	to 18.04.07	€1.07
J.N. Dickens	40,000	to 25.04.12	40p
M. Emmerson	1,067,055	to 18.04.07	41p to 84p
K.E. Ludvigsen	40,000	to 25.04.12	40p
C. Minnaar	40,000	to 25.04.12	40p
Employee share options	157,650	to 20.05.09	40p to 108.5p
Quivest BV	500,000	to 30.06.04	30p
Quivest BV	500,000	to 30.09.04	45p
Quivest BV	500,000	to 31.03.05	60p
	<u>19,201,579</u>		

<i>Group Reserves</i>	<i>Called up</i> <i>share capital</i> <i>£'000</i>	<i>Share</i> <i>premium</i> <i>£'000</i>	<i>Capital</i> <i>reserve</i> <i>£'000</i>	<i>Profit and</i> <i>loss account</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
At 1 January 2003	5,002	15,815	2,587	(21,189)	2,215
Issue of shares	264	977	–	–	1,241
Share issue costs	–	(31)	–	–	(31)
Loss for the year	–	–	–	(2,162)	(2,162)
Exchange adjustment on loss for the year	–	–	–	(7)	(7)
Exchange adjustment on re-translation of opening net assets	–	–	–	182	182
Exchange adjustment arising from capital contributions to AAT BV	–	–	–	20	20
At 31 December 2003	<u>5,266</u>	<u>16,761</u>	<u>2,587</u>	<u>(23,156)</u>	<u>1,458</u>

<i>Company Reserves</i>	<i>Called up</i> <i>share capital</i> <i>£'000</i>	<i>Share</i> <i>premium</i> <i>£'000</i>	<i>Profit and</i> <i>loss account</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
At 1 January 2003	5,002	15,815	(1,982)	18,835
Issue of shares	264	977	–	1,241
Share issue costs	–	(31)	–	(31)
Loss for the year	–	–	(280)	(280)
At 31 December 2003	<u>5,266</u>	<u>16,761</u>	<u>(2,262)</u>	<u>19,765</u>

17. Commitments

At 31 December 2002 and 2003 the Group's annual commitments under operating leases for land and buildings were as follows:

	2003 £'000	2002 £'000
Leases expiring:		
Within one year	87	–
Within two to five years	113	73
	<u>200</u>	<u>73</u>

18. Related party transactions

At the year-end Antonov Engine EURL owed Antonov Automotive Technologies France SARL £Nil (2002: £25,796). During the year Antonov Engine EURL, which is a non-group company in which Chairman Roumen Antonov and Non-executive Director Cees Minnaar are interested, filed for bankruptcy and therefore a full provision has been established in respect of the amounts due.

Further amounts due from companies in which Roumen Antonov is interested are as follows:

<i>Name of related undertaking</i>	<i>Total value of transactions in the year</i> £	<i>Amount due to the Group</i> £
Four Stroke SARL	8,000	8,000
Antonov Holding EURL	2,500	2,500
Antonov Foundation	2,500	2,500

The above transactions were undertaken on normal commercial terms and related to the use of the Group's premises by the above entities. The amounts outstanding at year-end were settled in full after year-end.

19. Analysis of changes in net funds

	<i>At 1 January 2003 £'000</i>	<i>Cash flow £'000</i>	<i>Non cash movements £'000</i>	<i>At 31 December 2003 £'000</i>
Cash	878	(760)	65	183
Loans	–	(175)	–	(175)
Total	<u>878</u>	<u>(935)</u>	<u>65</u>	<u>8</u>

Financial instruments

During the year the Group has continued its policy of raising the funds necessary to fund operations by way of issuing shares. Towards the end of the year, the Group also arranged and partly drew down on a convertible loan note facility. A further such facility has been arranged since the year-end. Such facilities enable the Group to access funds as required to finance its operations whilst retaining the important option for either the Group or the note holders to convert this funding into equity at a future date. Funds received, to the extent that they are denominated in Sterling, are converted as soon as is practicable into Euros and transferred to the Group's main operating company, AAT BV in the Netherlands. To the extent that funds raised by way of placings are not immediately required to fund operations they are placed on deposit. Where appropriate a range of banks are used in order to spread counterparty risk.

The Company has £175,000 (2002: £Nil) of convertible loan notes in issue at the year-end which are denominated in Euros. These bear interest at a fixed rate of 7.5 per cent. Further details of the loan notes are provided in note 15. The Group has no other fixed rate financial instruments and, other than mentioned above, also has no material monetary assets/liabilities denominated in currencies other than the functional currency of operation.

Excluding short-term debtors and creditors, where the fair value equates to the book value, the Group had the following financial instruments at 31 December 2003 and 2002:

	2003		2002	
	<i>Book value</i> £'000	<i>Fair value</i> £'000	<i>Book value</i> £'000	<i>Fair value</i> £'000
Cash	183	183	878	878
Convertible loan notes	175	175	–	–

In all material respects, cash balances held at 31 December 2003 were dominated in Euros.

In respect of the €1,250,000 borrowing facility in place at the year-end, €250,000 (£175,000) had been drawn down as indicated above, and there remains a committed amount of €1,000,000 (£705,000 at year-end exchange rates) with no restrictions on the date of drawdown. There were no similar facilities at 31 December 2002.

20. Post balance sheet events

Since the year-end the following events have taken place:

Amounts totalling approximately £310,000 (€462,000) have been drawn down under the convertible loan note facility disclosed in note 15 to the accounts.

In February the Group announced that it had signed a “Heads of Agreement” to collaborate with a tier 1 transmission manufacturer (the “Partner”). Due to confidentiality undertakings given by Antonov to the Partner, its name cannot be disclosed at present. Antonov will together with the Partner develop its six-speed AAD transmission for small car series production beginning in 2005.

During March 2004 1,000,000 share, warrants were exercised giving rise to proceeds of approximately £251,250 (gross). Also during March 2004 an additional unsecured convertible loan note facility in the amount of approximately £703,500 (€1,050,000) was agreed. The loan notes bear interest at 7.5 per cent. per annum and are convertible into ordinary shares at a price of €0.70 (approximately 48 pence) per share. No amounts have yet been drawn down under this facility. The facility has 2.5 million share warrants attached which are exercisable at any time prior to 31 March 2006 at a price of €0.60 per share.

During May 2004, 53,300 ordinary shares of 5p each were issued pursuant to David Bovell, a director, in payment of a bonus due to him under the 2003 executive director’s bonus scheme. The weighted average issue price was €0.27 per share.

Pro-forma group profit and loss account

for the year ended 31 December 2003

	2003 €'000	2002 €'000
Turnover and other revenue	–	220
Cost of sales	–	–
Gross profit	–	220
Development costs and administrative expenses	(3,053)	(3,386)
Operating loss	(3,053)	(3,166)
Interest receivable and similar income	12	28
Loss on ordinary activities before taxation	(3,041)	(3,138)
Taxation on loss on ordinary activities	(40)	(47)
Loss on ordinary activities after taxation	(3,081)	(3,185)
Loss per share	3.0 ct	3.0 ct

The pro-forma statements on pages 53 and 54 have been prepared by translating the pound statements on pages 39 and 40 at the average Euro rate for the Group Profit and Loss account and closing Euro rate for the Balance Sheets.

Pro-forma group balance sheet

as at 31 December 2003

	2003 €'000	2002 €'000
Fixed assets		
Intangible fixed assets	2,044	2,154
Tangible fixed assets	91	133
	2,135	2,287
Current assets		
Stock	72	120
Debtors	361	323
Cash in hand and at bank	260	1,350
	693	1,793
Creditors		
Amounts falling due within one year (including convertible debt)	(759)	(675)
Net current (liabilities)/assets	(66)	1,118
Total assets less current liabilities	2,069	3,405
Capital and reserves		
Called up share capital	7,474	7,695
Share premium	23,787	24,328
Capital reserve	3,672	3,980
Profit and loss account	(32,864)	(32,598)
Equity shareholders' funds	2,069	3,405

Pro-forma company balance sheet

as at 31 December 2003

	2003 €'000	2002 €'000
Fixed assets		
Investments in subsidiaries	28,406	28,904
Current assets		
Debtors	71	160
Cash in hand and at bank	44	41
	115	201
Creditors		
Amounts falling due within one year (including convertible debt)	(469)	(129)
Net current (liabilities)/assets	(354)	72
Total assets less current liabilities	<u>28,052</u>	<u>28,976</u>
Capital and reserves		
Called up share capital	7,474	7,695
Share premium	23,788	24,328
Profit and loss account	(3,210)	(3,047)
Equity shareholders' funds	<u>28,052</u>	<u>28,976</u>

Pro-forma group cash flow statement

for the year ended 31 December 2003

	2003 €'000	2002 €'000
Net cash outflow from operating activities	<u>(2,910)</u>	<u>(2,637)</u>
Returns on investments and servicing of finance		
Interest received	14	43
Interest paid	1	–
Cash inflow from returns an investments and servicing of finance	<u>13</u>	<u>43</u>
Tax paid	(45)	(44)
Capital expenditure and financial investment		
Paid for purchase of intangible fixed assets	(123)	(367)
Paid for purchase of tangible fixed assets	(27)	(89)
Receipts from sale of tangible fixed assets	2	22
Cash outflow from capital expenditure and financial investment	<u>(147)</u>	<u>(434)</u>
Net cash outflow before use of liquid resources and financing	<u>(3,089)</u>	<u>(3,072)</u>
Financing activities		
Issue of shares for cash	1,762	3,833
Costs of raising capital	–	(141)
Convertible loans	248	–
Net cash inflow from financing	<u>2,010</u>	<u>3,692</u>
Net (decrease)/increase in cash	<u>(1,079)</u>	<u>620</u>

PART 8

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

Audited financial information on the Company for the year ended 31 December 2004

The financial information set out in this Part 8 comprises the financial information for the Group for the two years ended 31 December 2004 which has been prepared in accordance with UK GAAP.

The financial statements for the Group set out in this Part 8 do not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts for the year ended 31 December 2004 has been delivered to the Registrar of Companies. The accounts for each period were audited and reported on under section 235 of the Companies Act 1985 by Ernst & Young LLP, registered auditors of 100 Barbirolli Square, Manchester, M2 3EY. The audit report for the period was unqualified and no statements were made under section 237(2) or (3) of the Act.

The financial information set out below has been extracted, without material adjustment, from the published audited consolidated financial statements of Antonov for the year ended 31 December 2004.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANTONOV PLC

We have audited the Group's accounts for the year ended 31 December 2004 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 24. These accounts have been prepared on the basis of the accounting policies set out therein.

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 that 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, including the accounts which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of directors' responsibilities in respect of the accounts.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if 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 transactions with the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Chairman's Statement, Chief Executive's Review, Finance Director's Review, Corporate Governance Statement, Remuneration Report, Report of the Directors and the Pro-forma abbreviated financial statements in Euros. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Manchester

24 June 2004

Consolidated profit and loss account
for the year ended 31 December 2004

	<i>Note</i>	<i>Total 2004 £'000</i>	<i>Total 2003 £'000</i>
Turnover		–	–
Cost of sales		–	–
Gross profit		<u>–</u>	<u>–</u>
Development costs and administrative expenses		(3,109)	(2,142)
Operating loss	3	(3,109)	(2,142)
Interest receivable and similar income	6	–	9
Interest payable and similar charges	6	(13)	(1)
Loss on ordinary activities before taxation		(3,122)	(2,134)
Taxation on loss from ordinary activities	7	(51)	(28)
Loss on ordinary activities after taxation		<u>(3,173)</u>	<u>(2,162)</u>
Loss per share – Basic and diluted	8	<u>(11.7p)</u>	<u>(8.3p)*</u>

* Restated for the share consolidation that took place in February 2005.

The notes on pages 56 to 66 form part of these financial statements.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2004

	<i>2004 £'000</i>	<i>2003 £'000</i>
Consolidated statement of total recognised gains and losses		
Loss for the financial year after taxation	(3,173)	(2,162)
Exchange translation differences on consolidation	(42)	195
Total recognised gains and losses for the year	<u>(3,215)</u>	<u>(1,967)</u>

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2004

	<i>Notes</i>	<i>2004 £'000</i>	<i>2003 £'000</i>
Total recognised gains and losses for the year		(3,215)	(1,967)
Other movements:			
Issue of shares (net of costs)	15	2,105	1,210
Total movements in the year		(1,110)	(757)
Shareholders' funds at 1 January		1,458	2,215
Shareholders' funds at 31 December		<u>348</u>	<u>1,458</u>

The notes on pages 56 to 66 form part of these financial statements.

Consolidated balance sheet

at 31 December 2004

	<i>Note</i>	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
Fixed assets			
Intangible assets	9	1,404	1,440
Tangible assets	10	113	64
		<u>1,517</u>	<u>1,504</u>
Current assets			
Stocks	12	155	51
Debtors	13	437	254
Cash at bank and in hand		–	183
		<u>592</u>	<u>488</u>
Creditors:			
Amounts falling due within one year (including convertible debt)	15	<u>(1,761)</u>	<u>(534)</u>
Net current liabilities		<u>(1,169)</u>	<u>(46)</u>
Total assets less current liabilities		<u>348</u>	<u>1,458</u>
Capital and reserves			
Called up share capital	16	5,677	5,266
Share premium account	17	18,455	16,761
Capital reserve	17	2,587	2,587
Profit and loss account	17	<u>(26,371)</u>	<u>(23,156)</u>
Shareholders' funds	17	<u>348</u>	<u>1,458</u>

The financial statements were approved by the Board on 24 June 2005.

R. Antonov
*Chairman***D. Bovell**
Finance Director

Company balance sheet
at 31 December 2004

	<i>Note</i>	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
Fixed assets			
Investment in subsidiaries	11	<u>21,898</u>	<u>20,014</u>
Current assets			
Debtors	13	68	50
Cash at bank and in hand		<u>–</u>	<u>31</u>
		68	81
Creditors:			
Amounts falling due within one year (including convertible debt)	15	<u>(405)</u>	<u>(330)</u>
Net current liabilities		<u>(337)</u>	<u>(249)</u>
Total assets less current liabilities		<u><u>21,561</u></u>	<u><u>19,765</u></u>
Capital and reserves			
Called up share capital	16	5,677	5,266
Share premium account	17	18,455	16,761
Profit and loss account	17	<u>(2,571)</u>	<u>(2,262)</u>
Shareholders' funds	17	<u><u>21,561</u></u>	<u><u>19,765</u></u>

The financial statements were approved by the Board on 24 June 2005.

R. Antonov
Chairman

D. Bovell
Finance Director

Consolidated cash flow statement
for the year ended 31 December 2004

	<i>Note</i>	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
Net cash outflow from operating activities	22	<u>(1,997)</u>	<u>(2,050)</u>
Returns on investments and servicing of finance	23	–	9
Taxation	23	(17)	(32)
Capital expenditure and financial investment	23	<u>(196)</u>	<u>(103)</u>
Cash outflow before financing		<u>(2,210)</u>	<u>(2,176)</u>
Financing	23	<u>1,889</u>	<u>1,416</u>
Net decrease in cash	24	<u><u>(321)</u></u>	<u><u>(760)</u></u>

Notes forming part of the financial statements

for the year ended 31 December 2004

1. Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Group's accounts.

Basis of preparation

The accounts have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost accounting rules.

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

The Group has been able to obtain further significant funding from outside investors since the year-end. In addition the Group has made considerable commercial progress since the 2003 financial year such the Directors are confident that revenue generation from the exploitation of its technology will begin in late 2005, increasing in scale thereafter. The Directors are of the opinion that the working capital now available to the Group is sufficient for all of its foreseeable requirements. The Directors therefore consider that it is appropriate for the accounts to be prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the results of Antonov Plc and all of its subsidiary and associated undertakings as at 31 December 2004. No profit and loss account is presented for Antonov Plc as permitted by section 230 of the Companies Act 1985.

Intangible assets

Intangible assets represent patent and trademark application costs and are stated at historic 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 of such assets on an annual basis for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost reduced by a provision for depreciation over the period of their expected useful lives of three to seven years. The carrying value of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Financial fixed assets

Investment in subsidiaries in the Company balance sheet are stated at cost, less provision for impairment where necessary. The carrying value of financial fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Stock

Stock is stated at the lower of cost and net realisable value. Work in progress includes the cost of direct materials and labour.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All these exchange differences are taken to the Profit and Loss Account. On consolidation, the Balance Sheets of overseas subsidiaries are translated at the rate of exchange ruling at the Balance Sheet date. The profit and loss accounts of overseas subsidiaries are translated at the average rate of exchange during the year. The resulting exchange differences and those arising on the re-translation of opening net assets are taken directly to reserves.

Research and development

Research and development expenditure is written off in the period in which it is incurred.

Leasing

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the Balance Sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. Turnover, other revenue and segmental information

All turnover, other revenue, losses and net assets/liabilities relate to the development and commercialisation of the Antonov Automatic Transmission. There was no turnover or other revenue generated by the Company in either this or the preceding year.

3. Operating loss

	<i>2004</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>
This is arrived at after charging/(crediting):		
Research and development – current year's expenditure	2,200	1,252
Depreciation of tangible fixed assets	39	49
Amortisation of intangible assets	152	165
Operating leases – land and buildings	200	200
Auditors' remuneration – audit services	33	27
– non-audit services	5	10

4. Employees

	<i>2004</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>
Staff costs for all employees, including Executive Directors, consist of:		
Wages and salaries	666	406
Social security costs	157	112
Pension costs	82	61
	<u>905</u>	<u>579</u>

The average number of employees of the Group during the year, including Executive Directors, was as follows:

	<i>2004</i> <i>Number</i>	<i>2003</i> <i>Number</i>
Product development	14	12
Administration	7	5
	<u>21</u>	<u>17</u>

5. Directors' remuneration

	<i>2004</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
R. Antonov		
Basic salary	98	103
Bonus	–	–
Benefits	13	6
	<u>111</u>	<u>109</u>
Social charges and other insurances	26	26
Pension contributions to money purchase schemes	12	13
	<u>149</u>	<u>148</u>
M. Schinzig		
Basic salary	20	68
Bonus	–	–
Benefits	9	9
	<u>29</u>	<u>77</u>
Social charges and other insurances	6	16
Pension contributions to money purchase schemes	3	7
	<u>38</u>	<u>100</u>
D. Bovell		
Basic salary	39	10
Bonus	61	10
Benefits	–	–
	<u>100</u>	<u>20</u>
Social charges and other insurances	–	–
Pension contributions to money purchase schemes	–	20
	<u>100</u>	<u>40</u>

Mr. Bovell's emoluments are paid to a third party for the provision of his services.

The remuneration of the Non-Executive Directors is as follows:

	2004 £'000	2003 £'000
A. Dahi		
Payments to third parties in respect of services	<u>63</u>	<u>26</u>
C. Minnaar		
Payments to third parties in respect of services	<u>12</u>	<u>12</u>
C. Ross		
Payments to third parties in respect of services	<u>22</u>	<u>12</u>

Details of Directors' share options can be found in the Directors' Report and note 16.

6. Interest

	2004 £'000	2003 £'000
Interest receivable	–	9
Interest payable		
– Bank loans and overdrafts	–	–
– Convertible loan notes	<u>(13)</u>	<u>(1)</u>
	<u>(13)</u>	<u>8</u>

7. Taxation

(a) *Tax on loss on ordinary activities*

The tax charge is made up as follows:

	2004 £'000	2003 £'000
Current tax:		
Overseas tax	<u>51</u>	<u>28</u>

(b) *Factors affecting current tax charge*

The tax assessed for the period is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	<u>(3,122)</u>	<u>(2,134)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003: 30%)	(987)	(640)
Effect of:		
Expenses not deductible for tax purposes	54	26
Depreciation in excess of capital allowances	(19)	(16)
Tax losses not recognisable	1,068	732
Higher tax rates on overseas earnings	<u>(115)</u>	<u>(74)</u>
Current tax charge for period	<u>51</u>	<u>28</u>

(c) *Factors that may affect future tax charges*

The Group expects to continue to incur overseas taxation in certain jurisdictions against which losses in other jurisdictions are not relieviable. In addition, until the Group begins to receive revenues from licensing of its technology, due to the availability of accumulated tax losses, the Group does not expect to incur any significant tax charge.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as no dividends have been declared and the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

8. Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue is 27,007,282 (2003: 26,004,471 (restated)) and the earnings, being loss after tax, are £3,173,000 (2003: £2,162,000).

Since the year-end a share consolidation was undertaken with one 20p share being issued for every four 5p shares. The weighted average number of equity shares in issue has been calculated after the share consolidation and the comparative figures restated accordingly.

9. Intangible assets

<i>Group</i>	<i>Software £'000</i>	<i>Patent and trademark application costs £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 2004	96	2,650	2,746
Exchange adjustment	4	14	18
Additions	29	83	112
At 31 December 2004	<u>129</u>	<u>2,747</u>	<u>2,876</u>
Amortisation			
At 1 January 2004	94	1,212	1,306
Exchange adjustment	3	11	14
Provision for year	11	141	152
At 31 December 2004	<u>108</u>	<u>1,364</u>	<u>1,472</u>
Net book value at 31 December 2004	<u>21</u>	<u>1,383</u>	<u>1,404</u>
At 31 December 2003	<u>2</u>	<u>1,438</u>	<u>1,440</u>

10. Tangible assets

<i>Group</i>	<i>Motor vehicles £'000</i>	<i>Other fixed assets £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 2004	83	246	329
Additions	–	84	84
Exchange adjustment	–	7	7
At 31 December 2004	<u>83</u>	<u>337</u>	<u>420</u>
Depreciation			
At 1 January 2004	79	186	265
Provided for the year	4	35	39
Exchange adjustment	–	3	3
At 31 December 2004	<u>83</u>	<u>224</u>	<u>307</u>
Net book value at 31 December 2004	<u>–</u>	<u>113</u>	<u>113</u>
At 31 December 2003	<u>4</u>	<u>60</u>	<u>64</u>

11. Fixed asset investments

<i>Company</i>	<i>Group undertakings £'000</i>	<i>Total £'000</i>
Cost		
At 1 January 2004	20,014	20,014
Additions	1,884	1,884
Disposals	–	–
At 31 December 2004	<u>21,898</u>	<u>21,898</u>

Additions represent additional capital contributions to AAT.

Subsidiary Undertakings

The following were subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

<i>Name</i>	<i>Country of incorporation or registration</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Nature of business</i>	<i>Parent</i>
Antonov Automotive Technologies B.V. (“AAT”)	The Netherlands	100%	Licencing	Antonov Plc
Antonov Automotive Europe B.V.	The Netherlands	100%	Licencing	AAT
Antonov Automotive Far East B.V.	The Netherlands	100%	Licencing	AAT
Antonov Automotive North America B.V.	The Netherlands	100%	Licencing	AAT
Antonov Automotive Technologies France SARL	France	100%	Research and Development	AAT

For all undertakings listed above, the country of operation is the same as its country of incorporation or registration.

12. Stocks

	<i>Group</i> <i>2004</i> <i>£'000</i>	<i>Group</i> <i>2003</i> <i>£'000</i>	<i>Company</i> <i>2004</i> <i>£'000</i>	<i>Company</i> <i>2003</i> <i>£'000</i>
Work in progress	<u>155</u>	<u>51</u>	<u>–</u>	<u>–</u>

13. Debtors

	<i>Group</i> <i>2004</i> <i>£'000</i>	<i>Group</i> <i>2003</i> <i>£'000</i>	<i>Company</i> <i>2004</i> <i>£'000</i>	<i>Company</i> <i>2003</i> <i>£'000</i>
Amounts due from related undertakings	68	13	68	–
Other debtors and prepayments	367	241	–	50
Amounts owed by Directors	<u>2</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>437</u>	<u>254</u>	<u>68</u>	<u>50</u>

14. Deferred taxation

There is no net provision for deferred taxation. £nil (2003: £19,000) of depreciation timing differences have been offset against trading losses. The amounts of unrecognised deferred tax assets are as follows:

	<i>Group</i> <i>2004</i> <i>£'000</i>	<i>Group</i> <i>2003</i> <i>£'000</i>	<i>Company</i> <i>2004</i> <i>£'000</i>	<i>Company</i> <i>2003</i> <i>£'000</i>
Trading losses	8,733	7,577	653	562
Depreciation timing differences	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>8,733</u>	<u>7,577</u>	<u>653</u>	<u>562</u>

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

15. Creditors: Amounts falling due within one year

	<i>Group</i> <i>2004</i> <i>£'000</i>	<i>Group</i> <i>2003</i> <i>£'000</i>	<i>Company</i> <i>2004</i> <i>£'000</i>	<i>Company</i> <i>2003</i> <i>£'000</i>
Convertible loan note	–	175	–	175
Bank overdrafts (secured)	138	–	1	–
Trade creditors	940	135	38	14
Amounts owed to group undertakings	–	–	218	47
Tax and social security	–	39	–	–
Other creditors and accruals	632	168	148	94
Corporation tax	<u>51</u>	<u>17</u>	<u>–</u>	<u>–</u>
	<u>1,761</u>	<u>534</u>	<u>405</u>	<u>330</u>

The bank overdrafts are secured by a floating charge over the assets of the Group and the Company.

The unsecured convertible loan note was converted into ordinary share capital during the year under the terms of the loan agreement. The total amount available under the loan note was €1,250,000. The loan note was convertible, at the option of either party, into ordinary shares at a price of €0.30 per share at any time after 30 June 2004. If not converted the loan note was repayable at par on 30 days notice by either party at any date after 31 December 2004. The loan note also had 1.5 million share warrants attached and details of these have been included below. Accrued interest on the loan note at 7.5 per cent. p.a. remains unpaid as at 31 December 2004 and is included within "Other creditors and accruals".

16. Share capital

	2004 £'000	2003 £'000
Authorised		
Equity share capital		
154,189,471 ordinary shares of 5p each	<u>7,709</u>	<u>7,709</u>
Allotted, called up and fully paid		
Equity share capital		
113,543,048 (2003: 105,319,348) ordinary shares of 5p each	<u>5,677</u>	<u>5,266</u>

During the year 8,016,667 ordinary shares with an aggregate nominal value of £400,833 were issued raising gross proceeds of £1,209,000, the balance being given in consideration for the conversion of the loan note (£855,000). A further 207,033 ordinary shares with an aggregate nominal value of £10,352 were issued in satisfaction of preliminary expenses of £41,000.

<i>Contingently issuable shares</i>	<i>At the end of the year</i>	<i>Exercise period</i>	<i>Exercise price</i>
Warrants issued pursuant to placing	19,272,444	to 31.03.08	20p to 40p
R. Antonov	586,950	to 18.04.07	€ 1.07
J. N. Dickens	40,000	to 25.04.12	40p
M. Emmerson	1,067,055	to 18.04.07	41p to 84p
K. E. Ludvigsen	40,000	to 25.04.12	40p
C. Minnaar	40,000	to 25.04.12	40p
Employee share option	157,650	to 20.05.09	40p to 108.5p
Quinvest B.V.	500,000	to 31.03.05	60p
	<u>21,704,099</u>		

17. Reserves

<i>Group</i>	<i>Called up share capital £'000</i>	<i>Share premium account £'000</i>	<i>Capital reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2004	5,266	16,761	2,587	(23,156)	1,458
Issue of shares	411	1,694	–	–	2,105
Exchange adjustments arising on capital contributions to AAT	–	–	–	70	70
Exchange adjustment on re-translation of opening net assets	–	–	–	8	8
Exchange adjustment on loss for the year	–	–	–	(120)	(120)
Loss for the year	–	–	–	(3,173)	(3,173)
At 31 December 2004	<u>5,677</u>	<u>18,455</u>	<u>2,587</u>	<u>(26,371)</u>	<u>348</u>

<i>Company</i>	<i>Called up share capital £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2004	5,266	16,761	(2,262)	19,765
Issue of shares	411	1,694	–	2,105
Loss for the year	–	–	(309)	(309)
At 31 December 2004	<u>5,677</u>	<u>18,455</u>	<u>(2,571)</u>	<u>21,561</u>

18. Commitments under operating leases

As at 31 December 2004, the Group had annual commitments under non-cancellable operating leases as set out below:

	<i>2004 Land and buildings £'000</i>	<i>2004 Other £'000</i>	<i>2003 Land and buildings £'000</i>	<i>2003 Other £'000</i>
Operating leases which expire:				
Within one year	87	–	87	–
In two to five years	113	–	113	–
After five years	–	–	–	–
	<u>200</u>	<u>–</u>	<u>200</u>	<u>–</u>

19. Related party transactions

Amounts due from companies in which Roumen Antonov and David Bovell (Four Stroke SARL only) are interested are as follows:

	<i>2004 £'000</i>	<i>2003 £'000</i>
Four Stroke SARL	8,000	8,000
Antonov Holding EURL	2,500	2,500
Antonov Foundation	<u>2,500</u>	<u>2,500</u>

The above transactions were undertaken on normal commercial terms and are related to the use of the Group's premises by the above entities. The amounts outstanding at year-end were settled in full after year-end and were the equivalent to the total value of the transactions that took place during the year.

20. Post balance sheet events

Since the year-end the following events have taken place:

On 21 January 2005 the Company was granted a convertible term loan facility of €3,000,000 by nine different parties. As at the date of these financial statements the Company has drawn down €1,500,000.

During February 2005 a share consolidation was undertaken with one 20p share being issued for every four 5p shares.

As was widely reported in April 2005, Powertrain Ltd. who have a license to certain Group patents, was placed in administration. The Company does not expect any long-term adverse impact following these events. It is the Company's expectation that Shanghai Automotive Industry Corporation (SAIC) will seek in some form to acquire parts of Powertrain Ltd. including access to key staff members. This will enable current product development plans, including those in which the Company is involved, to continue.

As announced to the Press on 3 May 2005, the Group is launching its AMM variable supercharger drive with Rotrex A/S through US after market distributors Wheel-to-Wheel Tecstar. This is strategically important for the Company as it addresses one of the world's largest markets for tuner products. Trial units are being placed with selected customers in the US with series production to support initial demand beginning in late 2005.

On 7 June 2005 the Company was granted a term loan facility of €6,750,000 by five different parties. As at the date of these financial statements the Company has drawn down €750,000.

21. Analysis of changes in net debt

	<i>At</i> <i>1 January</i> <i>2004</i> <i>£'000</i>	<i>Cash</i> <i>flow</i> <i>£'000</i>	<i>Non cash</i> <i>movements</i> <i>£'000</i>	<i>At</i> <i>31 December</i> <i>2004</i> <i>£'000</i>
Cash	183	(183)	–	–
Overdraft	–	(138)	–	(138)
	–	(321)	–	–
Loans	(175)	(680)	855	–
Total	<u>8</u>	<u>(1,001)</u>	<u>855</u>	<u>(138)</u>

The convertible loan note was converted into ordinary shares at a price of €0.30 per share in September 2004.

Financial instruments

During the year the Group has continued its policy of raising the funds necessary to fund operations by way of issuing shares and convertible loan notes. Since the year-end as described in note 20 the Company has arranged to raise further finance from loan note issues. Such facilities enable the Group to access funds as required to finance its operations whilst retaining the important option for either the Group or the note holders to convert this funding into equity at a future date. Funds received, to the extent that they are denominated in sterling, are converted as soon as is practicable into Euros and transferred to the Group's main operating company, AAT B.V. in the Netherlands. To the extent that funds raised by way of placing are not immediately required to fund operations they are placed on deposit. Where appropriate a range of banks are used in order to spread counterparty risk.

The Group has no other fixed rate financial instruments and, other than mentioned above, also has no material monetary assets/liabilities denominated in currencies other than the functional currency of operation.

Excluding short-term debtors and creditors, where the fair value equates to the book value, the Group had the following financial instruments at 31 December 2004 and 2003:

	<i>2004</i>		<i>2003</i>	
	<i>Book</i> <i>value</i> <i>£'000</i>	<i>Fair</i> <i>value</i> <i>£'000</i>	<i>Book</i> <i>value</i> <i>£'000</i>	<i>Fair</i> <i>value</i> <i>£'000</i>
Cash/(overdraft)	(138)	(138)	183	183
Convertible loan notes	<u>–</u>	<u>–</u>	<u>175</u>	<u>175</u>

In all material respects, cash balances/overdraft held at 31 December 2004 and 2003 were denominated in Euros.

There were no undrawn committed facilities at the year end. In respect of the €1,250,000 borrowing facility in place at the previous year-end, this was fully drawn down during the year and converted into ordinary shares. At the previous year-end only €250,000 (£175,000) had been drawn down.

22. Reconciliation of operating loss to net cash outflow from operating activities

	2004 £'000	2003 £'000
Operating loss	(3,109)	(2,142)
Amortisation of intangible fixed assets	152	165
Depreciation of tangible fixed assets	39	49
Decrease/(increase) in stocks	(104)	33
Increase in debtors	(183)	(53)
(Decrease)/increase in creditors	1,208	(102)
Net cash outflow from operating activities	<u>(1,997)</u>	<u>(2,050)</u>

23. Analysis of cash flows for headings netted in the cash flow statement

	2004 £'000	2003 £'000
Returns on investment and servicing of finance		
Interest received	–	10
Interest paid	–	(1)
	<u>–</u>	<u>9</u>
Taxation		
Corporation tax paid	–	–
Overseas tax	(17)	(32)
	<u>(17)</u>	<u>(32)</u>
Capital expenditure and financial investment		
Payments to acquire intangible fixed assets	(112)	(85)
Payments to acquire tangible fixed assets	(84)	(19)
Receipts from sale of tangible fixed assets	–	1
	<u>(196)</u>	<u>(103)</u>
Financing		
Issue of shares for cash	1,209	1,241
Convertible loans	680	175
	<u>1,889</u>	<u>1,416</u>

24. Reconciliation of net cash flow to movement in net debt

	2004 £'000	2003 £'000
Increase/(decrease) in cash	(321)	(760)
Cash outflow/inflow from loans	(680)	(175)
Conversion of loan notes	855	–
Change in net debt during the period	(146)	(935)
Exchange differences	–	65
Movement in net debt during the period	(146)	(870)
Opening net funds at 1 January	8	878
Closing net (debt)/funds at 31 December	<u>(138)</u>	<u>8</u>

Pro-forma unaudited consolidated profit and loss account

for the year ended 31 December 2004

	2004 €'000	2003 €'000
Turnover and other revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Development costs and administrative expenses	(4,583)	(3,053)
Operating loss	(4,583)	(3,053)
Interest receivable and similar income	–	13
Interest payable and similar charges	(19)	(1)
Loss on ordinary activities before taxation	(4,602)	(3,041)
Taxation on loss on ordinary activities	(75)	(40)
Loss on ordinary activities after taxation	(4,677)	(3,081)
Loss per share	<u>(17.5 ct)</u>	<u>(12.0 ct)*</u>

The pro-forma statements on pages 72 to 73 have been prepared by translating the fund statements on pages 58 to 60 at the average Euro rate for the Group Profit and Loss Account and closing Euro rate for the Balance Sheets.

* Restated for the share consolidation that took place in February 2005.

Pro-forma unaudited consolidated balance sheet account

for the year ended 31 December 2004

	2004 €'000	2003 €'000
Fixed assets		
Intangible fixed assets	1,983	2,044
Tangible fixed assets	160	91
	<u>2,143</u>	<u>2,135</u>
Current assets		
Stock	219	72
Debtors	618	361
Cash in hand and at bank	–	260
	837	693
Creditors:		
Amounts falling due within one year (including convertible debt)	(2,487)	(759)
Net current liabilities	<u>(1,650)</u>	<u>(66)</u>
Total assets less current liabilities	<u>493</u>	<u>2,069</u>
Capital and reserves		
Called up share capital	8,019	7,474
Share premium	26,068	23,787
Capital reserve	3,672	3,672
Profit and loss account	(37,266)	(32,864)
Equity shareholders' funds	<u>493</u>	<u>2,069</u>

Pro-forma unaudited company balance sheet account
for the year ended 31 December 2004

	<i>2004</i> €'000	<i>2003</i> €'000
Fixed assets		
Investment in subsidiary	30,931	28,406
Current assets		
Debtors	96	71
Cash in hand and at bank	–	44
	<u>96</u>	<u>115</u>
Creditors:		
Amounts falling due within one year (including convertible debt)	(572)	(469)
Net current (liabilities)/assets	<u>(476)</u>	<u>(354)</u>
Total assets less current liabilities	<u>30,455</u>	<u>28,052</u>
Capital and reserves		
Called up share capital	8,019	7,474
Share premium	26,068	23,788
Profit and loss account	3,632	(3,210)
Equity shareholders' funds	<u>30,455</u>	<u>28,052</u>

Pro-forma unaudited consolidated cash flow statement account
for the year ended 31 December 2004

	<i>2004</i> €'000	<i>2003</i> €'000
Net cash outflow from operating activities	<u>(2,821)</u>	<u>(2,190)</u>
Return on investments and servicing of finance		
Interest received	–	14
Interest paid	–	1
Cash inflow from returns an investments and servicing of finance	<u>–</u>	<u>13</u>
Tax paid	(24)	(45)
Capital expenditure and financial investment		
Paid for purchase of intangible fixed assets	(158)	(123)
Paid for purchase of tangible fixed assets	(119)	(27)
Receipts from sale of tangible fixed assets	–	2
Cash outflow from capital expenditure and financial investment	<u>(277)</u>	<u>(147)</u>
Net cash outflow before use of liquid resources and financing	<u>(3,122)</u>	<u>(3,089)</u>
Financing activities		
Issue of shares for cash	1,707	1,762
Costs of raising capital	–	–
Convertible loans	960	248
Net cash inflow from financing	<u>2,667</u>	<u>2,010</u>
Net (decrease)/increase in cash	<u>(455)</u>	<u>(1,079)</u>

PART 9

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

Audited financial information on the Company for the year ended 31 December 2005

The financial information set out in this Part 9 comprises the financial information for the Group for the two years ended 31 December 2005 which has been prepared in accordance with IFRS.

The financial statements for the Group set out in this Part 9 do not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts for the year ended 31 December 2005 has been delivered to the Registrar of Companies. The accounts for each period were audited and reported on under section 235 of the Companies Act 1985 by Ernst & Young LLP, registered auditors of 100 Barbirolli Square, Manchester, M2 3EY. The audit report for the period was unqualified and no statements were made under section 237(2) or (3) of the Act. Whilst not qualified, the audit report for the 2005 financial year made reference to a fundamental uncertainty in their preparation in the following terms:

“In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the group raising additional financing. The financial statements do not include any adjustments that would result from a failure to obtain funding. Details of the circumstances relating to this material uncertainty are described in Note 1. Our opinion is not qualified in this respect”

The financial information set out below has been extracted, without material adjustment, from the published audited consolidated financial statements of Antonov for the year ended 31 December 2005.

ANTONOV PLC

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 2005 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 27. 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 2005.

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 (IFRSs) 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 if, in our opinion, the Directors' Report is not consistent with the group financial statements, 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 group financial statements. The other information comprises only the Chairman's Statement, the Chief Executive Officer's Report, the Chief Financial Officer's Review, the Directors' Report and the Unaudited Proforma Consolidated Balance Sheet as at 31 December 2005 and accompanying note. 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 judgments 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 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Emphasis of matter – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the group raising additional financing. The financial statements do not include any adjustments that would result from a failure to obtain funding. Details of the circumstances relating to this material uncertainty are described in Note 1. Our opinion is not qualified in this respect.

Ernst & Young LLP
Registered Auditor
Manchester

29 June 2006

Consolidated income statement for the year ended 31 December 2005

	<i>Note</i>	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Revenue	4	75	–
Cost of sales		–	–
		<u>75</u>	<u>–</u>
Gross profit			
Administrative expenses		(3,869)	(3,109)
Loss from operations	5	(3,794)	(3,109)
Finance costs	8	(1,796)	(13)
		<u>(5,590)</u>	<u>(3,122)</u>
Loss before tax			
Tax credit / (charge)	9	372	(51)
Loss for the year	22	<u>(5,218)</u>	<u>(3,173)</u>
Attributable to:			
– Equity holders of the parent		<u>(5,218)</u>	<u>(3,173)</u>
Loss per share	10		
– Basic (pence)		(17.3p)	(11.7p)
– Diluted (pence)		<u>(17.3p)</u>	<u>(11.7p)</u>

Consolidated statement of changes in equity for the year ended 31 December 2005

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Foreign exchange reserve £'000</i>	<i>Retained losses £'000</i>	<i>Total equity £'000</i>
Changes in equity for 2004						
Balance at 1 January 2004	5,266	16,761	2,587	–	(23,156)	1,458
Adjustment to foreign exchange	–	–	–	(42)	–	(42)
Net income recognised directly in equity	–	–	–	(42)	–	(42)
Loss for the year	–	–	–	–	(3,173)	(3,173)
Total recognised income and expense for the year	–	–	–	(42)	(3,173)	(3,215)
Increase in share capital	411	1,694	–	–	–	2,105
Balance at 31 December 2004	5,677	18,455	2,587	(42)	(26,329)	348
Changes in equity for 2005						
Recognition of financial instrument at 1 January 2005 under IFRS 1 transitional rule	–	–	–	–	(149)	(149)
Balance at 1 January 2005	5,677	18,455	2,587	(42)	(26,478)	199
Adjustment to foreign exchange	–	–	–	(43)	–	(43)
Net income recognised directly in equity	–	–	–	(43)	–	(43)
Loss for the year	–	–	–	–	(5,218)	(5,218)
Total recognised income and expense for the year	–	–	–	(43)	(5,218)	(5,261)
Increase in share capital	486	2,012	–	–	–	2,498
Share based payment	–	–	–	–	8	8
Balance at 31 December 2005	6,163	20,467	2,587	(85)	(31,688)	(2,556)

All amounts are attributable to equity holders of the parent.

Consolidated balance sheet at 31 December 2005

	<i>Note</i>	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>Proforma</i> <i>(note 2)</i> <i>unaudited</i> <i>2005</i> <i>£'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment (PPE)	11	258	113	258
Intangible assets	12	1,380	1,404	1,380
Total non-current assets		<u>1,638</u>	<u>1,517</u>	<u>1,638</u>
Current assets				
Inventories	14	114	155	114
Trade and other receivables	15	919	437	919
Cash and short term deposits		270	–	270
Total current assets		<u>1,303</u>	<u>592</u>	<u>1,303</u>
Total assets		<u><u>2,941</u></u>	<u><u>2,109</u></u>	<u><u>2,941</u></u>
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdraft	16	–	138	–
Trade and other payables	16	1,739	1,572	1,739
Current tax liabilities	9	–	51	–
Total current liabilities		<u>1,739</u>	<u>1,761</u>	<u>1,739</u>
Non-current liabilities				
Financial liabilities	17	1,348	–	66
Convertible loan stock	17	2,410	–	–
Total non-current liabilities		<u>3,758</u>	<u>–</u>	<u>66</u>
Total liabilities		<u>5,497</u>	<u>1,761</u>	<u>1,805</u>
Equity attributable to equity holders of the parent company				
Share capital	21	6,163	5,677	6,421
Share premium reserve	22	20,467	18,455	22,116
Capital redemption reserve	22	2,587	2,587	2,587
Foreign exchange reserve	22	(85)	(42)	(85)
Retained losses	22	(31,688)	(26,329)	(29,903)
Total equity		<u>(2,556)</u>	<u>348</u>	<u>1,136</u>
Total liabilities and equity		<u><u>2,941</u></u>	<u><u>2,109</u></u>	<u><u>2,941</u></u>

J. Moore
Director

P. Logsdon
Director

Consolidated cash flow statement for the year ended 31 December 2005

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Operating activities				
Net loss from ordinary activities before tax		(5,590)		(3,122)
Adjustments for:				
Depreciation	15		39	
Amortisation	500		152	
Share based payments	8		–	
Non cash payments	382		–	
		<u>905</u>		<u>191</u>
Cash flow from operations		(4,685)		(2,931)
Finance expense	–		13	
Convertible loans	597		–	
Warrants	1,199		–	
		<u>1,796</u>		<u>13</u>
Operating loss before changes in working capital and provisions		(2,889)		(2,918)
(Increase) in trade and other receivables	(482)		(183)	
Decrease/(increase) in work-in-progress	41		(104)	
Increase in trade and other payables	180		1,208	
		<u>(261)</u>		<u>921</u>
Cash outflow from operating activities		(3,150)		(1,997)
Income taxes paid	(51)		(17)	
R&D tax credit received	372		–	
		<u>321</u>		<u>(17)</u>
Cash flows from operating activities carried forward		<u>(2,829)</u>		<u>(2,014)</u>

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Cash flows from operating activities brought forward		(2,829)		(2,014)
Investing activities				
Payments to acquire PPE	(215)		(84)	
Proceeds on sale of PPE	60		–	
Payments to acquire intangible assets	(43)		(112)	
Capitalisation of development costs	(415)		–	
		(613)		(196)
Financing activities				
Issue of ordinary shares	397		1,209	
Issue of convertible debt	3,453		680	
		3,850		1,889
Increase / (decrease) in cash		408		(321)
Cash and cash equivalents at the beginning of the period		(138)		183
Cash and cash equivalents at the end of the period		<u>270</u>		<u>(138)</u>

Notes forming part of the financial statements for the year ended 31 December 2005

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB), as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Group has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRSs has affected the group's reported financial position, financial performance, cash flows together with the IFRS 1 exemptions taken, are given in note 3.

The Group's financial statements for the year ended 31 December 2005 were authorised for issue by the Board of Directors on 29 June 2006 and the balance sheet was signed on the Board's behalf by J Moore and P Logsdon.

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

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 2005, the Group had cash of £270,000 (2004: overdraft £138,000) and an undrawn committed borrowing facility in respect of convertible loan notes of approximately £3.2 million (2004: £nil). Since 31 December 2005 the Group has received £0.9 million from ordinary share warrants that have been exercised and drawdowns of convertible loan note facility totalling £1.4m. These resources will not be sufficient on their own to allow the Group to continue to develop all of the opportunities for applications of the Antonov transmission technology currently under consideration and hence further sources of funding will be required to be negotiated.

Whilst there is considerable uncertainty as to the outcome of this matter certain technical and commercial advances have been achieved and to date the Group has been successful in raising further sources of funding as it has needed to. The directors also expect that the Group will begin generating income in the short term, which will open up further funding possibilities. The directors believe that the Group will be able to raise the capital it requires and consider that it is appropriate for the accounts to be prepared on a going concern basis. However, if additional funding cannot be agreed, the Company may be unable to continue in operational existence, and adjustment would have to be made to reduce the balance sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise and to reclassify fixed assets as current assets. It is not possible to quantify the effect of such adjustment on the Group's accounts.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Basis of consolidation

The consolidated financial statements incorporate the results of business combinations using the purchase method drawn up to 31 December each year. In the consolidated balance sheet, the acquiree's

identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

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. Intercompany 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.

Foreign currency

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”).

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.

Financial assets and other financial liabilities

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.

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

Convertible debt

Convertible loan notes are denominated in a currency other than the functional currency of the entity or will be settled by delivering a variable amount of shares. Accordingly, they are considered to have a variable price and as such are recorded as a liability, measured at the fair value of the shares into which they will convert, with any movements on subsequent measurement through the income statement.

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.

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.

An option pricing model is used to measure the group's liability at each balance sheet date, taking into account the terms and conditions on which the cash-settled share based payments are awarded and the extent to which employees have rendered service. Movements in the liability are recognised in the income statement.

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.

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.

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 statements.

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.

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.

Patents and trademarks

Intangible assets represent patent and trademark costs and 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.

Research and development costs

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

Expenditure on internally developed products is 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 amortisation expense is included within the cost of sales line in the income statement. The carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

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:

<i>Intangible asset</i>	<i>Useful economic life</i>	<i>Amortisation method</i>
Patent and trademark applications	20 years	Straight line basis
Software	3 years (fully amortised)	Straight line basis
Development costs	5 years	Straight line basis

Property, plant and equipment

Property, plant, and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all other items of property, plant and equipment is 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 of three to seven years.

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 assets carrying value exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

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 know 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.

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 group after deducting all of its liabilities.

Trade payables

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

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.

New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 6, exploration for and evaluation of mineral resources

The group does not have any exploration and evaluation assets. This standard will not affect the group's financial statements.

IFRS 7, financial instruments: disclosure

The group does have financial instruments that will be affected by this standard.

IFRIC 4, determining whether an asset contains a lease

The implementation of IFRIC 4 is not expected to have any impact on the group's financial statements.

IFRIC 5 – Rights to interests arising from decommissioning, restoration and similar liabilities

The group does not participate in decommissioning and restoration. This interpretation will not affect the group's financial statements.

IFRIC 6 – Liabilities arising from participating in a specific market waste electrical and electronic equipment.

The group does not have interests in waste electrical and electronic equipment. This interpretation will not affect the group's financial statements.

IFRIC 7 – Applying the restatement approach under IAS 29 – financial reporting in hyper-inflationary economics.

The group does not have subsidiaries in hyper-inflationary economics, or have any dealings in hyper-factionary economics. Therefore, this interpretation will not affect the group's financial statements.

IFRIC 8 – Scope of IFRS 2

The group does participate in transactions in which they receive non financial assets or services as considerations for the issue of equity instruments of the entity. These goods and services shall be measured in accordance with IFRS 2. Therefore, this interpretation will have no effect on the group's financial statements.

IAS 39 – Amendments – The Fair Value Option, Cash Flow Hedge Accounting, Financial Guarantee Contracts

This amendment is not expected to have any impact on the group's financial statements.

IAS 19 – Amendment – Actuarial Gains and Losses, Group Plans and Disclosures

The group does not have any defined benefit pension obligations, this amendment will not affect the group's financial statement.

2 Unaudited Proforma Consolidated Balance Sheet

Basis of Preparation

IAS 32 'Financial instruments: Disclosure and Presentation'

The group is required to comply with IAS 32 'Financial Instruments: Disclosure and Presentation' (IAS 32) in the financial statements for the year ended 31 December 2005.

Convertible Loan Notes

Details of the Convertible Loan Notes are shown in note 19.

IAS 32 requires Convertible Loan Notes that are convertible into a fixed number of shares at a fixed price to be classified as equity and those Notes convertible at a variable price to be recognised as a financial liability.

The Convertible Loan Notes in issue at 31 December 2005 are denominated in Euros, a currency other than the company's functional currency, and may be redeemable into cash although the company also has the right to convert them into shares, the number of which varies depending on when they are converted. As such, the loan notes are convertible into a fixed number of shares at a variable price or

will be settled by delivering a variable number of shares and, therefore, IAS 32 requires these Convertible Loan Notes to be classified as a liability.

In view of the above accounting treatment and in order to mitigate the impact on future financial statements, since the balance sheet date the Board has exercised the company's right to convert the convertible loan notes plus accrued interest into shares. As this is a non-adjusting Post Balance Sheet Event (see note 27) the Board has prepared pro forma consolidated balance sheet information to illustrate the effect of conversion of the convertible loan notes as if it had occurred prior to the year end.

Warrants

Under the terms of the Convertible Loan Notes, the company is required to issue a pre-determined number of euro warrants on the drawdown of any of the Notes. Further details are in the Chief Financial Officer's Review on pages 7 to 9 and in note 19.

Under IAS 32, warrants denominated in a currency other than the company's functional currency and are therefore convertible into a fixed number of shares at a variable price, are accounted for as a liability whereas the sterling warrants that are convertible into a fixed number of shares at a fixed price are classified as equity.

The directors believe that the classification of its euro warrants as a liability could be potentially misleading as these warrants will always be converted into shares. As a consequence of this accounting treatment and in order to mitigate the impact on future financial statements, since the balance sheet date the holders of a significant majority of the euro denominated warrants have exchanged them for sterling warrants. As this is a non-adjusting Post Balance Sheet Event (see note 27) the Board has prepared pro forma Consolidated Balance Sheet information to illustrate the effect of the exchange of the euro warrants for sterling warrants as if it had occurred prior to the year end.

3 First time adoption of International Financial Reporting Standards (IFRS)

First-time adoption

In preparing these financial statements, the group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

Financial Instruments

As permitted by IFRS 1, the Group has adopted the full version of IAS32 "Financial Instruments: Disclosure and presentation" and IAS39 "Financial instruments: recognition and measurement" as issued by the IASB from 1 January 2005. The comparatives under IFRS have not been restated as permitted by the transitional arrangements of IFRS 1.

Share based payments

The group has elected to apply the share based payment exemption in accordance with IFRS 1. It applied IFRS 2 from 1 January 2004 to those options that were issued after 7 November 2002, but have not vested by 1 January 2005.

Cumulative translation differences

The group has elected to set the previously accumulated translation difference reserve to zero at 1 January 2004. This exemption has applied to all subsidiaries in accordance with IFRS 1.

First-time adoption

Reconciliations and explanatory notes on how the transition to IFRS has effected the previously reported loss and net assets under UK Generally Accepted Accounting Principles are given below:

Income statement reconciliation for the year ended 31 December 2004

	<i>Sub- note</i>	<i>UK GAAP £'000</i>	<i>Adjustments £'000</i>	<i>IFRS £'000</i>
Revenue		–	–	–
Cost of sales		–	–	–
Gross profit		–	–	–
Administrative expenses		(3,109)	–	(3,109)
Loss from operations		(3,109)	–	(3,109)
Finance costs		(13)	–	(13)
Loss before tax		(3,122)	–	(3,122)
Tax charge		(51)	–	(51)
Loss attributable to equity holders of the parent	a.	<u>(3,173)</u>	<u>–</u>	<u>(3,173)</u>

Balance sheet reconciliation as at 1 January 2004

	<i>Sub- note</i>	<i>UK GAAP £'000</i>	<i>Adjustments £'000</i>	<i>IFRS £'000</i>
Assets				
Non-current assets				
Property, plant and equipment		64	–	64
Intangible assets		1,440	–	1,440
Total non-current assets		<u>1,504</u>	<u>–</u>	<u>1,504</u>
Current assets				
Inventories		51	–	51
Trade and other receivables		254	–	254
Cash and cash equivalents		183	–	183
Total current assets		<u>488</u>	<u>–</u>	<u>488</u>
Total assets		<u><u>1,992</u></u>	<u><u>–</u></u>	<u><u>1,992</u></u>
Liabilities				
Current liabilities				
Trade and other payables		(342)	–	(342)
Convertible loan stock	b.	(175)	–	(175)
Current tax liabilities		(17)	–	(17)
Total current liabilities		<u>(534)</u>	<u>–</u>	<u>(534)</u>
Non-current liabilities				
Deferred tax liability		–	–	–
Provisions		–	–	–
Total non-current liabilities		<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>(534)</u>	<u>–</u>	<u>(534)</u>
TOTAL NET ASSETS AND EQUITY		<u><u>1,458</u></u>	<u><u>–</u></u>	<u><u>1,458</u></u>

Balance sheet reconciliation as at 31 December 2004

	<i>Sub- note</i>	<i>UK GAAP £'000</i>	<i>Adjustments £'000</i>	<i>IFRS £'000</i>
Assets				
Non-current assets				
Property, plant and equipment		113	–	113
Intangible assets		1,404	–	1,404
Total non-current assets		<u>1,517</u>	<u>–</u>	<u>1,517</u>
Current assets				
Inventories		155	–	155
Trade and other receivables		437	–	437
Cash and cash equivalents		–	–	–
Total current assets		<u>592</u>	<u>–</u>	<u>592</u>
Total assets		<u>2,109</u>	<u>–</u>	<u>2,109</u>
Liabilities				
Current liabilities				
Bank overdraft		(138)	–	(138)
Trade and other payables		(1,572)	–	(1,572)
Convertible loan stock		–	–	–
Current tax liabilities		(51)	–	(51)
Total current liabilities		<u>(1,761)</u>	<u>–</u>	<u>(1,761)</u>
Non-current liabilities				
Deferred tax liability		–	–	–
Provisions		–	–	–
Total non-current liabilities		<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities		<u>(1,761)</u>	<u>–</u>	<u>(1,761)</u>
TOTAL NET ASSETS AND EQUITY	c.	<u>348</u>	<u>–</u>	<u>348</u>

Adjustments

Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:

Sub-note	Explanation
a.	There were no adjustments affecting profit in the year ended 31 December 2004.
b.	The exemption in IFRS1 in relation to IAS 32 and 39 has been taken. This has meant that the group has not restated the comparatives, or the opening balance sheet at the date of transition in respect of instruments caught by IAS 32 and IAS 39.
c.	A transfer of £42,000 has been posted to a translation reserve from the profit and loss reserve as at 31 December 2004. It was reset to zero at 1 January 2004 in line with IFRS 1 exemption.

Cash flow statement for the year ended 31 December 2004

The only changes to the cash flow statement are presentational. The key ones include:

- Presenting a statement showing movements in cash and cash equivalents, rather than just cash. Cash under UK GAAP comprised only amounts accessible in 24 hours without penalty less overdrafts repayable on demand.
- Classifying tax cash flows as relating to operating activities.

Financial instruments (comparative information)

As indicated on page 28, the group has taken advantage of the transitional provisions in IFRS 1 not to present comparative information in accordance with IAS 32 '*Financial Instruments: Presentation and Disclosure*' and IAS 39 '*Financial Instruments: Recognition and Measurement*', but to retain the accounting applied in the 2004 financial statements when the group applied UK generally accepted accounting principles. In order to comply with IAS 32 and IAS 39, convertible debt held at the date of transition would need to be allocated to its debt and equity components, although this debt was redeemed during the year ended 31 December 2004.

4 Revenue

	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Revenue arises from:		
Design and development consulting work	75	–
	<u>75</u>	<u>–</u>

5 Loss from operations

	<i>2005</i> £'000	<i>2004</i> £'000
This has been arrived at after charging/(crediting):		
Staff costs (see note 6)	1,518	905
Depreciation of property, plant and equipment	15	39
Amortisation of intangible fixed assets	500	152
Foreign exchange differences	–	–
Research and developments costs written off as incurred	1,088	2,200
Operating lease expense		
Plant and machinery	–	–
● Property	100	–
● Audit fees	50	33
Fees paid to the company's auditors for non-audit services provided to the company and UK subsidiaries	25	5

Audit fees include an amount of £15,000 (2004 – £5,000) in respect of the company.

6 Staff costs

	<i>2005</i> £'000	<i>2004</i> £'000
Staff costs (including directors) comprise:		
Wages and salaries	1,065	666
Share-based payment expense (see note 24)	108	–
Social security costs	344	157
Pension costs	1	82
	<u>1,518</u>	<u>905</u>

All of the share based payment expense relates to equity settled schemes.

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

	<i>Number of employees</i>	
	<i>2005</i>	<i>2004</i>
	<i>Number</i>	<i>Number</i>
Administration	16	14
Research and development	8	7
	<u>24</u>	<u>21</u>

The emoluments of the individual directors were as follows:

	<i>Basic Salary and fees</i>	<i>Bonus</i>	<i>Benefits in kind</i>	<i>Total</i>	<i>Social charges and other insurances</i>	<i>Pension contribution</i>	<i>Total</i>	<i>Social charges and other insurances</i>
	<i>2005</i>	<i>2005</i>	<i>2005</i>	<i>2005</i>	<i>2005</i>	<i>2005</i>	<i>2004</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
R Antonov	99	–	5	104	36	20	110	39
M Schinzig	–	–	–	–	–	–	38	–
D Bovell	75	25	–	100	13	–	88	12
J Moore	81	32	4	117	14	11	–	–
C Ross	22	–	–	22	–	–	–	–
J Haag	17	–	–	17	–	–	–	–
A Dahi	22	–	–	22	–	–	–	–
C Minaar	3	–	–	3	–	–	–	–
	<u>319</u>	<u>57</u>	<u>9</u>	<u>385</u>	<u>63</u>	<u>31</u>	<u>236</u>	<u>51</u>

There were no pension contributions made in respect of any directors in 2004.

After the year end, David Bovell received 100,162 shares in the company in lieu of his salary and bonus of £100,000. The fair value of these shares was £100,000.

There have been no options exercised during the period.

The group has no defined benefit or defined contribution pension schemes. The group pay into a personal pension scheme for John Moore and pay into a statutory government scheme for R Antonov.

7 Segment information

The group's primary reporting format for reporting segment information is business segments. The group have one business segment which is the development and commercialisation of the 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 2005 and 2004.

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

	<i>External revenue by location of customers</i>		<i>Total assets by location of assets</i>		<i>Capital expenditure by location of assets</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
China	75	–	–	–	–	–
France	–	–	661	642	233	–
Netherlands	–	–	1,502	1,467	7	–
UK	–	–	778	–	25	–
	<u>75</u>	<u>–</u>	<u>2,941</u>	<u>2,109</u>	<u>265</u>	<u>–</u>

8 Finance costs

	2005 £'000	2004 £'000
Convertible debt	597	13
Euro warrants	1,199	—
	<u>1,796</u>	<u>13</u>

9 Tax credit / (charge)

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<i>Current tax expense</i>				
Income tax of overseas operations				
on losses for the year	372		(51)	
Adjustment for under/(over) provision				
in prior periods	—		—	
	<u>—</u>	372	<u>—</u>	(51)
<i>Deferred tax expense</i>				
Origination and reversal of temporary				
differences	—		—	
Previously unrecognised deferred tax				
assets assessed as recoverable at the				
end of the year	—		—	
Previously recognised deferred tax				
assets written off in the year	—		—	
	<u>—</u>	—	<u>—</u>	—
Total tax credit/(charge)		<u>372</u>		<u>(51)</u>

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 profits for the year are as follows:

	2005 £'000	2004 £'000
Loss before tax	(5,590)	(3,122)
Expected tax charge based on the standard rate of		
corporation tax in the UK of 30% (2004 – 30%)	(1,677)	(937)
Expenses not deductible for tax purposes	(286)	54
Depreciation in excess of capital allowances	2	(19)
Tax losses not recognisable	2,433	966
Higher tax rates application in overseas earnings	(100)	(115)
Total tax charge	<u>372</u>	<u>(51)</u>

10 Loss per share

	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
<i>Numerator</i>		
Loss for the year	<u>(5,218)</u>	<u>(3,173)</u>
Loss used in basic EPS and diluted EPS	<u>(5,218)</u>	<u>(3,173)</u>
<i>Denominator</i>		
Weighted average number of shares used in basic and diluted EPS	<u>30,108,590</u>	<u>27,007,282</u>
<i>Contingently issuable shares</i>		
		<i>Number of shares</i>
Convertible debt		1,958,453
Share options		645,082
Warrants		<u>6,678,178</u>
<i>Total contingently issuable shares</i>		<u>9,281,713</u>

All the contingently issuable shares (see note 21 for full details) have not been included 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 4,223,887 shares issued after the year end in relation to:

	<i>Number of shares</i>
David Bovell (Director) – payment in lieu of 2005 salary	100,162
Exercise of warrants	764,035
Issued under the terms of convertible loan stock	<u>3,359,690</u>
	<u>4,223,887</u>

11 Property, plant and equipment

	<i>Office equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<i>At 31 December 2004</i>			
Cost or valuation	337	83	420
Accumulated depreciation	(224)	(83)	(307)
Net book value	<u>113</u>	<u>–</u>	<u>113</u>
<i>At 31 December 2005</i>			
Cost or valuation	449	129	578
Accumulated depreciation	(234)	(86)	(320)
Net book value	<u>215</u>	<u>43</u>	<u>258</u>
<i>Year ended 31 December 2004</i>			
Opening net book value	60	4	64
Additions	84	–	84
Depreciation	(35)	(4)	(39)
Exchange differences	4	–	4
Closing net book value	<u>113</u>	<u>–</u>	<u>113</u>
<i>Year ended 31 December 2005</i>			
Opening net book value	113	–	113
Additions	169	46	215
Disposals	(60)	–	(60)
Depreciation	(11)	(4)	(15)
Exchange differences	4	1	5
Closing net book value	<u>215</u>	<u>43</u>	<u>258</u>

12 Intangible assets

	<i>Development costs £'000</i>	<i>Software £'000</i>	<i>Patent and trademark application costs £'000</i>	<i>Total £'000</i>
<i>At 31 December 2004</i>				
Cost	–	129	2,747	2,876
Accumulated amortisation	–	(108)	(1,364)	(1,472)
Net book value	<u>–</u>	<u>21</u>	<u>1,383</u>	<u>1,404</u>
<i>At 31 December 2005</i>				
Cost	415	123	2,828	3,366
Accumulated amortisation	–	(102)	(1,884)	(1,986)
Net book value	<u>415</u>	<u>21</u>	<u>944</u>	<u>1,380</u>
<i>Year ended 31 December 2004</i>				
Opening net book value	–	2	1,438	1,440
Additions				
– Externally acquired	–	29	83	112
Amortisation	–	(11)	(141)	(152)
Exchange differences	–	1	3	4
Closing net book value	<u>–</u>	<u>21</u>	<u>1,383</u>	<u>1,404</u>
<i>Year ended 31 December 2005</i>				
Opening net book value	–	21	1,383	1,404
Additions				
– Internally developed	415	–	–	415
– Externally acquired	–	–	50	50
Disposals	–	(7)	–	(7)
Amortisation	–	(7)	(493)	(500)
Exchange differences	–	14	4	18
Closing net book value	<u>415</u>	<u>21</u>	<u>944</u>	<u>1,380</u>

The group has no contractual commitments for development in 2005 (2004 – £nil).

13 Subsidiaries

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

<i>Name</i>	<i>Country of incorporation and operation</i>	<i>Proportion of ownership interest</i>	<i>Nature of business</i>	<i>Parent</i>
Antonov Automotive Technologies BV (AAT)	The Netherlands	100%	Licensing	Antonov Plc
Antonov Automotive Europe BV	The Netherlands	100%	Licensing	AAT
Antonov Automotive Far East BV	The Netherlands	100%	Licensing	AAT
Antonov Automotive North America BV	The Netherlands	100%	Licensing	AAT
Antonov Automotive Technologies Finance SARL	France	100%	Research & Development	AAT

14 Inventories

	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Work-in-progress	<u>114</u>	<u>155</u>

15 Trade and other receivables

	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Amounts due from related undertakings	–	68
Other debtors and prepayments	917	367
Amounts owed by Directors	<u>2</u>	<u>2</u>
	<u>919</u>	<u>437</u>

The maximum amount owed by directors during the year was £2,000.

16 Trade and other payables – current

	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Trade creditors	335	940
Other creditors and accruals	1,404	632
Corporation tax	–	51
Bank overdraft	<u>–</u>	<u>138</u>
	<u>1,739</u>	<u>1,761</u>

17 Financial liabilities

	<i>2005</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
Financial liabilities – Euro warrants	1,348	–
Convertible loan stock	<u>2,410</u>	<u>–</u>
	<u>3,758</u>	<u>–</u>

18 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 of 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

Currently, the group has no credit sales and therefore is not exposed to credit risk in this respect. This will change in the early part of 2006 due to a number of projects coming to fruition. It is anticipated that the new group policy, to be implemented locally, will be to assess the credit risk of new customers before entering contracts.

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

19 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:

	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
In more than three years, but not more than four years	3,758	–
	<u>3,758</u>	<u>–</u>

Included within financial liabilities repayable after more than three years is convertible debt with a carrying value of £2.410 million (2004 – £nil) and a face value of £1.907 million (2004 – £nil). The holders of the convertible loan stock have the option at any point before maturity to exchange convertible loan into ordinary shares of the company. In addition, the company also has the option to

exchange the convertible loan stock into ordinary shares, which as disclosed in note 27, it decided to exercise after the Balance Sheet date.

Borrowing facilities

The group has undrawn committed borrowing facilities available at 31 December 2005 in which all conditions have been met.

	<i>Floating rate</i> £'000	<i>Fixed rate</i> £'000	<i>2005 total</i> £'000
Expiry within 1 year	–	–	–
Expiry within 1 and 2 years	–	–	–
Expiry in more than 2 years	–	3,160	3,160
	<u>–</u>	<u>3,160</u>	<u>3,160</u>

The group has undrawn committed borrowing facilities available at 31 December 2004 in which all conditions have been met.

	<i>Floating rate</i> £'000	<i>Fixed rate</i> £'000	<i>2004 total</i> £'000
Expiry within 1 year	–	–	–
Expiry within 1 and 2 years	–	–	–
Expiry in more than 2 years	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

Interest rate risk

The currency and interest profile of the group's financial assets and liabilities are as follows:

	<i>Floating rate liabilities</i> 2005 £'000	<i>Fixed rate liabilities</i> 2005 £'000	<i>Interest free liabilities</i> 2005 £'000	<i>Total</i> £'000
Euro	<u>–</u>	<u>2,410</u>	<u>–</u>	<u>2,410</u>

	<i>Floating rate assets</i> 2004 £'000	<i>Fixed rate assets</i> 2004 £'000	<i>Interest free assets</i> 2004 £'000	<i>Total</i> £'000
Euro	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The weighted average interest rate of fixed rate liabilities and the weighted average period for which they are fixed is as follows:

	<i>Rate</i> 2005 %	<i>Period</i> 2005 Years	<i>Rate</i> 2004 %	<i>Period</i> 2004 Years
Euro	<u>7.5</u>	<u>–</u>	<u>–</u>	<u>–</u>

Fair values

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

	<i>Book value 2005 £'000</i>	<i>Fair value 2005 £'000</i>	<i>Book value 2004 £'000</i>	<i>Fair value 2004 £'000</i>
Cash	270	270	–	–
Financial liabilities – Euro warrants	(1,348)	(1,348)	–	–
Convertible loan stock	(2,410)	(2,410)	–	–
	<u>(3,488)</u>	<u>(3,488)</u>	<u>–</u>	<u>–</u>

To the extent financial assets are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 December 2004 and 2005.

20 Deferred tax

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

	<i>2005 £'000</i>	<i>2004 £'000</i>
Unused tax losses	9,911	8,733
	<u>9,911</u>	<u>8,733</u>

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.

21 Share capital

	<i>2005 Number</i>	<i>Authorised 2005 £'000</i>	<i>2004 Number</i>	<i>2004 £'000</i>
Ordinary shares of 20p each	<u>60,000,000</u>	<u>12,000</u>	<u>60,000,000</u>	<u>12,000</u>
		<i>Issued and fully paid</i>		
	<i>2005 Number**</i>	<i>2005 £'000</i>	<i>2004 Number</i>	<i>2004 £'000</i>
<i>Ordinary shares of 20p each</i>				
At beginning of the year	28,385,762	5,677	26,329,837	5,266
Debt conversion rights exercised	–	–	51,758	10
Issue of shares	<u>2,427,764</u>	<u>486</u>	<u>2,004,167</u>	<u>401</u>
At end of the year	<u>30,813,526</u>	<u>6,163</u>	<u>28,385,762</u>	<u>5,677</u>

** On 1 March 2005 there was a 4 to 1 share consolidation.

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

Senior Executive Share Options

At 31 December 2005 the following share options were outstanding in respect of the ordinary shares:

<i>Date of grant</i>	<i>Number of shares</i>	<i>Period of option</i>	<i>Price per share</i>
1997	391,300	June 2003 – June 2006	55.0p
2002	364,125	September 2002 – April 2007	€1.07
2005	73,334	May 2005 – January 2008	1.20p
2005	108,333	December 2005 – November 2007	€1.60

Convertible loan stock

Based on the minimum conversion price of €1.00, the convertible loan stock would be converted into a maximum of 2,059,600 ordinary shares at any time prior to 30 April 2009.

After the year end, there were 400,000 share options issued in February 2006 to various directors at an exercise price of 120p and the period of options is from the date of grant to February 2009.

Contingently issuable shares

Year ended 31 December 2005:

	<i>At the beginning of the year**</i>	<i>New in the year</i>	<i>Exercised in the year</i>	<i>Lapsed in the year</i>	<i>At the end of the year</i>	<i>Exercise period</i>	<i>Exercise price</i>
Warrants issued pursuant to placings:							
– unlisted	4,818,111	3,012,500	(250,000)	(4,158,430)	3,422,181	to 30.06.09	80p to €2.40
– listed	–	3,591,209	–	–	3,591,209	to 31.12.09	124p to 336p
– Quivest BV	125,000	–	(125,000)	–	–	on 31.03.05	60p
Options granted to Directors and Employees:							
– R. Antonov	142,238	33,333	–	–	175,571	to 30.11.07	€1.60 to €4.28
– D. Bovell	–	25,000	–	–	25,000	to 17.01.08	120p
– J.N. Dickens	10,000	–	–	–	10,000	to 25.04.12	160p
– M. Emmerson	266,764	–	–	–	266,764	to 18.04.07	124p to 336p
– J. Haag	–	25,000	–	–	25,000	to 30.11.07	€1.60
– K.E. Ludvigsen	10,000	–	–	–	10,000	to 25.04.12	160p
– C. Minnar	10,000	–	–	–	10,000	to 25.04.12	160p
– J. Moore	–	33,334	–	–	33,334	to 17.01.08	120p
– C. Ross	–	50,000	–	–	50,000	to 30.11.07	€1.60
– Employee share options	39,413	–	–	–	39,413	to 20.05.09	120p to 434p
	<u>5,421,526</u>	<u>6,770,376</u>	<u>(375,000)</u>	<u>(4,158,430)</u>	<u>7,658,472</u>		

** On 1 March 2005, there was a 4 to 1 share consolidation.

Year ended 31 December 2004:

	<i>At the beginning of the year</i>	<i>New in the year</i>	<i>Exercised in the year</i>	<i>Lapsed in the year</i>	<i>At the end of the year</i>	<i>Exercise period</i>	<i>Exercise price</i>
Warrants issued							
Pursuant to placings	15,669,924	3,602,520	–	–	19,272,444	to 31.03.08	20p to 40p
R. Antonov	586,950	–	–	–	586,950	to 18.04.07	€1.07
J.N. Dickens	40,000	–	–	–	40,000	to 25.04.12	40p
M. Emmerson	1,067,055	–	–	–	1,067,055	to 18.04.07	41p to 84p
K.E. Ludvigsen	40,000	–	–	–	40,000	to 25.04.12	40p
C. Minnar	40,000	–	–	–	40,000	25.04.12	40p
Employee share options	157,650	–	–	–	157,650	to 20.05.09	40p to 108.5p
Quivest BV	1,500,000	–	(1,000,000)	–	500,000	on 31.03.05	60p
	<u>19,101,579</u>	<u>3,602,520</u>	<u>(1,000,000)</u>	<u>–</u>	<u>21,704,099</u>		

22 Reserves

	<i>Share premium £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Foreign exchange reserve £'000</i>	<i>Retained losses £'000</i>
At 1 January 2004	16,761	2,587	–	(23,156)
Proceeds on share issue	1,694	–	–	–
Translation differences on overseas operations	–	–	(42)	–
Loss for the year	–	–	–	(3,173)
At 31 December 2004	<u>18,455</u>	<u>2,587</u>	<u>(42)</u>	<u>(26,329)</u>
Recognition of financial instrument at 1 January 2005 under IFRS 1 transitional rules	–	–	–	(149)
Restated at 1 January 2005	<u>18,455</u>	<u>2,587</u>	<u>(42)</u>	<u>(26,478)</u>
Proceeds on share issue	2,012	–	–	–
Translation differences on overseas operations	–	–	(43)	–
Share based payment expense	–	–	–	8
Loss for the year	–	–	–	(5,218)
At 31 December 2005	<u>20,467</u>	<u>2,587</u>	<u>(85)</u>	<u>(31,688)</u>

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption	Amounts transferred from share capital on redemption of issued shares.
Foreign exchange	Gains/losses arising on retranslating the net assets of overseas operations into sterling.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

23 Leases

Operating leases – lessee

The leases are tenant repairing with rent reviews every year, with a 3 year break clause, and the leases are based mainly in France.

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

	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	100	100
Later than one year and not later than five years	200	200
Later than five years	–	–
	<u>300</u>	<u>300</u>

24 Share-based payment

The company operates an equity-settled share based remuneration scheme for directors. Under the scheme, options vest if the share price reaches or exceeds a certain level of share price for a continuous period of ten consecutive business days.

	<i>2005</i>	<i>2005</i>	<i>2004</i>	<i>2004</i>
	<i>Weighted</i>		<i>Weighted</i>	
	<i>average</i>	<i>Number</i>	<i>average</i>	<i>Number</i>
	<i>exercise</i>		<i>exercise</i>	
	<i>price</i>		<i>price</i>	<i>Number</i>
Outstanding at beginning of the year	74p	1,317,055	74p	1,317,055
Granted during the year	120p	181,667	–	–
Lapsed during the year	56.5p	(561,630)	–	–
Outstanding at the end of the year		<u>937,092</u>		<u>1,317,055</u>

Included in the total outstanding at the year end, there are 168,475 options to purchase shares held by an ex director, M Emmerson.

The exercise price of options outstanding at the end of the year ranged between 40p and 120p (2004 – 40p and 73p) and their weighted average contractual life was 2 years (2004 – 2 years).

Of the total number of options outstanding at the end of the year, nil (2004 – nil) had vested and were exercisable at the end of the year.

There were no options exercised during the period.

The weighted average fair value of each option granted during the year was 120p (2004 – nil).

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 2005, share options were granted on 26 May 2005 and 2 December 2005. The exercise prices of the options granted on those dates were 120p and 160p respectively, and their estimated fair values were 19p and 35p respectively.

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

	<i>2 December 2005</i>	<i>26 May 2005</i>
Share price at time of grant	£1.185	£1.34
Exercise price	€1.60	120p
Expected volatility	46%	48%
Risk free rate	4.28%	4.28%
Expected dividend yield	nil	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 £8,000 (2004: £nil) relating to equity settled share based payments during the year.

During the year, a number of suppliers were paid in shares for services provided to the Group. The fair value of the services provided was £392,186.

25 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.

	<i>Sales of goods</i>		<i>Purchases of goods</i>		<i>Amounts owed by related parties</i>		<i>Amounts owed to related parties</i>	
	<i>Year Ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>
	<i>31/12/05</i>	<i>31/12/04</i>	<i>31/12/05</i>	<i>31/12/04</i>	<i>31/12/05</i>	<i>31/12/04</i>	<i>31/12/05</i>	<i>31/12/04</i>
	£	£	£	£	£	£	£	£
Four Stroke SARM	15,147	–	–	–	–	8,000	19,753	–
Antonov Holdings SARM	–	–	–	–	3,081	2,500	–	–
Antonov Foundations	–	–	–	–	–	2,500	18,179	–

The above transactions were undertaken on normal commercial terms. The amounts outstanding at the year were settled in full after the year end and were equivalent to the total value of the transactions that took place during the year.

Details of directors remuneration are given in note 6. There is no additional key management personnel.

Details of subsidiaries are given in note 13.

26 Contingent liabilities

In April 2005, Antonov Plc filed an infringement action against Toyota at the Patent Court in Dusseldorf alleging infringement of its patents of the driveline of the Toyota Prius and Lexus RX400H. The Dusseldorf Court has received Toyota's response to the suit, and they have filed a counter suit regarding the validity of the Antonov patents. It is expected that the costs will be in the region of €100,000.

Toyota have also issued a lawsuit in Japan to challenge the validity of the Antonov patent JP 2894760. Antonov will defend its Japanese patent fully and has in place a put and call option dated 6 January 2006 to the value of €2 million to underwrite this action, with additional funding facilities available if

required, although the Directors think this is unlikely. No provision has been made in these accounts as the Directors believe that they can successfully defend this action without incurring these costs.

27 Post balance sheet events

Since the balance sheet date the Board has exercised the company's right to convert the convertible loan notes plus accrued interest into shares which resulted in the issuing of 2,380,709 shares.

Since the balance sheet date the holders of 1,489,965 euro denominated warrants exercisable at the rate of €1.20 have been exchanged for sterling warrants.

Since 31 December 2005, the Group raised additional cash of £0.9 million from the exercise of ordinary share warrants and drawdowns of the convertible loan note facility of £1.7 million.

4,223,887 shares were issued after the year end to satisfy the exercise of warrants and convertible debt.

An option agreement has been entered into with Great Wall Motors. The option agreement, which is valid for 6 months, is for a production license for the six speed Antonov Automatic Drive.

PART 10

UNAUDITED INTERIM RESULTS OF ANTONOV PLC FOR THE SIX MONTHS ENDED 30 JUNE 2006

Set out below is the full text of the announcement by Antonov Plc of its interim results for the six months ended 30 June 2006, which was released on 3 August 2006:

“Antonov Plc

Unaudited interim results for the six months ended 30 June 2006

HIGHLIGHTS

Financial

- Unaudited profit before tax of £0.395 million (2005: loss before tax of £1.666 million), largely due to the impact of IFRS accounting rules
- Accounting impact of Convertible Loan Notes and Euro Warrants now eliminated without the need for the Company to make any cash payments
- Undrawn committed funding in place at 30 June 2006 of €1.9 million with a further €3.6 million committed since the period end
- Great Wall Motors (GWM) programme delays are currently being addressed with full year revenues dependent on progress
- Operational restructuring currently underway

Commercial

- The 6-speed automatic programme for GWM has been replanned and further work has been undertaken with suppliers to validate suitability of the revised design for production
- Supercharger drive first production units are undergoing proof testing and vehicle application work has been undertaken to generate kits for sale
- Cooperative project for 2-speed engine auxiliary drive planned to start in Q4 2006
- An initial ruling on the Toyota infringement cases is due in September 2006

John Moore, CEO commented:

“The period under review has been one of both success as well as challenges. Operational restructuring is currently underway in order to strengthen the group’s implementation capabilities and to reduce programme delays. Good progress on this front has been achieved and I will be reporting further developments in this area in due course”.

CHIEF EXECUTIVE OFFICERS STATEMENT

The first half of the year has been a mixture of commercial success, in tandem with production challenges with the initiation of the GWM project and launch of the supercharger drive, and subsequent delays in both programmes. As a consequence I have made some major changes to the structure of the Group to strengthen its capability to deliver future production programmes and to reduce its fixed costs. Further announcements will be made on the changes in due course.

The work already carried out for the 6-speed automatic has now generated a production ready design which has been well received by the key tier 1 suppliers who are a vital part of its route to production.

Financial review

We have taken the necessary steps to overcome the perceived negative impact of IFRS in its treatment of convertible loan notes and euro warrants as debt.

We have converted all convertible loan notes into ordinary shares and have exchanged the majority of Euro warrants into Sterling denominated warrants. It should, however, be noted that up to the point where these actions were taken, under IFRS rules, the Group has had to recognise Finance Revenue of £1.745 million in its Income Statement. In addition, as required under IFRS rules, in the first six months of 2006 the Group has capitalised development costs related to the 6-speed automatic and the supercharger projects of £615,000 (2005: £nil), which has had an impact on operating costs. I am also pleased to confirm that since the end of June 2006 we have concluded negotiations with our funding partners, who have agreed an extension to our current facilities with committed funding for a further €3.6 million.

Commercial

6-Speed Automatic Transmission

The initial submission to GWM was not considered to be sufficiently detailed or validated to enable their senior management to commit to the production programme investment. Significant progress has now been made by Antonov to address these issues and work is underway to re-submit the design and production information at the end of September 2006. This work takes the initial concept through to the first stage of the production design process to prove that the design is both robust and can be manufactured and assembled. It also involves the first stage of production planning, including the specification of the main production processes and the facilities required to support these processes. Initial investment and process costs are also being generated to support the re-submission of the design and production information.

Discussions are also continuing with key Tier 1 suppliers to the programme who have provided enthusiastic support. We have also continued to discuss the transmission with other vehicle makers.

Supercharger Drive

The first production units were tested at the start of the year and the lubrication system has required some additional development work. This has delayed the production ramp up. In the meantime the reception from the US market has been very encouraging and, in addition to the straight tuner market, we have also had expressions of interest from OEM special vehicle operations.

An intensive process of final test and development is currently underway to ensure that the unit is robust while development work is also progressing at our distributors on vehicle application kits.

Opportunities

Discussions have continued through the first half of 2006 with the major Tier 1 suppliers of front-end accessory drives – the system on the engine that drives the alternator and auxiliary systems. Modelling undertaken by independent consultants IAV for Antonov indicated fuel economy benefits of up to 5 per cent. could be achieved on a small car running air-conditioning. It is therefore planned to initiate a cooperative project with one selected supplier to build and test a trial unit. Vehicle manufacturer project partners are also being brought in to ensure that the work is production applicable.

Further opportunities are at an earlier development stage.

Operations

During 2006 the administrative operations of the Group were overhauled to improve information systems and reduce costs. This work continues and the prompt release of these results is in part due to the strengthened financial control (the 2005 results were delayed by issues related to the IFRS transformation described in the 2005 annual report).

Commercial operations have also been strengthened with the establishment of the UK office. This has brought a new focus to discussions with the automotive industry that are now much more focused on production applications rather than technical issues. In order to access the right mix of skills and experience as these production applications are developed we are planning to build our production design capability to support the commercial operations in the UK.

As a result, a restructuring programme is underway to cut the operating costs of the innovation activities, reduce the fixed cost base of the Group and create a stronger production design capability using a small in-house team supported where appropriate by a range of specialist service providers such that costs are more directly dependent on the level of client programmes underway.

Further announcements will be made on this restructuring as the programme progresses.

John Moore*Chief Executive Officer*

2 August 2006

FINANCIAL INFORMATION

INTERIM CONSOLIDATED INCOME STATEMENT

	<i>Six months ended 30 June 2006 Unaudited £'000</i>	<i>Six months ended 30 June 2005 Unaudited £'000</i>	<i>Year ended 31 December 2005 Audited £'000</i>
Revenue	14	–	75
Cost of sales	–	–	–
Gross result	<u>14</u>	<u>–</u>	<u>75</u>
Research costs and administrative expenses	(1,364)	(1,700)	(3,869)
Operating loss	<u>(1,350)</u>	<u>(1,700)</u>	<u>(3,794)</u>
Financing income/(costs)	1,745	34	(1,796)
Profit/(loss) on ordinary activities before taxation	<u>395</u>	<u>(1,666)</u>	<u>(5,590)</u>
Taxation on profit/(loss) from ordinary activities	(301)	–	372
PROFIT/(LOSS) ATTRIBUTABLE TO THE SHAREHOLDERS OF ANTONOV PLC	<u><u>94</u></u>	<u><u>(1,666)</u></u>	<u><u>(5,218)</u></u>
Basic earnings/(loss) per ordinary share	<u>0.01p</u>	<u>(5.8p)</u>	<u>(17.3p)</u>
Diluted earnings/(loss) per ordinary share	<u><u>0.01p</u></u>	<u><u>(5.8p)</u></u>	<u><u>(17.3p)</u></u>

INTERIM CONSOLIDATED BALANCE SHEET

	<i>As at 30 June 2006 Unaudited £'000</i>	<i>As at 30 June 2005 Unaudited £'000</i>	<i>As at 31 December 2005 Audited £'000</i>
Assets			
Non-current assets			
Intangible assets	2,035	1,259	1,380
Property, plant and equipment	408	100	258
Total non-current assets	<u>2,443</u>	<u>1,359</u>	<u>1,638</u>
Current assets			
Inventories	114	149	114
Trade and other receivables	604	893	919
Cash and cash equivalents	49	79	270
Total current assets	<u>767</u>	<u>1,121</u>	<u>1,303</u>
TOTAL ASSETS	<u><u>3,210</u></u>	<u><u>2,480</u></u>	<u><u>2,941</u></u>
Equity			
Called-up share capital	7,008	5,707	6,163
Share premium account	23,487	18,677	20,467
Capital reserve	2,587	2,587	2,587
Translation reserve	(122)	(77)	(85)
Retained earnings	(31,453)	(28,379)	(31,688)
TOTAL EQUITY	<u><u>1,507</u></u>	<u><u>(1,485)</u></u>	<u><u>(2,556)</u></u>
Liabilities			
Financial liabilities	–	–	1,348
Convertible loan stock	–	1,882	2,410
Total non-current liabilities	<u>–</u>	<u>1,882</u>	<u>3,758</u>
Trade and other payables	1,703	1,773	1,739
Other financial liabilities	–	310	–
Total current liabilities	<u>1,703</u>	<u>2,083</u>	<u>1,739</u>
Total non-current and current liabilities	<u>1,703</u>	<u>3,965</u>	<u>5,497</u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,210</u></u>	<u><u>2,480</u></u>	<u><u>2,941</u></u>

INTERIM CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	<i>Six months ended 30 June 2006 Unaudited £'000</i>	<i>Six months ended 30 June 2005 Unaudited £'000</i>	<i>Year ended 31 December 2005 Audited £'000</i>
Foreign exchange movement on net investment in foreign subsidiary	(37)	(37)	(43)
Net expense recognised directly in equity	(37)	(37)	(43)
Profit/(loss) for the period	94	(1,666)	(5,218)
Total recognised income and expense for the period attributable to shareholders	<u><u>57</u></u>	<u><u>(1,703)</u></u>	<u><u>(5,261)</u></u>

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF EQUITY

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Capital Reserve £'000</i>	<i>Translation Reserve £'000</i>	<i>Retained Earnings £'000</i>	<i>Total £'000</i>
Balance at 1 January 2006	6,163	20,467	2,587	(85)	(31,688)	(2,556)
Increase in share capital	845	–	–	–	–	845
Increase in share premium	–	3,020	–	–	–	3,020
Share based payment	–	–	–	–	35	35
Adjustment to translation reserve	–	–	–	(37)	–	(37)
Other movements	–	–	–	–	106	106
Profit for the period	–	–	–	–	94	94
Balance at 30 June 2006	<u>7,008</u>	<u>23,487</u>	<u>2,587</u>	<u>(122)</u>	<u>(31,453)</u>	<u>1,507</u>

INTERIM CONSOLIDATED CASHFLOW STATEMENT

	<i>Six months ended 30 June 2006 Unaudited £'000</i>	<i>Six months ended 30 June 2005 Unaudited £'000</i>	<i>Year ended 31 December 2005 Audited £'000</i>
Cash flows from operating activities			
Profit/(loss) before tax	395	(1,666)	(5,590)
Adjustments for:			
Net financing (income)/costs	(1,745)	(34)	1,796
Depreciation of fixed assets	50	22	15
Amortisation of intangible fixed assets	69	88	500
Share based payment expense	35	2	8
Decrease/(increase) in trade and other receivables	315	(181)	(482)
(Increase)/decrease in work in progress	(1)	7	41
Increase/(decrease) in trade payables	39	(125)	180
Non cash payments	–	–	382
Cash used from operations	<u>(843)</u>	<u>(1,887)</u>	<u>(3,150)</u>
R&D tax (charge)/credit	(301)	–	372
Income taxes paid	–	–	(51)
Net cash used in/generated by operating activities	<u>(301)</u>	<u>–</u>	<u>321</u>
Net cash used in investing activities			
Payments to acquire intangible fixed assets	(724)	(30)	(458)
Payments to acquire property, plant and equipment	(201)	–	(155)
Net cash used in investing activities	<u>(925)</u>	<u>(30)</u>	<u>(613)</u>
Cash flows from financing activities			
Proceeds from issue of share capital	899	252	397
Proceeds from the issue of convertible debt	949	1,882	3,453
Net cash generated by financing activities	<u>1,848</u>	<u>2,134</u>	<u>3,850</u>
Net (decrease)/increase in cash and cash equivalents	<u>(221)</u>	<u>217</u>	<u>408</u>

BASIS OF PREPARATION

Basis of preparation

These interim financial statements have been prepared on the basis of International Financial Reporting Standards, incorporating International Accounting Standards (IAS's) and Interpretations (collectively 'IFRS'), which are expected to be endorsed by the EU and applicable for use in the company's annual financial statements for the year ended 31 December 2006.

Comparative information for the six months ended 30 June 2005 and the year ended 31 December 2005 has been prepared on an IFRS basis.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all of the disclosures in IAS 34 – *Interim financial reporting*, and are, therefore, not in full compliance with IFRS.

The information in this announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The Auditors have reported on the statutory accounts of Antonov plc for the year ended 31 December 2005 prepared under IFRS and they have been delivered to the Registrar of Companies. The report of the Auditors was unqualified and did not contain a statement under Sections 237(2) or 237(3) of the Companies Act 1985.

Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit/(loss) on ordinary activities after taxation and on the weighted average number of shares in issue. The weighted average number of shares has been adjusted for the share consolidation in 2005.

Share consolidation

During the period to 30 June 2006, a share consolidation took place. Four of the original 5p ordinary shares of issued and unissued were consolidated into ordinary shares of 20p each.

Convertible loan notes

IAS 32 requires Convertible Loan Notes that are convertible into a fixed number of shares at a fixed price to be classified as equity and those Notes convertible at a variable price to be recognised as a financial liability.

The Convertible Loan Notes in issue at 31 December 2005 are denominated in Euros, a currency other than the company's functional currency, and may be redeemable into cash although the company also has the right to convert them into shares, the number of which varies depending on when they are converted. As such, the loan notes are convertible into a fixed number of shares at a variable price or will be settled by delivering a variable number of shares and, therefore, IAS 32 requires these Convertible Loan Notes to be classified as a liability.

In view of the above accounting treatment and in order to mitigate the impact on future financial statements, since the year end balance sheet date of 31 December 2005, the Board has exercised the company's right to convert the convertible loan notes plus accrued interest into shares, and therefore, these liabilities have been extinguished without a cash payment.

Warrants

Under the terms of the Convertible Loan Notes, the company is required to issue a pre-determined number of euro warrants on the drawdown of any of the Notes.

Under IAS 32, warrants denominated in a currency other than the company's functional currency and are therefore convertible into a fixed number of shares at a variable price, are accounted for as a liability whereas the sterling warrants that are convertible into a fixed number of shares at a fixed price are classified as equity.

Since the year end balance sheet date of 31 December 2005, the holders of the euro denominated warrants have exchanged them for sterling warrants, or they have been converted into shares. Therefore, these liabilities have been extinguished without a cash payment.

PART 11

OPERATING AND FINANCIAL REVIEW

The financial information in this section has been extracted without material adjustment from the audited report and accounts of Antonov plc for the three financial years ending 31 December 2003, 2004 and 2005. The financial information has been prepared in accordance with UK GAAP for the year ended 31 December 2004 and under IFRS for the two years ended 31 December 2005. In addition, set out below are unaudited interim financial information for the six months ended 30 June 2006, which have been extracted from Part 10 of this document. Investors should read the whole of this document and not just rely on the key or summarised data below.

Financial Highlights

	<i>Year ended 31 December</i>			<i>Six months ended</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>30 June</i>
	<i>(UK GAAP)</i>	<i>(IFRS)</i>	<i>(IFRS)</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>(IFRS)</i>
				<i>£'000</i>
Turnover	–	–	75	14
Cost of sales	–	–	–	–
Gross profit	–	–	75	14
– Depreciation of property, plant and equipment	(49)	(39)	(15)	(8)
– Amortisation of intangible fixed assets	(165)	(152)	(540)	(113)
– Research and development costs written off as incurred	(1,252)	(2,200)	(1,088)	(267)
– Operating lease expenses	(200)	(200)	(100)	(63)
– Audit fees	(37)	(38)	(75)	–
– Other	(414)	(480)	(2,051)	(913)
Loss from operations	(2,142)	(3,109)	(3,794)	(1,350)
Finance revenue/(costs)	8	(13)	(1,796)	1,745
Loss before taxation	(2,134)	(3,122)	(5,590)	395
Tax credit/(charge)	(28)	(51)	372	(301)
Loss for the year	(2,162)	(3,173)	(5,218)	94
Total non-current liabilities and equity	1,458	348	1,202	1,507
Total current liabilities	534	1,761	1,739	1,703
Total liabilities and equity	1,992	2,109	2,941	3,210
Total non-current assets	1,504	1,517	1,638	2,443
Current assets	488	592	1,303	767
Total assets	1,992	2,109	2,941	3,210
Loss per share – Basic and diluted	8.3p	11.7p	17.3p	0.01p
Staff costs	579	905	1,518	761
Employees (Average number)	17	21	24	24

Operational Structure and Strategy

During the period under review the Antonov Group (the “Group”) focused on developing its core transmission technology, which is the subject of extensive patent coverage fully detailed in Part 12. The activities absorbing most of the Group’s time and resources in the period under review relate to the commercialisation of its transmission technology in the context of specific customer projects, as follows:

- MG Rover Powertrain Limited – the Group was working on two projects with MG Rover to develop a six-speed gearbox, the AAD, and a new design for a dual-clutch gearbox. Both these projects were cancelled when MG Rover went out of business at the end of the first quarter of 2005.
- Rotrex – the Group has developed a small two-speed automatic gearbox that operates in tandem with the Rotrex supercharger.
- Great Wall Motors (GWM) – at the end of 2005 this Chinese company purchased an option to take a licence for the Group’s AAD technology. Their intention was to develop and manufacture a gearbox based on the AAD for installation into a mass produced sub-two litre car and they wished to evaluate the technology, which involved the Group in extensive design work for a pre-production prototype (TX6). In June 2006 they decided not to take up the option and it therefore lapsed.
- TX6 – during the second half of 2006 the Company continued to develop the design of the TX6 automatic gearbox whilst seeking alternative customers to Great Wall Motors, primarily within the Chinese car making industry.

For more information on the above-mentioned projects see Part 5.

In the opinion of the Directors the focus of the business is changing from the development of concept designs to the provision of support to customers seeking to apply Antonov’s technology to their products.

The sales force and support functions were expanded during 2005 and it is anticipated that this process will continue as further market opportunities are identified.

The Group currently has three 100% owned operating subsidiaries:

- Antonov Automotive Technologies France SARL (AAT SARL) – the Group’s innovations and research capability is based in its French subsidiary, which is located on the outskirts of Paris.
- Antonov Automotive Technologies BV (AAT BV) – owns and maintains the Group’s intellectual property and is based in Rotterdam. The Group’s intellectual property is commissioned by AAT BV who pays AAT France to undertake the required research and concept design work. The bulk of the Group’s future revenue is expected to be earned by AAT BV as owners of the intellectual property on which royalties will be earned. AAT BV has sub-licensed all its intellectual property to AAT Limited.
- Antonov Automotive Technologies Limited (AAT Ltd) – the Group’s sales functions are managed from its UK base, which was established in 2005, and is currently located on the outskirts of Thetford. It is the Directors’ intention that the Group’s commercial activities and industrial design capacity will be centred on this location.

The Board of Directors usually meet on a monthly basis making all the Group’s strategic decisions.

The Directors intend to maintain a similar operating structure going forward as well as maintaining tight control of operating costs. Due to the nature of the Group’s business, the Directors believe that future revenue generation will be dependent on long-term contracts, which will result in short-term consulting revenue followed by a longer-term royalty stream based upon customer output of products based on the Group’s intellectual property.

Financial Review

Turnover

The various Antonov technologies are now sufficiently advanced to be capable of commercialisation through specific product development projects with third party customers and the Directors believe that the first material revenue will be earned in the year ending 31 December 2007.

The Group's strategy is to licence its technology to automotive manufacturers or their Tier 1 suppliers earning a combination of upfront licence fees and on-going royalty income. The Directors do not expect that the Group will ever embark on large scale manufacture of products encompassing its technology. However, the first source of longer term sales revenue, which the Directors expect to commence in late 2006, will arise from the sale of a small two-speed automatic gearbox that operates in tandem with the Rotrex supercharger. This gearbox will be manufactured on behalf of AAT Ltd by its German licensee, NZWL, AAT Ltd will then sell it to customers, the first of which is Wheel to Wheel in the USA. The Group does not plan to grow significantly its sales support activities and the Directors expect that when sales volumes reach approximately 10,000 units, NZWL will take over the sales function and pay an on-going royalty to the Group.

In addition to future licence fee and royalty income, the Directors expect the Group to generate revenues from the provision of consulting services to third party customers. As clients begin to apply the Group's technology it is anticipated that they will require design support as they proceed with production prototype development. The Group is intending to supply such support and has established the required industrial design and engineering team, which is currently located in Paris.

Turnover for the year ended 31 December 2005 was £75,000 (2004: £nil; 2003: £nil).

Operating Costs

Operating costs in the year ended 31 December 2005 were £3,869,000 (2004: £3,109,000; 2003: £2,142,000). The increase broadly reflects the additional costs resulting from the two projects that the Group is currently working on to develop commercial applications of the Group's technology, the Rotrex supercharger and TX6 six-speed transmission, leading to a loss from operations in the 2005 financial year of £3,794,000 (2004: £3,109,000; 2003: £2,142,000). Operating lease costs in 2005 relate primarily to the research centre in Paris, with £15,000 attributable to the UK office. Finance costs/(revenues) for 2005 were £1,796,000 (2004: £13,000; 2003: (£8,000)). The finance costs in 2005 arose from the impact of the adoption of IFRS which required these costs to be taken through the profit and loss account. The Directors confirm that, under IFRS, a positive finance revenue of £1,745,000 passed through the profit and loss account during the first six months of 2006.

Loss before taxation

Loss before tax for the year ended 31 December 2005 was £5,590,000 (2004: £3,122,000; 2003: £2,134,000).

Taxation

The taxation credit for the year ended 31 December 2005 was £372,000. During the two years ended 31 December 2004, tax charges were respectively £51,000 (2004) and £28,000 (2003). The tax credit in 2005 resulted from an under claim of deductible tax allowances in the Group's French subsidiary in prior years.

Loss for the year

The loss for the year ended 31 December 2005 was £5,218,000 resulting in a loss per Ordinary Share of 17.3 pence, basic and diluted. The comparable losses for the 2004 and 2003 financial years were £3,173,000 in 2004 and £2,162,000 in 2003, generating a loss per Ordinary Share of 11.7 pence in 2004 and 8.3 pence in 2003, both basic and diluted.

Total Net Current Liabilities

	<i>As at 31 December 2003 £'000</i>	<i>As at 31 December 2004 £'000</i>	<i>As at 31 December 2005 £'000</i>	<i>As at 30 June 2006 £'000</i>
Debtors falling due within one year				
Inventories	51	155	114	114
Trade and other receivables	254	437	919	604
Cash and short term deposits	183	–	270	49
Total current assets	<u>488</u>	<u>592</u>	<u>1,303</u>	<u>767</u>
Creditors falling due within one year				
Bank overdraft	–	138	–	–
Trade and other payables	517	1,572	1,739	1,703
Current tax liability	17	51	–	–
Total current liabilities	<u>534</u>	<u>1,761</u>	<u>1,739</u>	<u>1,703</u>
Total Net Current Liabilities	46	1,169	436	936
Current ratio	0.91	0.34	0.75	0.45

The level of debtors falling due within one year has increased during the review period mainly due to an increase in other debtors and prepayments. At 31 December 2005 the Group had TVA/VAT balances due to be refunded by the tax authorities in France and the UK of €320,000 and £129,000 respectively, as well as €148,000 due to French R&D tax credits claimed in 2005 and €75,000 due from Great Wall Motors.

The Directors believe that the increase in Creditors have also increased during the period is primarily due to in line with increased development activities, together with the need to hire UK-based contractors to augment the Group's industrial design and engineering capability. The Directors attribute the increase in creditors in 2004 to delayed payments to creditors described below, and in 2005, additional expenditure on marketing and overhead costs associated with the UK office, tooling and demonstration vehicle costs related to the supercharger project and sub-contracted engineering work limited to the TX6 Project, as well as legal fees relating to the Toyota patent infringement court case.

Net current liabilities as at 31 December 2005 were £436,000, compared with £1,169,000 at 31 December 2004 and £46,000 at 31 December 2003. The Directors believe that the decline in the Group's current ratio at 31 December 2004 was largely due an expansion of the Group's commercial activities before the necessary related funding was in place. This resulted in a large trade creditor position at 31 December 2004, which was subsequently settled when additional sources of funding were made available in 2005. The number of average day's purchases represented by trade creditors of the Group at 31 December 2005 was 66 days (2004: 104 days and 2003: 39 days).

Liquidity and Capital Resources

(a) Source of funds

The Group's principal existing sources of funds to fulfil its commitments were from new equity funding provided by investors as follows:

	<i>Year Ended</i> <i>31 December</i> <i>2003</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2004</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2005</i> <i>£'000</i>	<i>Six Months</i> <i>Ended</i> <i>30 June</i> <i>2006</i> <i>£'000</i>
Issue of new Ordinary Shares	1,241	1,209	397	899
Issue of Convertible Debt	175	680	3,453	949
Total of new Equity Funding	<u>1,416</u>	<u>1,889</u>	<u>3,850</u>	<u>1,848</u>

The Group's primary source of funding during the review period has come from issues of equity and convertible loan stock. The holders of the convertible loan stock have the option at any point before maturity to exchange their convertible loan stock into Ordinary Shares of the Company. In addition, the Company also has an option to exchange the convertible loan stock into Ordinary Shares, which it decided to exercise on 16 June 2006, converting all of the €3,142,500 of convertible loan stock outstanding at that date into Ordinary Shares.

(b) Use of funds

	<i>Year Ended</i> <i>31 December</i> <i>2003</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2004</i> <i>£'000</i>	<i>Year Ended</i> <i>31 December</i> <i>2005</i> <i>£'000</i>	<i>Six Months</i> <i>Ended</i> <i>30 June</i> <i>2006</i> <i>£'000</i>
Net cash outflow from operating activities	2,041	1,997	3,150	843
Income taxes paid	32	17	51	–
R&D tax credit	–	–	(372)	301
	<u>2,073</u>	<u>2,014</u>	<u>2,829</u>	<u>1,144</u>
Payments to acquire tangible assets	83	84	215	201
Proceeds on sale of tangible assets	–	–	(60)	–
Payments to acquire intangible assets	20	112	43	109
Capitalisation of Development costs	–	–	415	615
Issue of new ordinary shares	(1,416)	(1,889)	(397)	(899)
Issue of convertible loan stock	–	–	(3,453)	(949)
Net decrease/(increase) in cash	<u>760</u>	<u>321</u>	<u>(408)</u>	<u>221</u>

Net cash outflows from operating activities increased by 58% in 2005, largely due to increases in the costs of staff and contractors associated with new development projects for specific customers, MG Rover Powertrain and the Rotrex Supercharger project. In June 2005, to provide a source of funding for the Group, a convertible loan note drawdown facility of €6.75 million was secured, of which €2.15 million had been drawn down at 31 December 2005. Total new funding in 2005 increased to £3,850,000, thereby improving the Group's cash and creditor position.

(c) *Non-current liabilities*

	<i>Year Ended 31 December 2003 £'000</i>	<i>Year Ended 31 December 2004 £'000</i>	<i>Year Ended 31 December 2005 £'000</i>	<i>Six Months Ended 30 June 2006 £'000</i>
Financial liabilities:				
– Euro warrants	–	–	1,348	–
– Convertible loan stock	–	–	2,410	–
Total non-current liabilities	–	–	3,758	–

Under IFRS, the financial liabilities balance at 31 December 2004 and 2005 has arisen because under IAS 32, warrants denominated in a currency other than the company's functional currency, which are therefore deemed to be convertible into a fixed number of shares at a variable price, are accounted for as a financial liability. The same accounting treatment is not applied to Sterling denominated warrants. The warrant liability arising from the Euro warrants at December 2005 will in the opinion of the Directors never materialise into an actual liability that the Company will need to settle in cash and will only ever result in the issuing of new ordinary shares when exercised, or it will reverse when the warrants to which it relates expire. Furthermore, as a substantial majority of the Euro denominated warrants were exchanged for Sterling warrants in June 2006, there was no requirement to show a financial liability attributable to these Sterling warrants in the June 2006 balance sheet.

Under IFRS, IAS 32 requires Convertible Loan Notes that are convertible into a fixed number of shares at a fixed price to be classified as equity and those Notes convertible at a variable price to be recognised as a financial liability. The Convertible Loan Notes in issue at 31 December 2005 are denominated in Euros, a currency other than the company's functional currency, and may be redeemable into cash although the Company also has the right to convert them into shares, which was exercised by the Company in June 2006. As such, the loan notes are convertible into a fixed number of shares at a variable price and, therefore, IAS 32 requires these Convertible Loan Notes to be classified as a liability at 31 December 2005. As a result of the Company exercising its option to convert the convertible loan notes into ordinary shares in June 2006, there was no requirement to show a financial liability attributable to the Convertible Loan Notes in the June 2006 balance sheet.

The Directors do not consider it appropriate to present information on debt/equity ratios as all convertible loan stock has been converted into equity and a substantial majority of the Euro denominated warrants were exchanged for Sterling warrants in June 2006 and are now disclosed as contingently issuable shares.

(d) *Borrowing facilities*

During the review period the Group has funded its activities through the issuance of Ordinary Shares and Convertible Loan Stock. None of the Group companies have any form of bank loan or overdraft facility.

During the review period the Group's principal source of funding was through the issuance of convertible loan stock as follows:

- November 2003: – €1,250,000 facility – fully drawn down in 2004
- March 2004: – €1,050,000 facility – cancelled
- January 2005: – €3,000,000 facility – fully drawn down in 2005
- June 2005: – €6,750,000 facility – draw downs commenced in 2005
- July 2006: – €3,600,000 facility – draw downs commenced in 2006

All of the above-mentioned facilities had a coupon interest rate of 7.5% per annum and were issued with a warrant entitlement. The facilities all contain a redemption clause, but also a right of conversion into Ordinary Shares which may be exercised by either the loan note holder or the Company prior to the redemption date. On 16 June 2006, the Company exercised its right to convert all outstanding convertible loan notes in issue at that date into ordinary shares.

At 31 December 2005 the Company had drawn down €2.15 million of the €6.75 million June 2005 facility.

During 2006 an additional €4.5 million has been drawn down of the €6.75 million June 2005 facility, leaving €0.1 million of this facility available for draw down by Antonov as at the date of this document.

In addition, €0.8 million has been drawn down against the €3.6 million July 2006 facility, leaving €2.8 million of this facility available for draw down by Antonov as at the date of this document. This facility provides Antonov with committed funding of up to €300,000 per month.

Furthermore, the share finance facility agreement (referred to in (e) below) is available to Antonov at the date of this document.

The combination of these facilities addresses the going concern emphasis of matter contained in the audit report for the year ended 31 December 2005, which is now superseded by the working capital statement in paragraph 17 of Part 13 of this document.

(e) *Share finance facility agreement*

In September 2006 the Company entered into a share finance facility agreement with its largest shareholder, Quivest BV. This facility agreement provides the Company with a committed share finance facility of €4 million (of which €2.2 million has been drawn down by Antonov to date) and an option on a further €4 million facility thereafter.

The share finance facility agreement is committed to monthly drawdowns of €400,000 with an uncommitted option to drawdown additional amounts of up to €300,000 by mutual agreement.

In addition, for each drawdown under the share finance facility agreement the Company issues the facility provider with warrants exercisable at a premium to the issue price of the shares allotted against each drawdown.

(f) *Put and Call Option*

In December 2005 the Company entered into a “put and call” arrangement with its largest shareholder, Quivest BV. The facility has been arranged in the form of a put and call option with warrants attached. Quivest BV had the right to “call” up to one million shares at any time before 31 May 2006, at a price of €2.00 per share, which it chose not to exercise. The Company may, at its discretion, “put” up to one million shares in two instalments of 500,000 shares each in June and July 2006 at a price of €2.00 per share. In the event that either the put or call option is exercised, then and only then will the Company issue to the investors warrants to purchase Ordinary Shares on the basis of one warrant for each share to be subscribed for at a price of €1.80 per share.

In September 2006 as part of the share finance facility agreement the Company agreed to extend the exercise period of the “put and call” arrangement to August 2007.

(g) *Treasury Policies*

Information on the Group’s funding and treasury policies and objectives and details of the Group’s exposure to market risk for the three year period ended 31 December 2005, are set out in the notes of the financial information set out in Parts 7, 8 and 9 of this document. No material amendment to these policies has taken place in the subsequent period.

The Group did not enter into any derivative or hedging transactions in the three year review period and has no current plans to do so.

(h) *Working Capital*

A statement regarding the adequacy of the working capital available to the Group is set out in paragraph 17 of Part 13 of this document.

The funding requirements of the Group are affected by the activities related to specific development projects, as well as corporate and operational overheads, which are generally not significantly affected by seasonal factors.

As the commercialisation of the Group's technology progresses, expenditure on specific development projects may increase, although the Group expects that some of these costs will be borne by customers seeking to licence the Group's technology.

Statement of Capitalisation and Indebtedness

The Statement of Capitalisation and Indebtedness as at 31 December 2005, 30 June 2006 and 17 November 2006 prepared in accordance with IFRS is set out below.

	<i>IFRS</i> <i>31 December</i> <i>2005</i> <i>Audited</i> <i>£'000</i>	<i>IFRS</i> <i>30 June</i> <i>2006</i> <i>Unaudited</i> <i>£'000</i>	<i>IFRS</i> <i>17 November</i> <i>2006</i> <i>Unaudited</i> <i>£'000</i>
Total Current Debt	0	0	0
Total Non-Current Debt (unsecured)	3,758	0	218
Shareholder's Equity			
Share Capital	6,163	7,008	8,441
Other reserves	22,969	25,952	27,355
Total	<u>32,890</u>	<u>32,960</u>	<u>36,014</u>
Cash	270	49	509
Cash Equivalents	0	0	0
Trading Securities	0	0	0
Liquidity	<u>270</u>	<u>49</u>	<u>509</u>
Current Financial Receivable	<u>0</u>	<u>0</u>	<u>0</u>
Current Bank Debt	0	0	0
Current Portion of Non-Current Debt	0	0	0
Other Current Financial Debt	0	0	0
Current Financial Debt	<u>0</u>	<u>0</u>	<u>0</u>
Net Current Financial Indebtedness	(270)	(49)	(509)
Non-Current Bank Loans	0	0	0
Warrants Issued	1,348	0	0
Other Non-Current Convertible Loan Stock	2,410	0	218
Non-Current Financial Indebtedness	<u>3,758</u>	<u>0</u>	<u>218</u>
Net Financial Indebtedness	<u>3,488</u>	<u>(49)</u>	<u>(291)</u>

There are no material contingent liabilities or indirect liabilities as at 17 November 2006.

PART 12

ANTONOV'S PRINCIPAL PATENTS

Antonov Group's strategy is to license its technology and the Directors have recognised fully the need for comprehensive patent protection of the Antonov transmission concept. The following is a list of what the Board believes are Antonov's key patents:

Invention no 1

"Speed variator"/"Variateur de vitesse"

<i>Multinat. Patent</i>	<i>Countries</i>	<i>P&A's Ref.</i>	<i>Filed On</i>	<i>Filing No.</i>	<i>Public, On</i>	<i>Public No.</i>	<i>Granted on Patent No.</i>
	FRANCE	IFB88 ANT BV1	MAY 16, 88	88 06515	NOV 17, 89	2 631 410	FEB 1, 91 88 06515
	FRANCE (ADDITION)	IFA88 ANT BV1	DEC 21, 89	88 16988 PCT/FR89/ 00231	JUN 22, 90	2 640 713	APR 23, 93 88 16988
PCT APPLICATION	EP, AU, JP, US	WOB88 ANT BV1	MAY 12, 89	1	NOV 30, 89	WO89/ 11405	
EUROPEAN PATENT	DE, FR, GB, IT, SE [PCT]	EPB88 ANT BV1	MAY 12, 89	89 906 138.6	MAR 6, 91	0 414 782	JAN 29,92 0 414 782
	AUSTRALIA [PCT]	AUB88 ANT BV1	MAY 12, 89	36 814/89	JUN 18, 92	624 619	OCT 12, 92 624 619
	JAPAN [PCT]	JPB88 ANT BV1	MAY 12, 89	1-505 561	NOV 21, 91	3-505 316	MAR 5, 99 2 894 760
	UNITED STATES [PCT]	USB88 ANT BV1	MAY 12, 89	07/603 739			MAY 10,94 SEP 1,90
	SPAIN	ESB88 ANT BV1	MAY 12, 89	P8901617	MAY 10,94	5 309 778	2 015 650

Invention no 3

“Axial thrust”/”Poussée”

<i>Multinat. Patent</i>	<i>Countries</i>	<i>P&A's Ref.</i>	<i>Filed On</i>	<i>Filing No.</i>	<i>Public, On</i>	<i>Public No.</i>	<i>Granted on Patent No.</i>
	FRANCE	IFB90 ANT BV3	OCT 18, 90	90 12901	APR 24, 92	2 668 231	DEC 8, 95 90 12901
PCT APPLICATION	All the contracting states of PCT on filing date except US	WOB90 ANT BV3	AUG 22, 91	PCT/FR91/00684	APR 30, 92	WO92/07206	
EUROPEAN PATENT	AT, BE, DE, DK, ES, FR, GB, GR, IT, NL, SE, PCT	EPB90 ANT BV3	AUG 22, 91	91 914 919.5	AUG 11, 93	0 554 261	JUL 5, 95 0 554 261
	ARGENTINA (REVALIDATION PATENT)	ARV90 ANT BV3	JAN 12, 96	335 056			
	AUSTRALIA [PCT]	AUB90 ANT BV3	AUG 22, 91	84 467/91	JUL 28, 94	651 775	DEC 13, 94 651 775
	BRAZIL [PCT]	BRB90 ANT BV3	AUG 22, 91	91 07046	SEP 14, 93	NOV 24, 98 91 07046-5	
	CANADA [PCT]	CAB90 ANT BV3	AUG 22, 91	2 094 384			JUL 02, 02 2.094.384
	JAPAN [PCT]	JPB90 ANT BV3	AUG 22, 91	3-514 363	JUN 9, 94	6-505 082	APR 23, 04 3547739
	KOREA (REPUBLIC OF) [PCT]	KRB90 ANT BV3	AUG 22, 91	701 155/1993	NOV 30, 93	93-703562	SEP 12, 98 164 438
	POLAND [PCT]	PLB90 ANT BV3	AUG 22, 91	P-298 853			JUN 5, 96 170 696
	RUSSIAN FEDERATION [PCT]	RUB90 ANT BV3	AUG 22, 91	93 005 049	JUN 27, 98		JUN 27, 98 2 114 345
ABANDONED	SOUTH AFRICA	ZAB90 ANT BV3	OCT 8, 91	91/8052	JUL 29, 92	91/8052	JUL 29, 92
	UNITED STATES	USB90 ANT BV3	OCT 18, 91	07/780 671	NOV 23, 93	5 263 906	NOV 23, 93
ABANDONED	TAIWAN	TWB90 ANT BV3	AUG 29, 91	80 106 869	JAN 11, 92		JAN 17, 95 53 731

Invention no 26**“3 vitesses mécaniques”**

<i>Multinat. Patent</i>	<i>Countries</i>	<i>P&A's Ref.</i>	<i>Filed On</i>	<i>Filing No.</i>	<i>Public, On</i>	<i>Public No.</i>	<i>Granted on Patent No.</i>
	FRANCE	IFB02 ANT B26	MAY 23, 2002	02 06319	NOV 28, 2003	2 840 043	DEC 3, 2004 02 06319
PCT APPLICATION	All the contracting states of PCT on filing date	WOB02 ANT B26	MAY 13, 2003	PCT/FR03/01448	DEC 4, 2003	W003/100292	
	ARGENTINA	ARB02 ANT B26	MAY 14, 2003	PO3 01 01670	MAR 2, 2005	AR039814	
	MALAYSIA	MYB02 ANT B26	MAY 22, 2003	PI 20031904			
	TAIWAN	TWB02 ANT B26	MAY 08, 2003	92 112 01556	DEC 1, 2003	200307096	
	EUROPE [PCT]	EPB02 ANT B26	MAY 13, 2003	03 755 164.5			
	CHINA [PCT]	CNB02 ANT B26	MAY 13, 2003	03 811 755.X	AUG 17, 2005	1 656 327	
	HONG KONG [PCT]	HKB02 ANT B26	MAY 13, 2003	06 101 958.2			
	KOREA (REPUBLIC OF) [PCT]	KRB02 ANT B26	MAY 13, 2003	10-2004 7018830	FEB 5, 2005	10-2005 13994	
	INDIA [PCT]	INB02 ANT B26	MAY 13, 2003	3804/DELNP/2004			
	JAPAN [PCT]	JPB02 ANT B26	MAY 13, 2003	2004-507713	NOV 17, 2005	2005-534868	
	RUSSIAN FED. [PCT]	RUB02 ANT B26	MAY 13, 2003	2004137663	AUG 10, 2005		
	USA [PCT]	USB02 ANT B26	MAY 13, 2003	10/515,322	SEP 15, 2005	US-2005 0202926-A1	

Invention no 28**“Double commutation”**

<i>Multinat. Patent</i>	<i>Countries</i>	<i>P&A's Ref.</i>	<i>Filed On</i>	<i>Filing No.</i>	<i>Public, On</i>	<i>Public No.</i>	<i>Granted on Patent No.</i>
	FRANCE	IFBB03 ANT B28	NOV 18, 2003	03 13510	MAY 20, 2005	2 862 363	
PCT APPLICATION	All the contracting states of PCT on filing date	WOBB03 ANT B28	NOV 18, 2004	PCT/FR2004/002935	JUN 2, 2005	WO 2005/050060	
	ARGENTINA	ARBB03 ANT B28	NOV 18, 2004	P04 01 04249			
	MALAYSIA	MYBB03 ANT B28	NOV 17, 2004	P1 2004 4769			
	TAIWAN	TWBB03 ANT B28	NOV 17, 2004	93 135 203	JUL 01, 2005	2005-21357	

The National phases of PCT/FR2004/002935 are in progress in the following countries: South Africa, Australia, Brazil, Canada, China, South Korea, North Korea, Georgia, India, Indonesia, Japan, Mexico, New Zealand, Singapore, Ukraine, USA, Viet Nam, Russia and Europe.

Invention no 29

“Boîte à renvoi”

<i>Multinat. Patent</i>	<i>Countries</i>	<i>P&A's Ref.</i>	<i>Filed On</i>	<i>Filing No.</i>	<i>Public, On</i>	<i>Public No.</i>	<i>Granted on Patent No.</i>
	FRANCE	IFBB04 ANT B29	MAR 24, 2004	04 03015	SEP 30, 2005	2 868 141	
PCT APPLICATION	All the contracting states of PCT on filing date	WOBB04 ANT B29	MAR 11, 2005	PCT/FR2005/000581	NOV 3, 2005	WO 2005/103525	
	ARGENTINA	ARBB04 ANT B29	MAR 22, 2005	P05 0101114			
	MALAYSIA	MYBB04 ANT B29	MAR 18, 2005	PI 2005 1194			
	TAIWAN	TWBB04 ANT B29	MAR 11, 2005	94107 408			
	THAILAND	THBB04 ANT B29	MAR 22, 2005	098834	DEC 15, 2005	73578	

Invention no 30

“Commande manuelle”

<i>Multinat. Patent</i>	<i>Countries</i>	<i>P&A's Ref.</i>	<i>Filed On</i>	<i>Filing No.</i>	<i>Public, On</i>	<i>Public No.</i>	<i>Granted on Patent No.</i>
	FRANCE	IFB04 ANT B30	SEP 23, 2004	04 10084	MAR 24, 2006	2 875 569	
PCT APPLICATION	All the contracting states of PCT on filing date	WOBB04 ANT B30	SEP 22, 2005	PCT/FR2005/002347	MAR 30, 2006	WO2006/032788	
	ARGENTINA	ARBB04 ANT B30	SEP 21, 2005	P05 0103970			
	MALAYSIA	MYBB04 ANT B30	SEP 23, 2005	PI 2005 4502			
	TAIWAN	TWBB04 ANT B30	SEP 20, 2005	94132445			

Invention No. 1:

Abstract for: US Patent no. 5 309 778

PCT No. PCT/FR89/00231 Sec. 371 Date Jan. 4, 1991 Sec. 102(e) Date Jan. 4, 1991 PCT Filed May 12, 1989 PCT Pub.

No. WO89/11405 PCT Pub. Date Nov. 30, 1989. A differential pinion shaft is coupled to the input shaft. A crown is coupled to the output shaft. The mechanical resistance of a compensated sub-assembly, multiplied by a gear, is transmitted to a planet wheel. The speed of rotation of the planet stabilises and, as a result, the transmission ratio between the input shaft and the output shaft stabilises when the two forces acting on the periphery of the pinion are equal, although they then correspond to a torque much larger on the output shaft than on the planet wheel, the couple on the planet wheel being greater than that on the shaft of the compensator sub-assembly. The sub-assembly comprises an inertial load and a consuming load the joint behaviour of which, depending on the speed of rotation and on the acceleration, resembles, on a smaller scale, that of the vehicle.

Invention No. 3:

Abstract for: US Patent No. 5 263 906

A multi-speed mechanical automatic transmission has two planetary gear trains, each including a sun gear, planet gears mounted in a planet carrier, and a ring gear. The first planetary gear train provides low gear and direct drive; the second train modifies low gear operation of the first train to provide an intermediate gear operation. The first sun gear is fixed to an input shaft, and the first planet carrier drives an output shaft. The second planet carrier is coupled to rotate the first ring gear in one direction, and free wheels or selectively actuated friction brakes prevent rotation of the first and second ring gears in the opposite direction. The first planetary train has helical gears, and a direct drive clutch selectively couples the first ring gear to the first planet carrier. This clutch is urged toward disengagement, so as to shift the transmission into low gear, by axial movement between the first ring gear and first planet gears in response to a driving torque applied between the gears; it is urged by centrifugal weights toward engagement so as to shift the transmission into direct drive. A second clutch selectively couples

the second sun gear to the input shaft or, in the alternative, the second ring gear to the transmission housing. When the second clutch is disengaged, the second planetary train is idle and does not influence low gear operation of the first planetary train. When the second clutch is engaged, the second planetary train drives the first ring gear forward at a reduced speed to provide an overall ratio intermediate between low gear and direct drive.

Invention No. 26:

Abstract for: French Patent No. 2 840 043

The transmission comprises an input rotating element (3) and an output rotating element (4). For a first transmission ratio the balance weights (113) tighten the clutch (11) and connect the input with the planet gear (5) while the ring gear (6) is immobilised by the free wheel (9). For the second transmission ratio, the balance weights (131) push the ring gear counter to the axial thrust of the helical teething so that the clutch is tightened against the ring (111) and the clutch is released. The thrust from the ring gear teething diminishes and the transmission occurs from the input to the ring gear while the planet gear is immobilised by the free wheel (8). As the speed increases the balance weights lift higher, compress preloaded springs and push the ring (116) in the clutch tightening direction thereby creating a direct drive.

Invention No. 28:

Abstract for: French Patent No. 2 862 363

The device has an upstream shaft (2) connected to an engine (3) and a downstream shaft (4) connected to a differential (6) via two power paths (8a, 8b) defining different transmission ratios. Selective activation units (18a, 18b) for the ratios are provided on respective paths. The shaft (2) is in permanent connection with respective input units of each path. The activation units adjust the rotational speed between the shafts during ratio change.

Invention No. 29:

Abstract for: International Patent Application No. WO2005103525

The inventive gearbox device (200) comprises rotary members (1, 2, 4, 5, 15) provided with toothed elements (E2, E4-E7, S12, S34, S57-S7, D1-D3, DC, FC, F6, FR, ST), wherein at least one toothed gear (ST, E2, E4) for transmitting motion between two other rotary members (1, 5; 15, 4), thereby producing a gear ratio, can be selectively connected to a rotary member (4; 2) in order to produce another gear ratio.

Invention No. 30:

Abstract for: International Patent Application No. WO2006032788

The invention concerns actuators (A) moving forks (F) themselves coupled to synchronisers. There is no correspondence between the transmission ratios capable of being triggered by a fork and the ratios located on a common plane (4) on the selection grid (2). Each plane (4) is associated with an intermediate member (M) which is moved jointly by the range selector (1) and a post-selection guiding (21) to be coupled with two different actuators in the two half-planes (for example, E5, E6) of a common selection plane (4). The post-selection guiding (21) causes the selective coupling of a coupling finger (14) with a slot (24) of the actuator. The invention is used for retaining a standard selection grid with particular gearing arrangement in the gearbox.

PART 13

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear on page 14, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Group

2.1 The Company was incorporated and registered in England and Wales on 20 December 1994 under the Act as a private company limited by shares with the name Artenay Limited and with registration number 3003533. On 24 April 1995 the Company changed its name to Antonov Limited. On 10 May 1995 the Company was re-registered as a public company.

2.2 The principal legislation under which the Company operates is the Act and the regulations made there under.

2.3 The Company's registered office is at St James's Court, Brown Street, Manchester M2 2JF and its head office and principal place of business is at Keystone Innovation Centre, Croxton Road, Thetford IP24 1JD. The telephone number at the head office is +44 (0) 1842 768 320.

2.4 The Company has six wholly owned subsidiaries, details of which are as follows:

<i>Company Name</i>	<i>Activity</i>	<i>Country of Operation</i>	<i>Parent Company</i>	<i>Registered Office</i>
Antonov Automotive Technologies Limited	Licensing	United Kingdom	The Company	Keystone Innovation Centre, Croxton Road, Thetford IP24 1JD
Antonov Automotive Technologies BV	Licensing	The Netherlands	The Company	Weena 89, 3013CH, Rotterdam, The Netherlands
Antonov Automotive Europe BV	Licensing	The Netherlands	Antonov Automotive	Weena 89, 3013CH, Rotterdam, The Netherlands
Antonov Automotive Europe BV	Licensing	The Netherlands	Antonov Automotive Technologies B.V.	Weena 89, 3013CH, Rotterdam, The Netherlands
Antonov Automotive North America BV	Licensing	The Netherlands	Antonov Automotive	Weena 89, 3013CH, Rotterdam, The Netherlands
Antonov Automotive Technologies SARL	Research	France	Antonov Automotive Technologies BV	13 Rue de la Grand Borne 77990, Le Mesnil Amelot, France

3. Share Capital

3.1 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 shares of £1 each, two of which were issued credited as fully paid to the subscribers to the Company memorandum of association.

- 3.2 During the three years immediately preceding the date of this document, the following changes have been made to the authorised share capital of the Company:

<i>Resolution Date</i>	<i>Resolution</i>
26 November 2004	Every four of the ordinary shares of 5p each, issued and unissued, were consolidated into ordinary shares of 20p each
25 August 2005	Increase in the authorised share capital of the Company from £7,709,474 to £12,000,000

- 3.3 During the three years immediately preceding the date of this document, the following changes have been made to the issued share capital of the Company:

<i>Date of issue</i>	<i>Type of issue</i>	<i>Issue price per Share</i>	<i>Number of Shares issued</i>
11 April 2003	Placing under general authority to allot shares	£0.24	4,753,161
12 May 2003	Placing under general authority to allot shares	£0.24	525,000
3 March 2004	Exercise of warrants	£0.30	500,000
10 March 2004	Exercise of warrants	£0.45	500,000
1 June 2004	Executive Directors Bonus Scheme	£0.27	53,300
24 June 2004	Placing under general authority to allot shares	£0.24	153,733
10 September 2004	Conversion of loan facility	£0.30	4,166,667
13 September 2004	Placing under general authority to allot shares	£0.45	800,000
11 November 2004	Placing under general authority to allot shares	£0.50	1,550,000
13 December 2004	Placing under general authority to allot shares	£0.50	500,000
4 March 2005	Placing under general authority to allot shares	€1.734	34,602*
10 March 2005	Placing under general authority to allot shares	€2.00	62,500*
27 May 2005	Executive Directors Bonus Scheme	€2.11	50,000*
28 July 2005	Placing under general authority to allot shares	€1.5732	216,930*
1 September 2005	Conversion of loan facility	€1.20-€1.62	791,331*
11 October 2005	Conversion of loan facility/placing under general authority to allot	€1.43-€1.65	800,764*
1 December 2005	Conversion of loan facility/exercise of warrants	€1.20-€1.56	471,637*
5 January 2006	Conversion of loan facility/exercise of warrants	€1.20-€1.95	370,301*
13 January 2006	Placing under general authority to allot shares**	€1.20-€1.95	74,526*
3 February 2006	Conversion of loan facility/exercise of warrants	€1.20-€1.71	366,959*
10 March 2006	Conversion of loan facility	€1.54	259,969*
13 April 2006	Conversion of loan facility and in placing under general authority to allot shares	€1.49-€1.58	178,655*
12 May 2006	Conversion of loan facility and exercise of warrants	€1.20-€1.39	336,133*
19 June 2006	Conversion of loan facilities	€1.17 – €1.72	2,637,119*
13 July 2006	Conversion of loan facilities	€0.69	436,747*
28 July 2006	Placing under general authority	€0.50	180,000*
15 August 2006	Placing under general authority**	€0.42	85,449*
15 August 2006	Conversion of loan facilities	€1.20 – €1.36	285,049*
15 August 2006	Placing under general authority**	€0.42	85,449*
15 August 2006	Conversion of loan facilities	€1.20 – €1.36	285,049*
1 September 2006	Conversion of loan facilities	€0.67	628,437*
4 September 2006	Conversion of loan facilities	€1.60	52,280*
4 September 2006	Placing under general authority	€0.57	598,370*
8 September 2006	Conversion of loan facilities	€0.54 – €0.64	542,695*
14 September 2006	Placing under general authority	€0.60	2,000*
19 September 2006	Conversion of loan facilities	€0.57	526,316*
3 October 2006	Conversion of loan facilities	€0.50	595,829*
30 October 2006	Conversion of loan facilities	€0.45	895,857*
1 November 2006	Placing under general authority	€0.48	826,720*
3 November 2006	Placing under general authority	€0.62	483,870*
10 November 2006	Placing under general authority	€0.45	361,514*
17 November 2006	Placing under general authority	€0.60	666,667*
19 December 2006	Conversion of loan facilities	€0.63	258,716*
19 December 2006	Settlement of creditor	€0.63	133,333*
20 December 2006	Placing under general authority	€0.99	404,040*

<i>Date of issue</i>	<i>Type of issue</i>	<i>Issue price per Share</i>	<i>Number of Shares issued</i>
21 December 2006	Placing under general authority***	£0.67	59,700*
21 December 2006	Placing under general authority**	£0.67	80,000*
28 December 2006	Placing under general authority	€1.15	260,870*
28 December 2006	Conversion of loan facilities	€1.20	236,734*
15 January 2007	Exercise of warrants	£0.39	330,688*
19 January 2007	Exercise of warrants	£0.50	193,548*
26 January 2007	Placing under general authority	€1.50	279,441*
30 January 2007	Exercise of warrants	£0.49	266,667*
20 February 2007	Conversion of loan facilities	€1.37	307,467*
26 February 2007	Conversion of loan facilities	€1.40	222,905*

* These shares were issued following the share consolidation of 1 new ordinary share of 20p each for every 4 existing ordinary shares of 5p each effected on 26 November 2004.

** Placing under general authority to David Bovell in consideration for his services.

***Placing under general authority to Christopher Ross, in lieu of part of his remuneration for 6 months ended 31 December 2006.

3.4 The Company's authorised and issued share capital, at the date of this document is as follows:

	<i>At the date of this document</i>	
	<i>Number of Ordinary Shares</i>	<i>Amount</i>
Authorised	60,000,000	£12,000,000
Issued and fully paid	45,239,322	9,047,864

The provisions of Section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in Section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not dissipated as described in paragraph 3.4 above.

3.5 Save as set out in this document the Company does not have in issue any securities not representing share capital save as set out in this document and there are no outstanding debentures or convertible securities issued or proposed to be issued by the Company.

4. Memorandum and Articles of Association

4.1 Memorandum of Association

The objects of the Company are set out in full in clause 4 of its Memorandum of Association and include the carrying on of business as a general commercial company and the carrying on of any other trade or business which may seem to the Company and the directors to be advantageous and to directly or indirectly enhance any or all of the business of the Company.

4.2 Articles of Association

The Articles of Association of the Company (the "Articles") which were adopted pursuant to a written resolution of the Company passed on 20 December 1994 and subsequently amended pursuant to a resolution passed on 9 May 1995 contain provisions, inter alia, in respect of the Ordinary Shares, general meetings of the Company and the directors to the following effect:

4.2.1 Voting Rights

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

4.2.2 *Major Shareholders*

Nothing in the Articles confers on major shareholders in the Company any voting rights which are different to those conferred on the holders of Ordinary Shares as described in paragraph 4.2.1 above.

Pursuant to Section 198 of the Act, holders of three per cent. or more of the nominal value of the Company's share capital are required to notify their interest in writing to the Company. To the extent that persons who already hold at least three per cent. or more of the nominal value of the Company's share capital increase or decrease their holding, Section 198 of the Act requires that this is also notified to the Company by the shareholder.

Pursuant to Section 212 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares so comprised, to give such further information as may be required in accordance with Section 212(2) of the Act.

4.2.3 *General Meetings*

An annual general meeting shall be held once a year, within 15 months of the previous annual general meeting.

Subject to a member's right to requisition an extraordinary general meeting pursuant to section 368 of the Act, general meetings of the Company are convened at the discretion of the board, and with the exception of the annual general meeting, all such general meetings of the Company shall be extraordinary general meetings.

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution or (except as provided by statute) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' notice in writing. Any other extraordinary general meeting shall be called by at least 14 clear days' notice to the Company. Notice may be via a website where the member agrees and is informed that the notice has been published on the website, the address of which is known to him. Notice shall be given to all members and the directors and the auditors.

Every notice calling a general meeting shall specify the place, day and hour of the meeting. Every notice must include a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

A general meeting may be called by shorter notice if it is agreed: (i) in the case of an annual general meeting, by all the members entitled to attend and vote; and (ii) in the case of an extraordinary general meeting, by a majority in the number of the members having a right to attend and vote, being a majority together holding at least 95 per cent. in nominal value of the shares giving that right.

4.2.4 *Changes in capital*

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may by ordinary resolution cancel any shares which have not been taken (or are subject to agreement to take) and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

The Company may, subject to the provisions of the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including redeemable shares).

4.2.5 *Variation of Rights*

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into

different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

4.2.6 *Alteration of Capital*

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may, subject to the Statutes, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Statutes, the Company may purchase its own shares (including redeemable shares).

4.2.7 *Redemption*

The Company may, by special resolution and subject to the Statutes, create shares which are liable to be redeemed. As at the date of this document, there are no shares in issue which are capable of being redeemed by the Company.

4.2.8 *Conversion*

The Company may, by ordinary resolution and subject to the Statutes, convert all or any of its fully-paid shares into stock of the same class and denomination and reconvert such stock into fully paid up shares of the same class and denomination.

4.2.9 *Distribution of assets on a winding up*

In the event of liquidation of the Company the holders of shares are entitled *pari passu* to any surplus dividends. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members *in specie*.

4.2.10 *Transfer of Shares*

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Company's register of members.

The directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the directors for any period not exceeding 30 days in a year.

4.2.11 *Dividends and other distributions*

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the directors. The directors may pay interim dividends if it appears to them that they are justified by the profits of the Company. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members *in specie*. The directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

4.2.12 *Borrowing Powers*

Subject to the provisions of the Act and as provided in the Articles, the directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The directors shall restrict the borrowings of the Company and the borrowings of any other companies within the Group so as to secure that the aggregate amount for the time being outstanding (after adjustments provided for in the Articles) at any one time owing by the Group in respect of monies borrowed, determined in accordance with the Articles, shall not without the previous sanction of an ordinary resolution of the Company exceed £20,000,000.

4.2.13 *Constitution of board of directors*

The minimum number of directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall not be more than eight. No shareholder qualification is required of any director.

4.2.14 *Retirement of directors by rotation*

The Articles do not contain any provision to exclude the operations of Section 293(2) of the Act and, accordingly, special notice will be required of any resolution appointing or approving the appointment of a director who has attained the age of 70.

At every annual general meeting of the Company one third of the directors or the number nearest to but not exceeding one third shall retire by rotation and be eligible for re-election. The directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will (unless they otherwise agree) be determined by lot.

4.2.15 *Remuneration of directors*

The fees to be paid to the directors shall be determined by the Remuneration Committee from time to time.

Each director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the directors of the Company or otherwise in the discharge of his duties as a director. Any director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the directors determine.

4.2.16 *Permitted interests of directors*

Subject to the provisions of the Statutes, a director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the director holding that office or of the fiduciary relationship thereby established.

A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the directors may determine. A director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

4.2.17 *Restrictions on voting by directors*

Save as provided below, a director shall not vote on or in respect of any contract or arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning a placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he does not to his knowledge hold directly or indirectly an interest in shares representing one per cent. or more of any class of the equity share capital or voting rights;
- (e) any arrangement for the benefit of employees of the Company and its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (f) any contract for the purchase or maintenance of insurance against any liability of any directors.

4.2.18 *Mandatory Bid*

The City Code on Takeovers and Mergers (the “City Code”) applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the offeror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the offeror, and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the offeror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. Of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the voting rights.

4.2.19 *Squeeze-out*

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for

outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

4.2.20 *Sell-out*

The Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

5. Directors

5.1 *The following persons are Directors of the Company:*

Christopher Ross FR Eng – (Non-Executive Chairman) – aged 62, joined the Board in March 2004. Mr Ross is a Chartered Engineer and is currently Deputy Chairman of Manganese Bronze Holdings Plc and Chairman of Carclo Plc, both are UK listed companies with interests in the automotive sector. He is also Chairman of Sonas Investments Limited and Sonas Group Limited and a Non Executive Director of Icona Solutions Limited, an engineering software provider, and Lander Holding Limited. 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.

John Moore – (Chief Executive Officer) – aged 42, joined the Board in January 2005. He is a Chartered Engineer and an experienced automotive industry professional with a strong track record of technical and organisational innovation. Prior to joining Antonov, he was the Commercial Director of Lotus Engineering and has also held positions with Ricardo Group plc and John McGavigan Ltd, a subsidiary of Pressac plc.

Peter Logsdon – (Financial Director) – aged 44, joined the Board in May 2006. He is a Chartered Accountant and has a strong track record as a corporate finance and business development professional, with Coopers & Lybrand in the UK and Hong Kong before joining BDO Stoy Hayward Corporate Finance in London. Prior to joining Antonov he was Finance Director of Nordic Energy and, with Aurora Dynamics, he has provided strategic financial management and business development advice to a range of small fast growing companies, including a number of technology businesses.

Roumen Antonov – (Deputy Chairman and Technical Director) – aged 63, the inventor of the automatic transmission bearing his name, founded Antonov Automotive Technologies Group in 1991 to develop and market what today comprises all of the Group's transmission technology. Mr Antonov was born in Bulgaria, where he trained as a nuclear physicist. After moving to France in 1989 he has pursued a career as a scientist, engineer and inventor from his base in Paris. Besides his Deputy Chairman's responsibilities Mr Antonov continues to lead the Group's R&D endeavours.

David Bovell – (Non-Executive Director) – aged 49, joined the Board in August 2003. He is a chartered Accountant, having spent the early part of his career as a management consultant and corporate finance executive. He established Green Corporate Finance BVBA in 1995 where he initiated the Group's listing on the London Stock Exchange in 1995 and subsequently undertook a number of fund raising exercises for Antonov plc.

Jan (Jos) Eeuwe Haag – (Non-Executive Director) – aged 59, 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, which he retired from in June last year. Mr Haag is currently involved in the management of a number of international companies, including Antonov, and is Chairman of Marc Global, an Atlanta based private software company.

6. Directors' Interests

- 6.1 The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at 5 March 2007 (being the latest practicable business day prior to the date of this document), such interests being those which are required to be notified by each director to the Company under the provisions of Sections 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to Section 325 of the Act or which are interests of persons connected with the director within the meaning of Section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a director were as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Share Capital</i>	<i>Number of Options to subscribe for Ordinary Shares</i>	<i>Number of Warrants to subscribe for Ordinary Shares</i>
C Ross ¹	59,700	0.14	125,000	–
J Moore ²	–	–	133,334	–
P Logsdon	–	–	–	–
R Antonov ³	2,956,704	6.78	221,737	10,416
D Bovell ⁴	438,936	1.01	100,000	1,355,277
J Haag ⁵	–	–	100,000	–

Note 1: Comprising 125,000 Ordinary Shares held under option. Of these unapproved options:

- (i) 50,000 options may be exercised at any time before 30 November 2007 at an exercise price of £1.60 per Ordinary Share. However, the exercise of the option shall be subject to the Shares having achieved a share price of £2.08 for each Share, as shown by the closing bid prices for the Ordinary Shares on Euronext Amsterdam, for a period of 10 consecutive business days at any time during the option period; and
- (ii) 75,000 options are exercisable at a price of £1.20 per share during the three year period beginning on 13 February 2006, but subject to the Company's share price on AIM having reached or exceeded a price of £1.60 per share for a continuous period of ten consecutive business days.

Note 2: Comprising 133,333 Ordinary Shares held under option. Of these options:

- (i) 33,333 options may be exercisable at any time prior to 17 January 2008 at an exercise price of £1.20 per Ordinary Share subject to the Ordinary Shares having achieved a share price of £2.40 for each Ordinary Share, as shown by the closing bid prices for the Ordinary Shares on AIM for a period of 10 consecutive business days at any time during the option period; and
- (ii) 100,000 options are exercisable at a price of £1.20 per share during the three year period beginning on 13 February 2006, but subject to the Company's share price on AIM having reached or exceeded a price of £1.60 per share for a continuous period of ten consecutive business days.

Note 3: Comprising 2,922,224 Ordinary Shares and 221,737 Ordinary Shares held under options which are held by Antonov Holdings EURL a company in which R Antonov is interested. Of these options:

- (i) 146,737 options may be exercisable at any time prior to 18 April 2007 at an exercise price of £4.28 per Ordinary Share; and
- (ii) 33,333 options may be exercised at any time before 30 November 2007 at an exercise price of £1.60 per Ordinary Share. However, the exercise of the option shall be subject to the Shares having achieved a share price of £2.08 for each Share, as shown by the closing bid prices for the Ordinary Shares on Euronext Amsterdam, for a period of 10 consecutive business days at any time during the option period; and
- (iii) 75,000 options are exercisable at a price of 120 pence per share during the three year period beginning on 13 February 2006, but subject to the Company's share price on AIM having reached or exceeded a price of 160 pence per share for a continuous period of ten consecutive business days.

Note 4: Comprising 268,936 Ordinary Shares, 1,355,277 warrants to subscribe for Ordinary Shares, €50,000 of Convertible Loan Notes and 100,000 Ordinary Shares held under option, some of which are held by Chestnut Management Services BVBA and Firmament Investments Limited, companies in which Mr Bovell is interested. Of these options:

- (i) 25,000 option may be exercisable at any time prior to 17 January 2008 at an exercise price of £1.20 per Ordinary Share subject to the Ordinary Shares having achieved a share price of £2.40 for each Ordinary Share, as shown by the closing bid prices for the Ordinary Shares on AIM for a period of 10 consecutive business days at any time during the option period; and
- (ii) 75,000 options are exercisable at a price of 120 pence per share during the three year period beginning on 13 February 2006, but subject to the Company's share price on AIM having reached or exceeded a price of 160 pence per share for a continuous period of ten consecutive business days.

Note 5: Comprising 125,000 Ordinary Shares held under option. Of these options:

- (i) 25,000 options may be exercised at any time before 30 November 2007 at an exercise price of £1.60 per Ordinary Share. However, the exercise of the option shall be subject to the Shares having achieved a share price of £2.08 for each Share, as shown by the closing bid prices for the Ordinary Shares on Euronext Amsterdam, for a period of 10 consecutive business days at any time during the option period.
- (ii) 75,000 options are exercisable at a price of 120 pence per share during the three year period beginning on 13 February 2006, but subject to the Company's share price on AIM having reached or exceeded a price of 160 pence per share for a continuous period of ten consecutive business days.

7. Substantial Shareholders

As at 5 March 2007 (being the latest practicable business day prior to the date of this document), the Company was aware of the following interests (other than those of the Directors) which represent, directly or indirectly, three per cent. or more of the issued share capital of the Company, calculated exclusive of treasury shares:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued Ordinary Share Capital</i>	<i>Number of Options/Warrants to subscribe for Ordinary Shares</i>
Netherlands Centraal Institut Voor Giraal Effectenverkeer BV*	32,786,498	75.1	–
Quinvest BV**	6,889,580	15.79	1,560,201
HSBC Global Custody Nominee (UK) Limited	4,875,182	11.17	–
Green Investments BVBA	1,727,906	3.96	–

*Netherlands Central Institut Voor Giraal Effectenverkeer BV is a 100 per cent. owned subsidiary of Euronext NV. It holds all the issued shares admitted to trading on the Euronext Amsterdam stock exchange for all companies, not just Antonov, with a Euronext Amsterdam listing. As such it is the nominee shareholder for all those investors in the Company's shares that were purchased via the Euronext Amsterdam. No register of the individual shareholders holding the Antonov shares in this manner is maintained.

**In addition Quinvest BV has entered into a put and call option agreement with the Company, details of which are set out in paragraph 11.3 on page 142 of this document.

Save as disclosed in this paragraph 7, and in so far as they are known to the Company there is no person or persons, who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

None of the Company's major holders of Ordinary Shares listed above has voting rights different from the holders of Ordinary Shares.

8. Additional Information on the Directors

8.1 Other than directorships of Group companies, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Past</i>
C Ross	Ecurie Ecosse (UK) Limited Manganese Bronze Holdings PLC Carclo PLC Lander Holdings Limited Icona Solutions Limited	Dunn-Line PLC
J Moore	None	None
P Logsdon	None	Nordic Energy Oy Forbrukerkraft AS
R Antonov	Candida Medical BV FourStroke SARL Antonov Holding EURL	Modern Automotive Technologies (MAT) Holdings BV Modern Automotive Technologies, France SARL
D Bovell	Cleaningtec plc Chestnut Management Services BVBA Green Corporate Finance BVBA Green Investments BVBA Opportunity Investment Management plc	Garrick Green Corporate Finance Limited InnoCleaning Concepts UK Limited Spitfire Limited
J Haag	Green Corporate Finance BVBA Tribal Foundation Limited Tribal Resources Development Foundation Limited	Intellect Holdings Limited ITG Holding BV Meristem Furniture Group Limited Marc Global Inc.

- 8.2 Save as disclosed in this document none of the Directors has in the five years prior to the date of this document:
- 8.2.1 had any convictions in relation to fraudulent offences;
- 8.2.2 been declared bankrupt or been subject to any individual voluntary arrangement or been associated with any bankruptcy, receivership or liquidation in his capacity as member of the administrative, management or supervisory bodies or member of senior management or any company or as partner of any partnership.
- 8.2.3 been subject to any official public incrimination and/or sanctioned by any statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.
- 8.3 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

9. Directors' Remuneration

- 9.1 Details of the Directors' service contracts/non-executive letters of appointment are as follows:

<i>Directors</i>	<i>Commencement date</i>	<i>Notice period from the Company (months)</i>	<i>Notice period to the Company (months)</i>	<i>For the year to 31 December 2006</i>			
				<i>Salary (£)</i>	<i>Benefits (£)</i>	<i>Bonus (£)</i>	<i>Pension (£)</i>
C Ross	22 Nov 05	6	6	30	0	0	0
J Moore	10 Dec 04	3	3	84	6	40	11
P Logsdon	03 May 06	3	3	67	0	20	0
R Antonov	11 May 95	12	3	103	6	5	13
D Bovell	06 Jul 06	6	6	12	0	0	0
J Haag	09 Sept 05	6	6	12	0	0	0

The Directors have no contractual right to receive Ordinary Shares or options over Ordinary Shares in lieu of remuneration or as any form of compensation. The share option grants disclosed in paragraph 6.1 of this Part 13 are made in addition to the remuneration packages disclosed above and many of them are conditional on the achievement of predetermined performance criteria.

Bonus payments for Directors are based on achievement of objectives established by the Company's Remuneration Committee, which are related to target performances associated with shareholders interests.

No Director has any accrued pension benefits

- On 4 June 2004 the Company entered into an agreement with Ecurie Ecosse (UK) Limited for the provision of services of Christopher Ross as a consultant for the Company. The agreement will continue until terminated by either party by 6 months' notice. The agreement contains provision for early termination in the event of a breach by the consultant. In consideration of the provision of the services of Christopher Ross, the Company will pay Ecurie Ecosse (UK) Limited a fee of £1,500 per day for the first 20 days worked payable in cash, £1,500 per day for the next 20 days worked payable as to £1,250 in cash and £250 by the issue of Ordinary Shares and £1,500 per day for any further days worked satisfied by the issue of Ordinary Shares. In addition the Company will pay all expenses reasonably incurred by the consultant in carrying out his services.
- On 11 May 1995, Roumen Antonov entered into a service agreement with AAT. The service agreement is terminable on not less than 12 months' written notice given by AAT or at least 3 months notice (the maximum permitted by French law) from Roumen Antonov. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic annual salary payable to Roumen Antonov is £103,000 per annum together with other benefits to a value of £6,000. In addition, the Company pays a contribution of £13,000 per annum to his personal pension scheme. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment.

- On 10 December 2004, John Moore entered into a service agreement with the Company. The service agreement is for an initial fixed term of 12 months and thereafter is terminable on not less than 3 months' notice given by either party to the other at any time. The service agreement contains provisions for early termination inter alia, in the event of a breach by the Director. The basic annual salary payable to John Moore is £90,000 together with an entitlement to receive a bonus of up to £40,000 dependent on certain targets being achieved. In addition, the Company contributes £11,280 per annum to his personal pension scheme. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment.
- On 26 July 2005 the Company entered into an agreement with Consacquent BV for the provision of services of Jos Haag as a consultant for the Company. The agreement will continue until terminated by either party by 6 months' notice. The agreement contains provision for early termination in the event of a breach by the consultant. In consideration of the provision of the services of Jos Haag the Company will pay Consacquent BV a fee of £1,500 per day for the first 20 days worked payable in cash, £1,500 per day for the next 20 days worked payable as to £1,250 in cash and £250 by the issue of Ordinary Shares and £1,500 per day for any further days worked satisfied by the issue of Ordinary Shares. In addition the Company will pay all expenses reasonably incurred by the consultant in carrying out his services.
- On 6 July 2006 the Company entered into an agreement with David Bovell as a consultant for the Company. The agreement will continue until terminated by either party by 6 months' notice. The agreement contains provision for early termination in the event of a breach by the consultant. In consideration of the provision of the services, the Company will pay David Bovell a fee of £1,500 per day for the first 20 days worked payable in cash, £1,500 per day for the next 20 days worked payable as to £1,250 in cash and £250 by the issue of Ordinary Shares and £1,500 per day for any further days worked satisfied by the issue of Ordinary Shares. In addition the Company will pay all expenses reasonably incurred by the consultant in carrying out his services.
- On 11 August 2006 the Company entered into an agreement with Peter Logsdon for the provision of his services as a consultant to the Company. The agreement will continue until terminated by either party on 3 months' notice. The agreement contains provision for early termination in the event of a breach by the consultant. In consideration of the provision of the services the Company will pay Peter Logsdon a fee of £75,000 per annum on the basis of a commitment of 3 days per week or £100,000 on the basis of a commitment of 5 days per week. Additionally Peter Logsdon may be entitled to a bonus payment of up to £30,000 dependent on the achievement of objectives established by the Company's Remuneration Committee.

9.2 There is no arrangement under which any Director has waived or agreed to waive future emoluments.

9.3 Save as disclosed in this paragraph 9 there are no existing or proposed service or consultancy agreements between any Director and any member of the Group.

9.4 In the year ended 31 December 2005 the total aggregate remuneration paid, and benefits-in-kind granted, to the Directors was £0.4 million. The amounts payable to the Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 31 December 2006 are estimated to be £0.3 million (excluding any discretionary payments which may be made under these arrangements).

10. Corporate Governance and Board Committees

10.1 *General*

The Board of Directors fully supports the underlying principles of good corporate governance contained in the Combined Code, notwithstanding that it is not required to comply with such recommendations. It has sought to comply with the provisions of the Code, in so far as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness.

The main features of the Company's corporate governance procedures, which do not constitute full compliance with the Combined Code, are as follows:

- the Board has two independent non-executive directors who take an active role in board matters;
- the Company has an audit committee, a nominations committee and a remuneration committee, each of which consists of the non-executive directors, and meets regularly with executive directors in

attendance by invitation. The audit committee has unrestricted access to the Group's auditors and ensures that auditor independence has not been compromised;

- all business activity is organised within a defined structure with formal lines of responsibility and delegation of authority, including a schedule of "matters referred to the board"; and
- regular monitoring of key performance indicators and financial results together with comparison of these against expectations.

10.2 *Audit Committee*

The following is a summary of the terms of reference under which the Company's Audit Committee operates. The Audit Committee comprises Christopher Ross and Jos Haag, both of whom are non-executive directors of the Company.

The Audit Committee shall have at least two members and each member shall be an independent non-executive director. The Audit Committee shall meet at least two times in every year and any other time as required by either the chairman of the Audit Committee, the finance director of the Company or the external auditors of the Company. In addition, the Audit Committee shall meet with the external auditors of the Company (without any of the executives attending) at least once a year.

The Audit Committee shall, *inter alia*:

- monitor the financial reporting and internal control principles of the Company;
- maintain appropriate relationships with external auditors including considering the appointment and remuneration of external auditors;
- review all financial results of the Company, including all announcements in respect thereof before submission of the relevant documents to the Board;
- review and discuss (where necessary) any issues and recommendations of the external auditors including reviewing the external auditors' management letter and management's response;
- consider all major findings of internal operational audit reviews and management's response to ensure co-ordination between internal and external auditors;
- review the Board's statement on internal reporting systems and keep the effectiveness of such systems under review; and
- consider all other relevant findings and audit programmes of the Company.

The chairman of the Audit Committee shall report annually to the Board on behalf of the Company's shareholders its on all matters within its duties and responsibilities. The Audit Committee shall compile a report to Shareholders on its activities to be included in the Company's annual report.

The Audit Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company; and
- obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

10.3 *Remuneration Committee*

The following is a summary of the terms of reference under which the Company's Remuneration Committee operates. The Remuneration Committee comprises Christopher Ross and Jos Haag, both of whom are non-executive directors of the Company.

The Remuneration Committee shall have at least two members and each member shall be an independent non-executive director. The managing director of the Company will normally be invited to meetings of the Remuneration Committee to discuss the performance of other executive directors but shall not be involved in any of the decisions. The Remuneration Committee shall meet at least two times in every year and any

other time as required by either the chairman of the Remuneration Committee, the finance director of the Company or the external auditors of the Company.

The Remuneration Committee shall, *inter alia*:

- ensure that the executive directors are fairly rewarded for their individual contributions to the overall performance of the Company;
- consider the remuneration packages of the executive directors and any recommendations made by the managing director for changes to their remuneration packages including in respect of bonuses (including associated performance criteria), other benefits, pension arrangements and other terms of their service contracts and any other matters relating to the remuneration of or terms of employment applicable to the executive directors that may be referred to the Remuneration Committee by the Board;
- oversee and review all aspects of the Share Option Schemes including the selection of eligible directors and other employees and the terms of any options granted;
- demonstrate to the Company's shareholders that the remuneration of the executive directors is set by an independent committee of the Board; and
- consider and make recommendations to the Board about the public disclosure of information about the executive directors' remuneration packages and structures in addition to those required by law or by the London Stock Exchange.

The chairman of the Remuneration Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Remuneration Committee shall produce an annual report which will form part of the Company's annual report and consider each year whether such report should be put to the Company's Shareholders for approval at the annual general meeting.

The Remuneration Committee is authorised to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company;
- assess the remuneration paid by other UK listed companies of a similar size in any comparable industry sector and to assess whether changes to the executive directors remuneration is appropriate for the purpose of making their remuneration competitive; and
- obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

11. Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the Group is a party, for the two years immediately preceding publication of this document.

The following summary includes contracts (not being a contract entered into in the ordinary course of business) entered into by any member of the Group which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

11.1 On 21 January 2005, the Company was granted a convertible term loan facility of €3,000,000 by 9 different parties. The facility imposes an obligation on the Company to issue loan notes to each of the lenders with the following terms:

- convertible into Ordinary Shares based upon a conversion price equal to 95 per cent. of the closing bid price per share on the drawdown of the facility
- the issue to the lender of warrants allowing the lenders to subscribe on drawdown of the facility for Ordinary Shares on the basis of two warrants for every three conversion shares at a price of €2.08 per share
- interest is payable on the loan notes at the rate of 0.625 per cent. per calendar month

- any unconverted loan notes may be redeemed at the option of either the Company or the lender at any time after 30 June 2007

As at the date of this document the Company has drawn down €1,500,000 of this facility.

11.2 On 8 June 2005, the Company was granted a term loan facility of €6,750,000 by 5 different parties.

The facility imposes an obligation on the Company to issue loan notes to each of the lenders with the following terms:

- convertible into Ordinary Shares based upon a conversion price equal to 95 per cent. of the closing bid price per share on the drawdown of the facility
- the issue to the lender of warrants on the acceptance of the facility allowing the lenders to subscribe for Ordinary Shares on the basis of one warrant for every €2.40 drawn down on the facility at a price of €1.20 per share
- interest is payable on the loan notes at the rate of 0.625 per cent. per calendar month
- any unconverted loan notes may be redeemed at the option of either the Company or the lender at any time after 30 June 2007 in respect of €6,000,000 and 30 June 2009 in respect of the balance

11.3 On 6 January 2006 the Company entered into a put and call option agreement with Quivest BV. Under the terms of the agreement Quivest BV has the right, exercisable only one occasion at any time prior to 31 May 2006, to require the Company to allot 1,000,000 Ordinary Shares (the “Option Shares”) at €2 per Ordinary Share (the “Option Price”) to Quivest BV. The Company has the right exercisable at any time between 1 June 2006 and 31 July 2006 to require Quivest BV to subscribe for the Option Shares at the Option Price. On exercise of the option the Company shall issue to Quivest BV warrants to subscribe for up to 1,000,000 Ordinary Shares at €1.80 at any time following the annual general meeting of the Company to be held in 2006 but before 31 December 2008. On 2 September 2006, in recognition of the Share Finance Facility Agreement described in 11.8 below, the Company and Quivest BV agreed to extend the Call Option Exercise Period to 30 June 2007 and the Put Option Exercise Period to between 1 July 2007 and 30 August 2007.

11.4 On 15 May 2006 the Company engaged SNS Securities NV (“SNS”) to act as its listing agent in relation to the listing of the Ordinary Shares and the Listed Warrants on Eurolist by Euronext Amsterdam. In respect of such services the Company will pay SNS a fixed fee together with reasonably incurred expenses payable on Admission. The engagement may be terminated by either party on 30 days written notice.

11.5 The Nominated Adviser Agreement dated 3 August 2006 between the Company (1), the Directors (2) and DDCF (3) pursuant to which the Company has confirmed the appointment of DDCF as the Company’s Nominated Adviser for the purposes of the AIM Rules. The Company has agreed to pay DDCF a fee of £20,000 per annum for its services as Nominated Adviser under this agreement with the annual fee being payable quarterly in advance. The agreement will commence on Admission and, subject to earlier termination by DDCF in certain limited circumstances, will continue for an initial period of 12 months and thereafter unless the appointment of DDCF as Nominated Adviser is terminated by either party on 3 months’ written notice.

11.6 The Broker Agreement dated 3 August 2006 between the Company (1) the Directors (2) and DDCM (3) pursuant to which the Company has confirmed the appointment of DDCM as the Company’s Broker for the purposes of the AIM Rules. The Company has agreed to pay DDCM a fee of £20,000 per annum for its services as the Company’s Broker under this agreement with the annual fee being payable quarterly in advance. The agreement will commence on Admission and, subject to earlier termination by DDCM in certain limited circumstances, will continue for an initial period of 12 months and thereafter unless the appointment of DDCM as the Company’s Broker is terminated by either party on 3 months’ written notice.

11.7 On 26 July 2006 the Company was granted a term loan facility of €3,600,000 by Headstart Global Fund Limited and Headstart Global Aggressive Fund Limited. The facility is on identical terms to the facility described at 11.2 above save that the number of warrants used to the leader is limited to 125,000 Ordinary Shares issued on acceptance of the facility.

11.8 On 2 September 2006 the Company entered into a committed Share Finance Facility Agreement with Quivest BV, its largest shareholder for €4 million, with an optional additional facility of a further €4 million, to be drawn down on demand.

11.9 On the 29 November 2006, the Company signed a Distribution Agreement with Emporio International Sarl (“Emporio”) giving it the exclusive right to distribute and commercialise the Company’s AMM technology

in the German market which Emporio will do through a fully owned German subsidiary (GmbH). The agreement covers the resale of the Company's 2 Speed Supercharger Drive system to tuning companies and dealers and a sales agreement for Emporio to seek licensees for this and other AMM applications such as the 2 speed Front End Accessory Drive.

Under the terms of the Agreement, Emporio will pay a total of €2 million over the next year and a half for the exclusive access to the German market. The start of payments is linked to the satisfactory completion of the production testing which is scheduled to be complete in March 2007. In addition to its existing contacts within the German performance and tuning sector, Emporio will make their own investment in developing the market through sales and marketing and investment in application engineering for the Antonov technology.

Other than the contracts detailed above, and in paragraph 9 of this Part 12, the Directors are not aware of any other contracts (other than those entered into in the ordinary course of business) entered into by any member of Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

11.10 On 14 January 2007, the Company signed a production licence agreement with Zhejiang Geely Automotive Gearbox Co, the transmission manufacturing subsidiary of Geely Automotive ("Geely"). Under this licence, Geely will have the non-exclusive worldwide rights to manufacture and sell transmissions covered by the Antonov 6 speed automatic patents. Geely will also receive design support from the Company.

Under the terms of the licence, the Company will receive fees totalling €900,000, such fees to be payable over the initial 9 months of the licence. A production royalty will be payable thereafter on each transmission produced.

12. Unapproved Share Options

Options have been granted over Ordinary Shares to certain past and current directors of the Company. The details of these options (the "Unapproved Options") are set out in paragraph 12 of this Part 12. Additionally the Company has granted option over an aggregate of 157,650 Ordinary Shares to certain employees of the Group. These employee options are exercisable at any time prior to 20 May 2009 at prices between 40 pence and 108.5 pence per Ordinary Share. The Unapproved Options have not been granted pursuant to any statutory provisions and therefore do not enjoy the tax reliefs available under certain statutory schemes. These options are embodied in individual contracts between the Company and the Director as employee in question. The Unapproved Options were granted for nil consideration and with no performance targets attached to them.

12.1 Tax Treatment

Income tax will be due on exercise on the difference between the market value of the option shares and the price paid for them. As the option shares will be readily convertible assets, MC will also be due and both the income tax and any employee NIC will have to be accounted for under the PAYE system. Under the terms of the Unapproved Options agreement for the option grantee agrees to indemnify the Company for all employer's NIC liability on the exercise of the Unapproved Option.

Capital gains tax subject to taper relief will be due on disposal of the option shares on the growth in value between the date of exercise and the date of disposal. For taper relief purposes the period of ownership of the option shares starts from the date of exercise of the Unapproved Options.

12.2 Exercise and Lapse

The Unapproved Options may be exercised at any time on or after the third anniversary of the date of grant in tranches of not less than such number of ordinary shares as is equal to 25 per cent of the Unapproved Option shares.

The Unapproved Options will lapse on the expiry of the tenth anniversary of the date of grant or on the cessation of full time employment. Early exercise is permitted in special circumstances such as a Company takeover.

12.3 Non transferability of options

The Unapproved Options are non-transferable and are personal to the option holder. The Unapproved Options shall lapse immediately if they are purportedly transferred, assigned or disposed of except on death. The Unapproved Options may only be transferred on death to the option holder's personal representatives who are entitled to exercise the Unapproved Options during the period of six months from the date of death.

12.4 Variations of share capital

For these purposes “Variation” means any alteration of the share capital of the Company which consists of or includes the creation or removal of a right or the imposition, variation or removal of a restriction attaching to any shares in the Company; any conversion of shares in the share capital of the Company and any other alteration to the share capital of the Company including a capitalisation issue or rights issue or a sub-division, consolidation or reduction in the capital of the Company.

Upon a Variation, the board of directors may vary either the number of shares the option holder is entitled to acquire on exercise of the Unapproved Options or adjust the exercise price provided written confirmation is received from the Company’s auditors that the course of action be in their opinion fair and reasonable.

12.5 Alterations

Any alteration to the terms of the individual option agreement will only be effective if agreed by both parties in writing.

12.6 It is not intended that any further Unapproved Options will be granted to Directors or employees of the Company.

13. Contingently Issuable Shares

In addition to the options summarised at paragraphs 6.1 and 12 above and the loan note facilities summarised at paragraphs 10.4 to 10.7 above the Company has the following contingent obligations to issue Ordinary Shares under existing arrangements.

13.1 Options

The following options to subscribe for Ordinary Shares in favour of former directors of the Company are outstanding:

<i>Option Holder</i>	<i>Number of Shares (20p shares)</i>	<i>Exercise Period</i>	<i>Exercise Price per Share (20p shares)</i>
JW Dickens	10,000	to 25.04.12	160p
M Emmerson	266,764	to 18.04.07	164p to 336p
K Ludvigsen	10,000	to 25.04.12	160p
C Minnaar	10,000	to 25.04.12	160p
R Antonov	250,571	to 18.04.07	120p to €4.28
D Bovell	100,000	to 13.02.09	120p
J Moore	133,333	to 13.02.09	120p
C Ross	125,000	to 13.02.09	120p to 160p
J Haag	100,000	to 13.02.09	120p to 160p
Employees	25,813	to 20.05.09	82p to 226p
	<u>1,031,481</u>		

13.2 Warrants

13.2.1 The Company currently has 4,066,209 Listed Warrants and 2,792,309 Unlisted Warrants in issue. The terms attaching to the Listed Warrants are set out in Part 6 of this document.

14. Property, Plant and Equipment

14.1 AAT BV currently occupies office space at Weena 89, 3013CH, Rotterdam, The Netherlands pursuant to a lease dated 10 March 1999. The current rental is €20,210 per annum. The lease is a 5 year rolling lease unless terminated by either party on 1 year’s notice expiring at the end of the current period. The premises extend to approximately 40 square metres.

14.2 AAT SARL currently occupies office and workshop premises at 13 Rue de la Grande Borne, 77990 Le Mesnil Amelot, France pursuant to a lease dated 15 October 1996. The premises extend to approximately 1,600 square metres and the current rental is €124,679 per annum. The lease is a 3 year rolling lease unless terminated by either party on 6 month’s notice. A notice of termination of the lease was delivered to the landlord in September 2006 and the Paris operations are expected to move to smaller premises in March 2007.

14.3 AAT BV and AATL currently occupy office space at Keystone Innovation Centre, Croxton Road, Thetford IP24 1JD pursuant to a lease commencing on 14 July 2006. The lease is for 24 months and terminable thereafter upon 12 months' notice. The current rental is £1,289.24 plus VAT per calendar month.

14.4 The Directors are not aware of any environmental issue or risks affecting the situation of the Group's property, plant or machinery.

15. Employees

In addition to the Directors, the Company has 24 employees which are based at the Group's premises in Thetford, England, Le Mesnil Amelot, France and Rotterdam, Netherlands.

The breakdown of the Group's employees is as follows:

	<i>Technical staff</i>	<i>Sales and admin staff</i>
Thetford, England	1	4
Le Mesnil Amelot, France	9	3

Set out below is the average number of employees employed by the Group during the 2003, 2004 and 2005 financial years:

	<i>2003</i>	<i>2004</i>	<i>2005</i>
No. of employees	17	21	24

16. Taxation

16.1 *United Kingdom*

16.1.1 The following paragraphs, which are based on current legislation, summarise the position of shareholders who are resident and ordinarily resident in the UK for taxation purposes and who hold their shares as an investment.

Taxation of Dividends

UK resident individuals

No tax will be withheld by the Company when it pays a dividend. A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10 per cent of the aggregate of the next dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The lower rate of income tax on dividend income is currently 10 per cent.

An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 22 per cent) will have no income tax to pay in respect of the dividend.

The higher rate of income tax on dividends is currently 32.5 per cent. This means that a shareholder who is a higher rate taxpayer (currently 40 per cent) will have further income tax to pay at a rate of 22.5 per cent of the cash dividend paid plus the related tax credit (or 25 per cent of the net dividend). For example, a dividend of £90 will carry a tax credit of £10. The income tax payable by a higher rate taxpayer would be 32.5 per cent. of £100, namely £32.50 less the tax credit of £10 leaving a net tax liability of £22.50.

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from the HM Revenue & Customs.

UK resident companies

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from the Company and the dividend received and related tax credit will constitute franked investment income.

Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim repayment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income. Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

Taxation of chargeable gains

UK resident individuals

The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding. If a Shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on the circumstances arise subject to, in the case of individuals and trustees, a deduction for so called taper relief the amount of which depends on various factors, in particular, the length of the period of ownership of the shares. Following the listing, under the current legislation, it is unlikely that business asset taper relief will accrue on the Shares in the future.

UK resident companies

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain. If a UK company holds 10 per cent. or more of the ordinary share capital of the Company, Substantial Shareholdings Exemption (SSE) may apply subject to certain conditions being satisfied (such as if the Company was the holding company of a trading group). If SSE applied, any gain or loss arising would be reduced to nil.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than in the UK, you should consult your professional adviser immediately.

- 16.1.2 The following is a summary of certain UK tax consequences of the purchase, holding, disposal and exercise of warrants. This summary does not purport to describe all potential UK tax consequences that may be relevant for a holder or prospective holder of warrants and/or Ordinary Shares. In view of its general nature, this summary should be treated with corresponding caution. Prospective investors should consult with their professional advisers with regard to UK tax consequences to the purchase, holding, disposal and exercise of warrants in their particular circumstances.

UK resident companies

Unless the warrant was held for the purposes of a trade, the warrants would generally be treated as capital gains assets for the purposes of corporation tax. However, for companies accounting for the warrant as a derivative financial instrument this has changed with the recent issue of legislation (see further below).

We therefore consider below the treatment if the warrant continued to be treated as a capital gains asset (where the warrant would be accounted for as something other than a derivative financial instrument), and where the warrant was accounted for as a derivative financial instrument.

Warrant not accounted for as a derivative financial instrument

If the warrants were disposed of calculation would be required to ascertain if a chargeable gain or loss arose. This would involve comparing all proceeds received to the base cost. The proceeds received would be the value of the consideration received. The base cost in the capital gains calculation would depend on whether any value was separately assigned to the warrant when the warrant was acquired. If any base cost did attach to the warrant, indexation allowance would apply from the date of acquisition until the date of disposal. The options would be deemed to be wasting assets for UK taxation purposes, and any base cost would reduce on a straight line basis over its expected predictable life. If the holder of the warrants held in excess of 10 per cent. of the ordinary share capital of the Company, and the other conditions of the Substantial Shareholdings Exemption ("SSE") were met (for instance that the Company was the holding company of a trading group), any gain or loss arising would be reduced to nil, as SSE applies to warrants over shares.

Warrant accounted for as a derivative financial instrument

New legislation was introduced with effect from 16 March 2005. At that date, the holder of an option relating to shares (such as a warrant) was deemed to dispose of the warrant immediately before 3pm on 16 March 2005, with the consideration received being equal to the value (if any) given to the warrant in the accounts of the company at the end of the company's accounting period immediately before the first period which commenced after 1 January 2005. The base cost in the capital gains

calculation would depend on whether any value was separately assigned to the warrant when the warrant was acquired. If any base cost did attach to the warrant, indexation allowance would apply from the date of acquisition until 16 March 2005. The options would be deemed to be wasting assets for UK taxation purposes, and any base cost would reduce on a straight line basis over its expected predictable life. If the holder of the warrants held in excess of 10 per cent. of the ordinary share capital of Antonov, and the other conditions of the SSE were met (for instance that the Company was the holding company of a trading group), any gain or loss arising would be reduced to nil, as SSE applies to warrants over shares.

Once the chargeable gain or loss has been calculated, it will be held over until the date that the Existing Warrants are exchanged for the new warrants. If the holder does not exchange for New Warrants, any chargeable gain or loss would crystallise when the Existing Warrants were no longer held by the company (for instance if it was disposed of or if the option lapsed).

After 16 March 2005, the warrants will be treated as derivative contracts for the purposes of UK taxation. Generally, the tax treatment of the warrants after 16 March 2005 will be dependant upon the accounting treatment of the warrants, and credits and debits arising in relation to them which are booked to the statutory accounts will be taxable.

If the warrants are sold, there will be a disposal of the warrants for tax purposes. Any held over chargeable gain or loss will crystallise. In addition, if any profit or loss is recognised in the accounts of the company as a result of the exchange, a taxable gain or loss will arise.

Credits and debits relating to the warrants which are booked to the statutory accounts will be taxable.

Withholding taxes

There should be no withholding tax implications.

UK resident individuals

Warrants acquired by reason of employment

Following the listing, in cases where warrants were originally acquired by individuals by reason of employment are subsequently exercised, Pay as You Earn and National Insurance contributions will now be due on any income tax that accrues on the exercise of the warrant.

On a future disposal of the warrant without exercise, the warrant holders will be subject to income tax (with Pay as You Earn and National Insurance Contributions applying) on the amount of compensation received less any amount paid for the exercise of the warrant.

Following the listing, business asset taper relief may no longer accrue on the ordinary shares acquired from a future exercise of the warrant.

Warrants acquired otherwise than by reason of employment

On a future disposal, and subject to taper relief, the warrant holders will crystallise a capital gain based on the excess of the consideration received over base cost. The base cost will depend on whether any value was separately assigned to the warrant when the warrant was acquired. The warrants would be deemed to be wasting assets for UK taxation purposes, and if any base cost did attach to the option it would reduce on a straight line basis over its expected predictable life.

Following the listing, business asset taper relief may no longer accrue on the ordinary shares acquired from a future exercise of the warrant.

Stamp Duty

New Ordinary Shares

No stamp duty or Stamp Duty Reserve Tax (“SDRT”) will generally arise on the issue of Ordinary Shares unless they are issued to a depositary or clearing system in which case special rules apply.

Any transfer of Ordinary Shares will generally give rise to a 0.5 per cent. charge (rounded up to the nearest £5). This will be charged on the actual consideration given.

A charge to SDRT will also arise on any agreement to transfer the Ordinary Shares. Where SDRT arises this is generally payable at 0.5 per cent. of the consideration given in money or moneys worth. In order to prevent a double charge arising where the document of transfer is stamped within 6 years of the agreement to transfer the Ordinary Shares the charge to SDRT is generally cancelled and any SDRT that has been paid is normally repaid.

Where the Ordinary Shares are issued or transferred to or held in a depositary or clearance service special rules apply and you should consult your professional adviser.

New Warrants

No stamp duty or Stamp Duty Reserve Tax (“SDRT”) will generally arise on the issue of the warrants unless they are issued to a depositary or clearing system in which case special rules apply.

Share warrants in public limited companies are generally regarded as marketable securities and chargeable securities and are, therefore, potentially within the charge to both stamp duty and SDRT. Consequently any transfer of the warrants or agreement to transfer them will give rise stamp duty and/or SDRT in the same way as a transfer/agreement to transfer Ordinary Shares.

Where the warrants are issued or transferred to or held in a depositary or through a clearance service special rules apply and you should consult your professional adviser.

16.2 *The Netherlands*

Summary of Dutch tax consequences

16.2.1 The following is a summary of certain material Dutch tax consequences of the purchase, holding and disposal of the Ordinary Shares. This summary does not purport to describe all potential Dutch tax consequences that may be relevant for a holder or prospective holder of Ordinary Shares. In particular it does not purport to describe the possible Dutch tax consequences that may be relevant for holders or prospective holders of Ordinary Shares that qualify as Dutch pension funds or Dutch investments institutions (“fiscale beleggingsinstellingen”) or the possible Dutch tax consequences that may be relevant to holders or prospective holders of Ordinary Shares who receive or have received the Ordinary Shares or any benefits from these shares as employment income, deemed employment income or otherwise as compensation.

In view of its general nature, this summary should be treated with corresponding caution. Prospective investors should consult with their professional advisers with regard to the Dutch tax consequences to the purchase, holding and disposal of Ordinary Shares in their particular circumstances.

Except as otherwise indicated, this summary only addresses the Dutch tax legislation as in effect and in force at the date hereof, as interpreted in published case law, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Dutch Taxes on Income and Capital Gains

Netherlands-resident individuals

It is assumed that the Ordinary Shares, following the purchase thereof by a resident individual, (i) are not attributable to an enterprise from which such a resident individual derives a share of the profit, whether as an entrepreneur (statutorily defined term) or as a person who has co-entitlement to the net-worth of such enterprise without being a Shareholder and (ii) cannot be characterised as and are not part of a substantial interest or deemed substantial interest (statutorily defined terms) of the resident individual in Antonov. In addition it is assumed that such a resident individual does not carry out activities that exceed normal, active asset management (“normaal actief vermogensbeheer”) to which activities the purchase, holding and disposal of Ordinary Shares are related, or derives benefits from the Ordinary Shares that are (otherwise) taxable as benefits from other activities (“resultaat uit overige werkzaamheden”).

Generally speaking, a resident individual is considered to hold a substantial interest in a company, if such holder, alone or together with his/her partner (a statutorily defined term), or certain of their relatives by blood or marriage in the direct line (including foster children) directly or indirectly, holds:

- An interest of 5 per cent. or more of the total issued and outstanding capital of that company; or
- An interest of 5 per cent. or more of the issued and outstanding capital of a certain class of shares of that company; or
- Holds rights to acquire, directly or indirectly, such interest; or
- Holds certain profit sharing rights in that company that relate 5 per cent. or more of the company’s annual profits and/or to 5 per cent. or more of the company’s liquidation proceeds.

A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

On basis of the above assumptions, as a general rule, Netherlands-resident individual Shareholders will be taxed annually in respect of a deemed income of 4 per cent. of their net investments at a rate of 30 per cent. (so-called Box III taxation). The net investments for a certain year are calculated as the average of the fair market value of the investments assets less the allowable liabilities at the beginning and at the end of that year. The fair market value of the Ordinary Shares is included in the calculation of the net investments. Taxpayers are entitled to a tax-free allowance of EUR 19,689 in 2006 (EUR 39,396 in the case of partners; statutorily defined term). Gains realised by a Shareholder upon the disposal of Ordinary Shares will not be subject to Dutch income tax. Conversely, losses incurred by a Shareholder upon the disposal of the Ordinary Shares will not be deductible for Dutch income tax purposes.

Netherlands-resident entities

Generally, any benefit derived from the Ordinary Shares held by Netherlands-resident entities, including any capital gains realised or deemed realised upon the disposal of Ordinary Shares, will be subject to corporate tax at a rate of 29.6 per cent. (2006), with a rate of 25.5 per cent. applying to the first EUR 22,689 of taxable profits (2006), unless the participation exemption is applicable. Pursuant to the participation exemption, dividends and capital gains (and losses) derived from a qualifying shareholding are exempt from corporate tax. Generally, the participation exemption applies to participations comprising not less than 5 per cent. of the issued and paid-up share capital of a company provided that certain requirements are met.

Non-resident persons

It is assumed that the Ordinary Shares, following the purchase thereof, are not attributable to an enterprise or deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands in which a Shareholder has an interest.

On basis of the above assumption, generally, a Shareholder will not be subject to Dutch taxes on income or capital gains in respect of any gain or deemed gain realised on the disposal or exercise of the Ordinary Shares, provided that:

- (i) such holder is neither resident nor deemed to be resident of the Netherlands and in the event such holder is an individual, has not made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to individual residents of the Netherlands; and
- (ii) such holder, in the event such a holder is an individual, does not carry out any activities in the Netherlands that exceed normal, active asset management (“normaal actief vermogensbeheer”).

Dutch Gift, Estate and Inheritance Tax

Netherlands-resident persons

An acquisition of Ordinary Shares by way of a gift by, or on the death of, a Shareholder who is resident or deemed to be resident in the Netherlands at the time of the gift or his/her death is subject to Dutch gift, estate or inheritance tax. For purposes of Dutch gift, estate and inheritance taxes, an individual who holds the Dutch nationality will be deemed to be resident in the Netherlands if he or she has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, an individual who is not holding the Dutch nationality will, among others, be deemed to be resident in the Netherlands if he or she has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Non-resident persons

No Dutch gift, estate or inheritance tax will be imposed upon the transfer of Ordinary Shares by way of gift, or by death of, a Shareholder who is neither resident nor deemed to be resident in the Netherlands, unless (i) such holder at the time of the gift has or at the time of his/her death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in the Netherlands or carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Ordinary Shares are or were attributable or (ii) in the case of a gift of Ordinary Shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

Dutch Withholding tax

Considering that Antonov is not a Netherlands-resident entity, no Dutch withholding tax should arise in connection with the holding or disposal of Ordinary Shares.

Other Dutch Taxes and Duties

No Dutch registration tax, turnover tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty other than court fees, will be payable by a holder of Ordinary Shares in connection with the purchase, holding or disposal of Ordinary Shares.

- 16.2.2 The following is a summary of certain material Dutch tax consequences of the purchase, holding, disposal and exercise of the Listed Warrants. This summary does not purport to describe all potential Dutch tax consequences that may be relevant for a holder or prospective holder of Listed Warrants. In view of its general nature, this summary should be treated with corresponding caution. Prospective investors should consult with their professional advisers with regard to the Dutch tax consequences to the purchase, holding, disposal and exercise of Listed Warrants in their particular circumstances.

Except as otherwise indicated, this summary only addresses the Dutch tax legislation as in effect and in force at the date hereof, as interpreted in published case law, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Dutch Taxes on Income and Capital Gains

Netherlands-resident individuals

It is assumed that the Listed Warrants, following the purchase thereof by a resident individual, (i) are not attributable to an enterprise from which such a resident individual derives a share of the profit, whether as an entrepreneur (statutorily defined term) or as a person who has co-entitlement to the net-worth of such enterprise without being a Shareholder and (ii) cannot be characterised as and are not part of a substantial interest or deemed substantial interest (statutorily defined terms) of the resident individual in Antonov.

Generally speaking, a resident individual is considered to hold a substantial interest in a company, if such holder, alone or together with his/her partner (a statutorily defined term), or certain of their relatives by blood or marriage in the direct line (including foster children) directly or indirectly, holds:

- An interest of 5 per cent. or more of the total issued and outstanding capital of that company; or
- An interest of 5 per cent. or more of the issued and outstanding capital of a certain class of shares of that company; or
- Holds rights to acquire, directly or indirectly, such interest; or
- Holds certain profit sharing rights in that company that relate 5 per cent. or more of the company's annual profits and/or to 5 per cent. or more of the company's liquidation proceeds.

A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

On basis of the above assumptions, as a general rule, a Netherlands-resident individual listed Warrantholder will be taxed annually in respect of a deemed income of 4 per cent. of their net investments at a rate of 30 per cent. (so-called Box III taxation). The net investments for a certain year are calculated as the average of the fair market value of the investments assets less the allowable liabilities at the beginning and at the end of that year. The fair market value of the Listed Warrants is included in the calculation of the net investments. Taxpayers are entitled to a tax-free allowance of EUR 19,689 in 2006 (EUR 39,396 in the case of partners; statutorily defined term). Gains realised by a Listed Warrant holder upon the disposal or exercise of Listed Warrants will not be subject to Dutch income tax. Conversely, losses incurred by a Listed Warrant holder upon the disposal or exercise of the Listed Warrants will not be deductible for Dutch income tax purposes.

Netherlands-resident entities

Generally, any benefit derived from the Listed Warrants held by Netherlands-resident entities, including any capital gains realised or deemed realised upon the disposal or exercise of the Listed

Warrants, will be subject to corporate tax at a rate of 29.6 per cent. (2006), with a rate of 25.5 per cent. applying to the first EUR 22,689 of taxable profits (2006), unless the participation exemption is applicable. Pursuant to the participation exemption, benefits (and losses) derived from a qualifying shareholding are exempt from corporate tax. Generally, the participation exemption applies to participations comprising not less than 5 per cent. of the issued and paid-up share capital of a company provided that certain requirements are met. Although the Listed Warrants must be distinguished from shares issued by Antonov, Dutch case law indicates that warrants can, under certain circumstances, qualify as a participation which is eligible for the participation exemption. In those circumstances, the gain deriving from the disposal or exercise of Listed Warrants will be exempt from corporate tax.

Non-resident persons

It is assumed that the Listed Warrants, following the purchase thereof, are not attributable to an enterprise or deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands in which a Listed Warrantholder has an interest.

On basis of the above assumption, generally, a Listed Warrantholder will not be subject to Dutch taxes on income or capital gains in respect of any gain or deemed gain realised on the disposal or exercise of the Listed Warrants, provided that:

- (i) such holder is neither resident nor deemed to be resident of the Netherlands and in the event such holder is an individual, has not made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to individual residents of the Netherlands; and
- (ii) such holder, in the event such a holder is an individual, does not carry out any activities in the Netherlands that exceed normal, active asset management (“normaal actief vermogensbeheer”), or derives benefits from the Ordinary Shares that are (otherwise) taxable as benefits from other activities (“resultaat uit overige werkzaamheden”).

Dutch Gift, Estate and Inheritance Tax

Netherlands-resident persons

An acquisition of Listed Warrants by way of a gift by, or on the death of, a Listed Warrantholder who is resident or deemed to be resident in the Netherlands at the time of the gift or his/her death is subject to Dutch gift, estate or inheritance tax. For the purpose of Dutch gift, estate or inheritance taxes, an individual who holds the Dutch nationality will be deemed to be resident in the Netherlands if he or she has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, an individual who is not holding the Dutch nationality will, among others, be deemed to be resident in the Netherlands if he or she has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Non-resident persons

No Dutch gift, estate or inheritance tax will be imposed upon the transfer of Listed Warrants by way of gift by, or on the death of, a Listed Warrantholder who is neither resident nor deemed to be resident in the Netherlands, unless (i) such holder at the time of the gift has or at the time of his/her death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in the Netherlands or carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Listed Warrants are or were attributable or (ii) in the case of a gift of Listed Warrants by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

Dutch Withholding tax

Considering that Antonov is not a Netherlands-resident entity, no Dutch withholding tax should arise in connection with the holding, exercise or disposal of Listed Warrants.

Other Dutch Taxes and Duties

No Dutch registration tax, turnover tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty other than court fees, will be payable by a holder of Listed Warrants in connection with the purchase, holding, exercise or disposal of Listed Warrants.

17. Working Capital

The Company is of the opinion the Group has sufficient working capital for its present requirements, that is at least 12 months from the date of this document.

18. Litigation

- 18.1 In April 2005 the Company filed an infringement action against Toyota at the Patent Court in Dusseldorf, Germany, alleging infringement of its patent (patent EP 0414782) by the driveline of the Toyota Prius and Lexus RX400h. This infringement claim relates to the overall driveline configuration and is not limited to a minor design feature. In February 2006 Toyota filed a response to the Company's suit in Dusseldorf and as is normal in these cases, a counter suit with the Munich Federal Patent Court regarding the validity of the Company's patent (patent EP 0414782). On 15 February 2006 Toyota initiated equivalent action in Japan challenging the validity of the Company's patent (patent EP 0414782). The Federal Patent Court in Munich concluded the validity of the German part of the patent (patent BP 0414782) was not upheld. Antonov have now withdrawn from all defence of this patent. The failure of the Federal Patent Court in Munich to uphold the validity of the patent will have no impact on the Company's established programmes nor its other patents. Antonov is liable to pay Toyota's costs in Dusseldorf and Munich which are capped at €75,000 (£50,000) and for which provision has been made.
- 18.2 Save as referred to above the Company is not, and have not been involved in, nor so far as the Company is aware, are there any governmental, legal or arbitration proceedings (including any valid proceedings pending or threatened) by or against any member of the Group which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position or profitability.

19. Related Party Disclosure

- 19.1 Save as set out in notes 18 and 19 of the 2003 and 2004 financial statements respectively contained in Part 7 and 8 of this document and in note 25 in the financial statements contained in Part 9 of this document in paragraph 19.2 below, there have been no related party transactions (such related party transactions being of the kind set out in the Standards adopted according to the Regulations (EC) No 1606/2002) which a member of the Group has entered into since 1 January 2003.
- 19.2 During the financial year ended 31 December 2006, the Company undertook transactions with Four Stroke SARM, a company controlled by Roumen Antonov. The Company has submitted invoices to Four Stroke SARM for a total of £8,021.74. The total balance due from Four Stroke SARM as at 31 December 2006 was £28,920.
- 19.3 None of these transactions are considered material either in the context of the Admission or in the context of the turnover of the Company in the relevant periods.

20. Significant Changes

Save as disclosed in the material contracts in paragraphs 11.7 to 11.10 in Part 13 of this document there has been no significant change in the financial or trading position of the Group since 30 June 2006, being the date on which the Groups' latest interim accounts were prepared.

21. General

- 20.1 Dawnay, Day Corporate Finance Limited has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 20.2 SNS Securities N.V. has given and has not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 20.3 Save as set out in Part 11, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.
- 20.4 There have been no interruptions in the business of the Group which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of the Group.
- 20.5 The Ordinary Shares are in registered form. No temporary documents of title will be issued.
- 20.6 Save as disclosed in this document there have been no payments by the Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.

20.7 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

20.7.1 received, directly or indirectly from the Group within the 12 months preceding the date of this document; or

20.7.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group on or after Admission, any of the following:

- fees totalling £10,000 or more;
- securities of the Company where these have a value of £10,000 or more calculated by reference to the Company's current share price; or
- any other benefit with the value of £10,000 or more at the date of this document.

20.8 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Group's activities.

20.9 Save as disclosed in this document, there are no investments in progress which are significant to the Group.

20.10 A copy of the audited accounts of the Company for the three year period ended 31 December 2005 has been delivered to the Registrar of Companies in England and Wales. The auditors report on those accounts was unqualified and did not contain any statement under section 237 of the Act.

20.11 There have been no public takeover bids by third parties for all or any part of the Company's equity share capital since the Company's incorporation.

20.12 The Company does not intend to provide post issuance information in relation to the Listed Warrants.

22. Documents available for inspection

Copies of the following documents will be available for inspection free of charge during normal business hours on any such day (Saturdays, Sundays and public holidays excepted) from the date of this document until one month following Admission at the registered office of the Company and at the offices of Dawnay, Day Corporate Finance Limited at 15 Grosvenor Gardens, London SW1W 0BD:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts of the Company for the three financial periods ended 31 December 2005;
- (c) unaudited interim accounts of the Company for the six months ended 30 June 2006; and
- (d) this document.

Dated: 6 March 2007

PART 14

DEFINITIONS AND TECHNICAL GLOSSARY

Definitions

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

“Act”	the Companies Act 1985 (as amended)
“Admission”	the proposed admission and listing of the Listing Shares and the Listed Warrants, which are currently admitted to trading on AIM, to be admitted to trading on Eurolist by Euronext Amsterdam (becoming effective in accordance with the Rules of Euronext Amsterdam)
“AIM”	the AIM Market, operated by the London Stock Exchange
“AIM Rules”	the rules of AIM, as amended from time to time
“Articles”	the articles of association of the Company
“Audit Committee”	the audit committee of the Board
“Board” or “Directors”	the Directors of the Company as at the date of this document whose names are set out in Part 3 of this document
“Capita Registrars”	a trading division of Capita IRG Plc
“CGT”	United Kingdom Capital Gains Tax
“Company” or “Antonov”	Antonov plc, a company incorporated and registered in England and Wales under the Act with Registered Number 3003533
“Convertible Loan Stock”	the convertible loan notes issued by the Company on 21 January 2005, 7 June 2005 and 26 July 2006, further details of which are set out in paragraph 11 of Part 13 of this document
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer of title to shares in un-certificated form
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended
“Dawnay, Day” or “Dawnay, Day Corporate Finance” or “DDCF”	Dawnay, Day Corporate Finance Limited
“euro” or “€”	the Common European Currency, governed by the European Central Bank, currently used by 12 member states of the EU
“EU”	the European Union
“Existing Warrants”	the Listed Warrants together with the warrants issued by the Company which have not been admitted to trading on AIM

“FSA”	the United Kingdom Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000
“Great Wall Motors” or “GWM”	Great Wall Motor Company Limited, one of China’s leading vehicle manufacturers
“Group” or “Antonov Group”	the Company and its subsidiaries
“Listed Warrants”	the warrants to subscribe for Ordinary Shares currently admitted to trading on AIM
“Listed Warrantholder”	the holder of a Listed Warrant
“Listing Shares”	the existing Ordinary Shares detailed in Part 4 of this document, which Antonov is seeking Admission
“London Stock Exchange” or “Exchange”	London Stock Exchange plc
“Money Laundering Regulations”	the Money Laundering Regulations 1193 (SI 1993 No. 1933), as amended, and the Money Laundering Regulations 2003 (SI 2003 No. 3075)
“Ordinary Shares”	the ordinary shares of 20 pence each in the capital of the Company
“Official List”	the official list on the London Stock Exchange in accordance with section 74(i) of FSMA
“Option”	options to acquire Ordinary Shares pursuant to the Share Option Schemes
“Option Holders”	holders of Options
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“pounds sterling” or “£”	United Kingdom pounds sterling
“Regulatory News Service”	one of the regulatory information services authorised by the UK Listing Authority (or by the London Stock Exchange, as the case may be) to receive, process and disseminate regulatory information from listed companies
“Shareholders” or “Members”	holders of Ordinary Shares
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
“Warrantholder”	the holder of an unlisted Warrant
“ZF”	ZF Friedrichshafen AG

Technical glossary

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

“AAD”	Antonov Automatic Drive
“AMM”	Antonov Mechanical Module
“AMT”	Automated Manual Transmission
“IVT”	Infinitely Variable Transmission
“CVT”	Continuously Variable Transmission
“DCA”	Dual Clutch Automatic
“DCT”	Dual Clutch Transmission
“OEM”	original equipment manufacturer
“rpm”	revolutions per minute
“SUV”	sports utility vehicles

