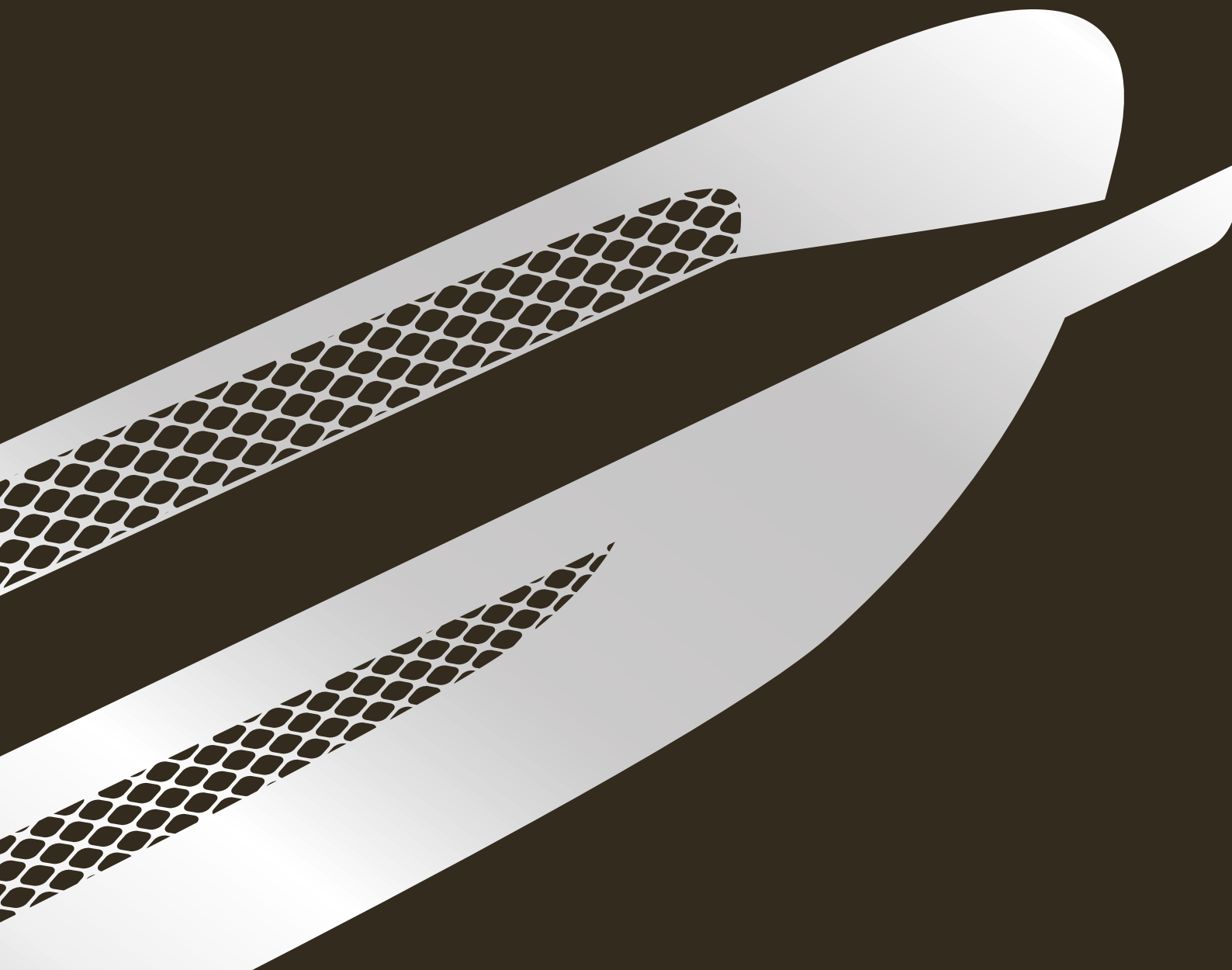




ASTON MARTIN

ANNUAL REPORT 2016



1913:

Bamford and Martin Limited founded
on January 13th in Henniker Mews,
South Kensington, London.

Their vision:

“A quality car of good performance and
appearance: a car for the discerning
owner driver with fast touring in mind,
designed, developed, engineered and
built as an individual.”

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ASTON MARTIN LAGONDA OVERVIEW

Aston Martin, an iconic British marque of unrivalled heritage has entered its second century. With fresh investment, a new Chief Executive Officer and the strongest model line-up in the company's history, the company now looks to an exciting future.

Founded in 1913 by Robert Bamford and Lionel Martin from a workshop on Henniker Mews in London, their vision was to develop cars with impeccable design and supreme performance. These cars captivated the public's imagination and still command the same emotive fascination over 100 years later.

Today, Aston Martin is the largest independent luxury automotive manufacturer, championing not only breakthroughs in cutting edge design such as the new DB11, but also new technologies through research, development and deployment of lightweight materials and powertrain solutions. The company acts as an essential bridge for the migration of technology from the race track to the road.

The future for Aston Martin is bright under President and CEO Dr Andy Palmer CMG, who took over the helm of the company in late 2014. Dr Palmer's first task upon joining Aston Martin was to set about reinventing the company as a sustainable luxury business.

This new luxury business will have a broader portfolio of products offering cutting-edge technologies, combined with the very best of design and British craftsmanship.

These new products are being developed under the largest investment plan in the company's history. By the end of this decade, all sports cars in the current range will be replaced, starting with the new DB11, with each of these models having a striking level of design differentiation while still remaining unmistakably an Aston Martin. Added to this will be up to three additional model lines taking the company into new market segments.

These additional products will underpin the company's future growth and sustainability, driving our global presence and footprint.

2016 PRODUCT PORTFOLIO OVERVIEW



DB11

DB11 showcases a fresh and distinctive design language, pioneering aerodynamics and is powered by a potent new in-house designed 5.2-litre twin-turbocharged V12 engine.



Rapide S

Singular vision, shared pleasure. Rapide S follows a unique recipe to create the world's most beautiful four-door sports car.



Vanquish S

Vanquish S – the ultimate super Grand Tourer. Improved engine power, enhanced dynamics and new styling features create a car of unprecedented ability.



V8 Vantage S

Fusing sophisticated engineering and artful design, V8 Vantage S is a unique package of intense driver involvement.



V12 Vantage S

Thrilling, potent and crackling with attitude, V12 Vantage S is the essence of Vantage concentrated and enhanced to deliver pure driving excitement.



Vantage GT8

Vantage GT8 has an intensity and agility born in the heat of competition. Sculpted from lightweight carbon fibre, shaped by the quest for ultimate aerodynamic efficiency, powered by our race-proven V8 engine and limited to just 150 coupes, Vantage GT8 captures the unalloyed thrills of competition to deliver a uniquely authentic sports car experience.



Vanquish Zagato

Vanquish Zagato is the fifth car to emerge from a collaboration that stretches back over five decades, pairing Aston Martin's acclaimed dynamic and material qualities with Zagato's signature design language. As well as spectacular sporting ability, Vanquish Zagato showcases the very best of Aston Martin's bespoke luxury.

BUSINESS REVIEW AND FINANCIAL SUMMARY

Aston Martin is one of the most widely recognised luxury sports car brands with a history of automotive and design excellence spanning more than a century. The Group's cars are positioned in the expanding high luxury sports segment (HLS) of the global automotive market. Sustained growth of both the global High Net Worth Individual (HNWI) population – particularly in North America and Asia Pacific – and sales of luxury cars, the major factor driving growth in the luxury goods sector, underpin the continued expansion within the HLS segment.

Aston Martin is in the midst of a transformation programme – the 'Second Century Plan' – to build a strong and sustainable future for the Group in the luxury automotive sector. The plan will be, to deliver a significant uplift in profitability and cash generation to ensure that long-term product development is funded from strong operating cash generation.

Our 2016 business results show that the Second Century Plan remains well on-track in its second year of implementation. The Group's performance in the period covered by these accounts reflects the re-balancing of the business to establish firm foundations for growth, combined with benefits from profit improvement initiatives and on-plan new product launches. Investment for future growth continues with a strong product development pipeline and the integration of advanced technologies in our next-generation models.

The new product offensive began with the launch of DB11 at the Geneva International Motor Show in March 2016. DB11, the flagship for a new generation of Aston Martin sports cars, has received an outstanding reception from media and the public. This, in turn, has secured a strong order book supporting 2017 planned production and underpins solid sales momentum into 2017. Start of production and first deliveries were achieved on-plan and 1,005 units were wholesaled in the three months to December 2016, exceeding the target we communicated externally.

Alongside the renewal of the sports car portfolio, we continued to launch two high-value limited edition models per annum with the production of Vantage GT8 and Vanquish Zagato Coupe in 2016. A future limited edition, 'AM-RB 001' (Valkyrie), was announced in July. This revolutionary hyper-car is the result of a collaboration with Red Bull that will bring together cutting-edge technology derived from Formula One™ racing and Aston Martin's signature design language. All of the 150 road-going and 25 track-only units have been pre-sold with extensive oversubscription and a concurrent wait-list.

Significant progress was also made during the year on plans to expand the product line-up, which will further increase the global reach of the Aston Martin family of models. In February 2016 a site in St Athan, South Wales was chosen as the location for Aston Martin's second manufacturing facility. This facility will manufacture Aston Martin's first sports utility vehicle – 'DBX'. The acquisition of the St Athan site was finalised in December and construction of the new facility has begun.

The Group's commitment to technical innovation was demonstrated by announcements including plans to develop a production 'Rapide' electric vehicle, and the formation of Aston Martin Consulting – a structured approach to providing companies with the opportunity to engage with Aston Martin's expertise centred on design, engineering and manufacturing. In December 2016, Maximilian Szwaj was appointed Vice President and

Chief Technical Officer. In this executive role, Max – who has more than 25 years experience in the automotive industry and has held management positions at BMW, Porsche, Ferrari and Maserati – will be responsible for the Group's global engineering operations.

During the year, Aston Martin strengthened its position as one of the most iconic brands in the luxury goods sector. In 2016, a number of ventures were launched under the 'Art of Living' banner, to enhance the significance of the Aston Martin brand in the luxury space. The Art of Living collaborations support our core business by reaching a wider audience through carefully positioned products and experiences – increasing brand awareness and driving brand value for the long term.

Aston Martin's financial performance improved substantially during the year. Revenues rose from £510.2m to £593.5m and EBITDA increased 41% to £101m, while cash generated from operating activities more than doubled to £164.6m.

On 23 April 2015, the Company accepted binding subscriptions for £200m of preference shares. The second tranche of £100m was drawn in April 2016 and forms the final cash injection that supports the funding required to deliver the Second Century Plan. These preference shares are treated as long term borrowings within these financial statements and the associated cost of £29,124,000 (2015: £10,838,000) shown within finance expense, as required by International Financial Reporting Standards.

As no cash is payable by the Group until dividends are declared or the preference shares are redeemed, the Directors view the preference shares akin to equity.

The resulting impact of the Group's activities in 2016 was a significant uplift in revenue growth, gross margin and underlying operating profit and a reduction in operating loss to £32m from £58m, demonstrating that the Second Century Plan is already delivering tangible transformation. Notably, in the final quarter of 2016 the Group achieved a positive operating profit and profit before tax excluding non-recurring items.

DB11, the flagship for a new generation of Aston Martin sports cars, has received an outstanding reception from media and the public.

Principal activities

The principal activities of the Group are the manufacture of luxury high-performance sports cars, the sale of parts and the servicing of sports cars, all under the brand name of Aston Martin. We design, engineer and produce our sports cars in Warwickshire, United Kingdom and we sell these models through a network of dealers.

We currently have five core models (DB11, V8 Vantage, V12 Vantage, Vanquish and Rapide) with a majority available in both coupe and convertible body styles. We also produce the limited volume Vantage GT8 and Vanquish Zagato.

Results and financial position

- FY adjusted EBITDA up 41% to £101 million on revenues ahead 16% to £593 million
- Underlying FY operating profit (adjusted for non-recurring items) of £16 million
- £102 million cash position at year-end
- Revenue of £593.5m (2015: £510.2m)
- Net assets of £72.7m (2015: £264.1m).

Key Performance Indicators

The board monitors progress on the overall Group strategy and the individual strategic elements by reference to a number of KPIs.

Performance against these KPI's during the period is set out in the table below:

	2016	2015
Revenue (%)	16.3	8.9
Gross margin (%)	37.3	32.3
Return on capital employed (%)	9.8	(5.8)
Number of dealerships	167	162

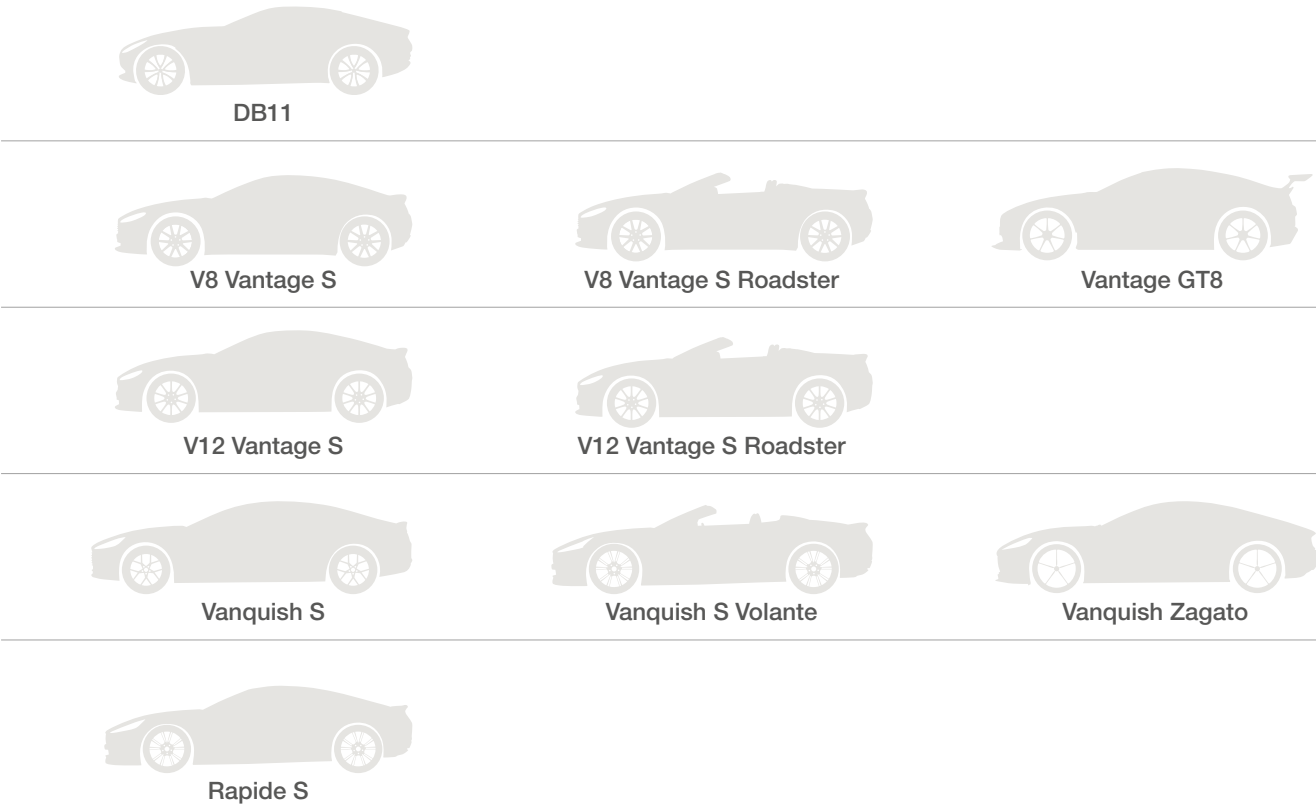
Definition, method of calculation and analysis

Year on year revenue growth expressed as a percentage. The introduction of higher priced special editions and the launch of DB11 has contributed to the increase in revenue of 16.3%.

Gross margin has increased due to the introduction of higher priced special editions and the launch of the DB11.

Underlying Group operating profit/(loss) expressed as a percentage of the average of the capital employed at the start and end of the year. The launch of new products at higher margins has resulted in an underlying profit in 2016 (2015: underlying loss), and the capital employed has reduced given the overall business losses in the current investment phase.

Open dealerships in the global network at 31 December. The Group continues to seek opportunities to expand its dealer network with new appointments in suitable locations.



...the launch of DB11 has contributed to the increase in revenue of

16.3%

CHIEF EXECUTIVE OFFICER REPORT

This year, Aston Martin celebrates its 103rd anniversary. Founded in 1913 by Robert Bamford and Lionel Martin in a humble workshop on Henniker Mews in London, their vision was to develop cars with impeccable design and supreme performance.

These cars captivated the public's imagination and still command the same emotive fascination over 100 years later.

Today, Aston Martin is well on its way to becoming the great British car company; championing cutting edge design and breakthrough innovation in automotive engineering.

Aston Martin acts as an essential bridge for the migration of technology from the race track to the road, pioneering new technologies that larger manufacturers will later adopt. This is epitomised by the new Aston Martin Valkyrie being developed in partnership with the Red Bull Racing Formula 1 team. This car will set a new benchmark for performance, both on track and on the road.

To ensure we are able to build on our wonderful heritage whilst ensuring Aston Martin increases its global reach we have embarked on the largest product development plan in our history.

Our 'Second Century Plan' is the roadmap for the transformation of Aston Martin, one of the world's most respected luxury brands. Announced in early 2015, the Second Century Plan covers a seven-year period and ultimately calls for both the total renewal of our current product portfolio and the addition of four new models.

Today, Aston Martin makes four sports cars, by the end of the plan in 2022 we will have an expanded portfolio comprising at least seven very different products, the first of these new cars is the DB11.

These core products will be complemented by the annual cadence of limited edition specials. In sum, Aston Martin will be re-tooled and competing head-to-head with the best luxury automotive companies in the world.

To enable this the company will invest significantly in our facilities and our research and development, ensuring we have the right tools and products to deliver class-leading financial performance.

The most significant of the new products we will launch under the Second Century Plan is the DBX, our entry into the fast-growing sports utility market. This product will be pivotal to the company's growth and production is planned to start in late 2019 in our new facility in South Wales. This facility will be home to our large car platform, with our headquarters in Gaydon, Warwickshire remaining home to sports car production.

We are already seeing a marked difference in the business, with the company having more than doubled revenues versus the previous year. This is testament to the passion and commitment of our people, who are a key driving force to our success.

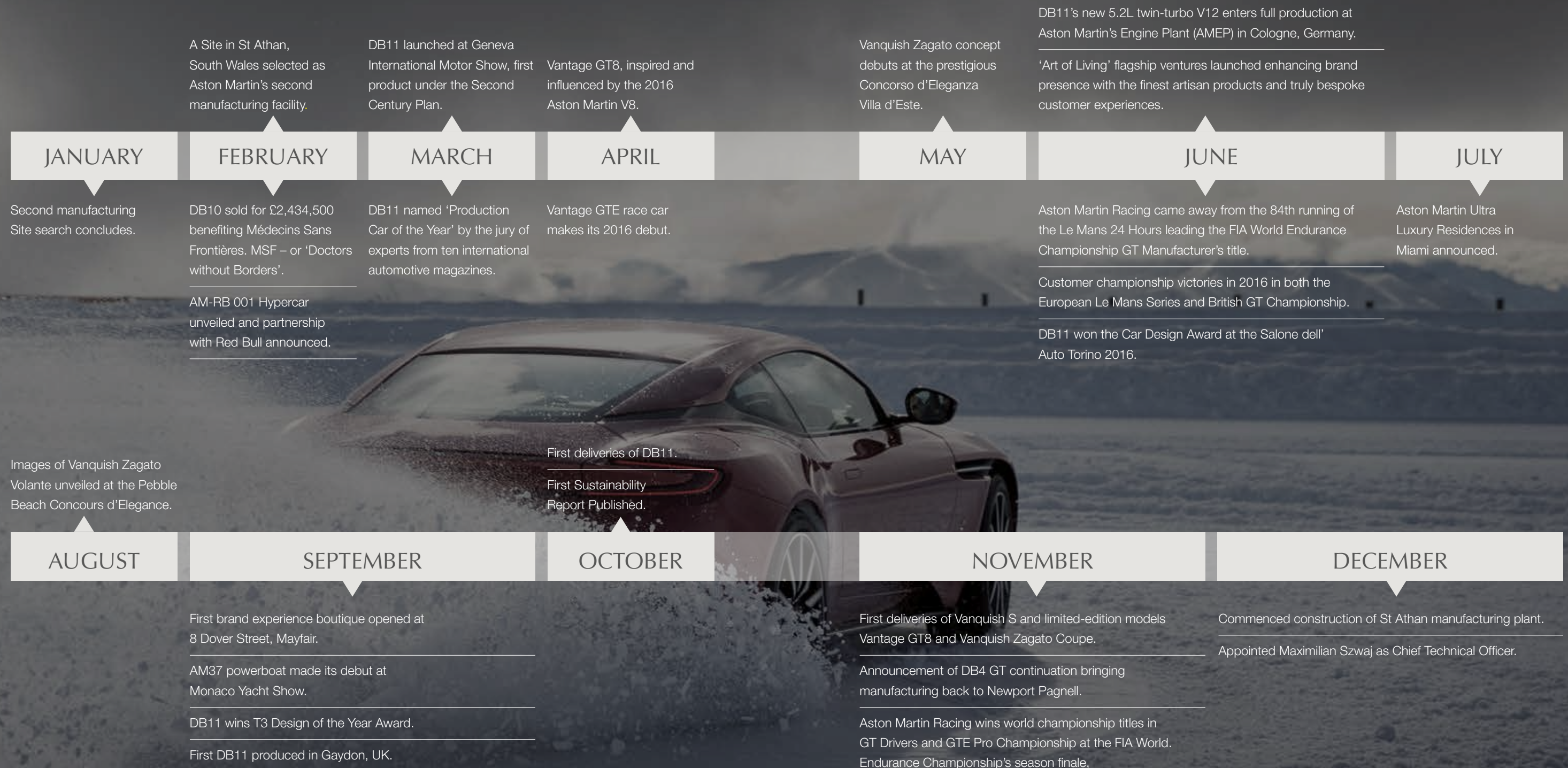
This is the most intense period of investment and transformation in the company's history, but we have the right resources, the right people and the right products to deliver that transformation.

Dr. Andy Palmer CMG

President and Chief Executive Officer

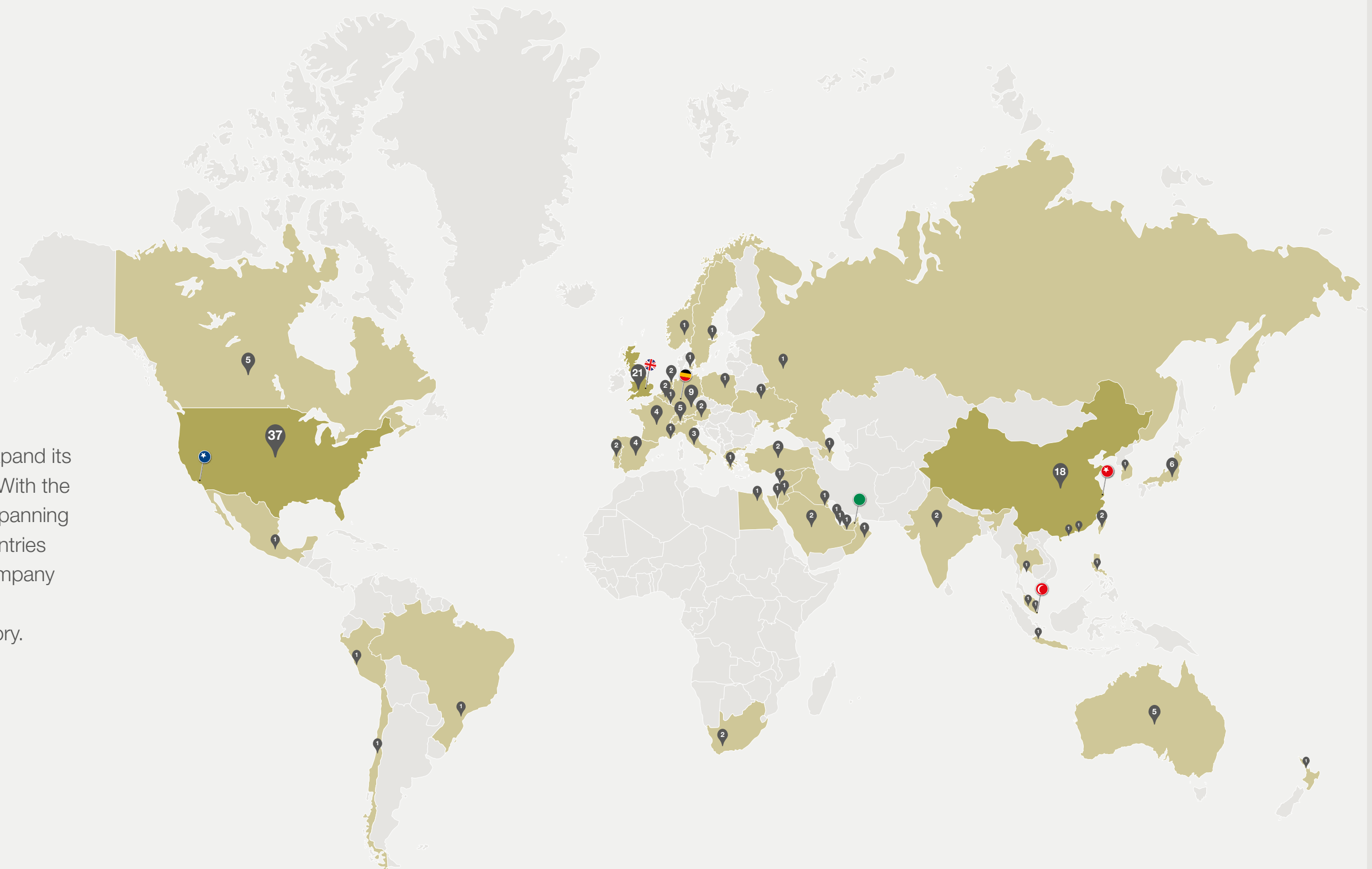


2016 TIMELINE – KEY EVENTS



GLOBAL OVERVIEW

Aston Martin continues to expand its presence around the world. With the official dealer network now spanning over 167 locations in 52 countries our support network and company infrastructure is the largest in Aston Martin's 103 year history.



<http://www.astonmartin.com/en/the-company/locations>

COMPANY STRATEGY

In the year covered by this Annual Report and Accounts, Aston Martin made significant progress towards the delivery of its Second Century strategic plan.

The Second Century Plan comprises three key phases:



These phases lead over the course of the plan to the development of a Sustainable Luxury Business.

By the end of 2016 the Stabilisation phase of the Second Century Plan had largely been delivered. This phase focused on six key areas;

1. **Profitability:** Driving EBITDA performance through organisational rationalisation, SG&A savings, improvements in transformation cost and a strong focus on cost control
2. **Organisation:** Lean organisation to support the Second Century Plan and new management structure including five new regional heads
3. **Product:** Investment in the new generation of sports cars and delivery of new niche products in GT12 and Aston Martin Vulcan
4. **Quality:** Establishment of cross-functional 'Total Customer Satisfaction' approach to quality, reporting directly to the CEO
5. **Sales:** Strengthening of regional teams and dealer network, delivering significant reduction in dealer and port stock
6. **Marketing:** Increased brand exposure through new products, collaborations and global events



Having stabilized the business, the 2016 financial year marked the start of the second phase of the plan, the **Core Strengthening** of the company. This strengthening was symbolised by the successful launch of the much-anticipated DB11 model, which exceeded expectations both in terms of critical acclaim and record orders.

The reception for the DB11 has given us confidence that our product renewal programme will deliver the anticipated results, contributing to increased volumes and sustainable long-term profitability. In the next stage of the Second Century Plan, we are continuing investment in product development and manufacturing capacity as part of our **Portfolio Expansion**. This will involve the introduction of seven new models over seven years, and the expansion of our manufacturing presence with the opening of a new assembly plant at St Athan in Wales, creating up to 750 new jobs. These are critical steps towards creating a Sustainable Luxury Business.

Alongside the Second Century plan, we have also reinforced our luxury credentials with the 'Art of Living' brand campaign. This programme will enhance our brand presence and positioning in the luxury segment, serving the markets and customers to whom Aston Martin appeals.

As part of the Art of Living campaign, Aston Martin will licence its name to a flagship residential apartment complex in Miami. The Aston Martin Residences are under construction and due to open in 2021. We have launched the AM37 powerboat, extending our name into the high-performance and super yacht marketplace. Reflecting the exacting demands of our customers we have significantly enhanced the Q By Aston Martin personalisation service giving customers almost limitless opportunities to create bespoke, unique cars.

In September 2016 we opened a new Brand Centre at 8 Dover Street, London and signed an innovation partnership with Red Bull Advanced Technologies. This partnership adds to the company's existing presence in the World Endurance

Championship with both acting as development grounds for technology that feeds the core Aston Martin model range.

The Red Bull innovation partnership also brings increased global brand awareness to Aston Martin, with specific product development such as the Vantage S Red Bull editions and the Aston Martin Valkyrie hypercar. Our strategy has gathered pace in the first quarter of the current financial year as the DB11 has increased our global market share of High Luxury Sports (HLS) market. The launch of Vanquish S and enhanced Vantage S models has ensured that the strategy will be delivered to plan and on schedule.

As a result of these steps, and further innovations in the pipeline, Aston Martin has executed a strategy to stabilise the business. We have implemented a leaner operating structure and continued to invest in breakthrough products. Together, this strategy – combining financial discipline and brand development – is demonstrating that Aston Martin is on the right track to deliver sustainable growth and profitability.

...the successful launch of the much-anticipated DB11 model, which exceeded expectations both in terms of critical acclaim and orders.

CORPORATE SOCIAL RESPONSIBILITY

The focus of our Second Century Plan is for Aston Martin to be a sustainable luxury automotive business, which includes the promotion of responsible and sustainable economic growth. As a signatory to the UN Global Compact the Group is committed to doing business in an ethical and transparent manner, overseen by good corporate governance.

This commitment has resulted in development of an integrated Corporate Social Responsibility Strategy for the business. In support of this, we published the first Aston Martin Sustainability Report in 2016 which highlights our ambitions in four key areas: Environmental Sustainability; Community and Stakeholder Engagement; Health and Wellbeing; and Sustainable Supply Chain.

Our commitment to sustainability and ethical practice will drive long-term shareholder value, ensuring Aston Martin becomes a sustainable luxury business.

99.4%

of all waste produced
was diverted from landfill,
up 1.4% on 2014

Paint solvent reclaimed

26%

an increase on 2014

Electricity usage
down by over

3%

despite an increase
in volume

Gas usage down by

5%

despite increase
in Volume

With the opening of the new manufacturing facility in St Athan, South Wales, there is an opportunity to improve our environmental performance through the use of energy-saving equipment and on-site power generation.

Environmental sustainability

Aston Martin has an established environmental policy to ensure we operate as a responsible business.

The environmental policy covers every aspect of the Group's operations, whether they are directly or indirectly involved in the design, engineering, manufacture, servicing or restoration of motor cars or the distribution of parts.

We strive for continuous improvement in our environmental performance and the elimination of pollution and waste at source in line with our business objectives, using recognised environmental best-practice wherever possible.

With the opening of the new manufacturing facility in St Athan, South Wales, there is an opportunity to improve our environmental performance through the use of energy-saving equipment and on-site power generation. This is currently being explored as part of the development programme.

Aston Martin is also in the process of developing the first electric car in its model line-up, harnessing innovative powertrain technology to offer customers a unique ultra-low emission vehicle. This next generation powertrain technology will contribute significantly towards continuing the trend of reduced average carbon dioxide emissions across the Aston Martin fleet.

Community and stakeholder engagement

Aston Martin is committed to the environment and gives particular attention to the needs and concerns of the communities in which we operate. Identification of our stakeholders, the issues that may affect them and how we communicate with them is fundamental to our Corporate Social Responsibility Strategy.

The passion and commitment of our people is a key to our success and we are dedicated to investing in both our current and future employees through our apprentice and graduate programmes. As an aspirational brand, we support local schools, colleges and businesses to inspire the next generation. Dr Andy Palmer, Chief Executive Officer is a strong advocate for learning and skills development and is an apprenticeship ambassador for the British government.

As a sustainable business, we actively contribute to charities. The Group has committed to supporting two charities per year that fit with our ethos, heritage and brand. In addition, a further charity is selected annually by our employees. Beyond direct corporate giving we continue to support our employees and the local community – supporting sports teams, events and charity fundraising.

Health and Well-being

The health and well-being of employees is an important aspect of operating an effective and successful business. We also depend on the health and stability of the communities in which we operate. We recognise that we have both a responsibility and an opportunity to make a positive contribution.

Aston Martin aims to be an employer of choice, recognised by independent organisations, by continuing to motivate and engage with employees across all areas and levels through regular communications, training and development opportunities and offering competitive benefit packages. Beyond our employees we actively engage with our local communities to build a sense of partnership between the Group and the local areas.

We educate our employees on the Group's approach and the specific requirements with regard to human rights in business operations. In 2016, no human rights violations within the Group were reported, nor were any relevant reports received regarding our supply network.

The health and safety of our workforce, visitors and the local community is of paramount importance to Aston Martin. We aim to be a centre of excellence where our Health and Safety Management System is held as an example to the rest of the automotive industry. Whilst we have an impressive record, we strive for continuous improvement by sharing best practice and awareness across the business which, in 2016, was demonstrated by improvement against our key performance indicators including the following:

5 consecutive years

Awarded a fifth consecutive 'Sword of Honour' from the British Safety Council in recognition of the commitment and resolve to achieving the highest standards of health, safety and environmental management throughout the business.

8 consecutive years

International Safety Award achieved for eighth consecutive year.

99.65% **685**

British Safety Council Five Star Health & Safety Management Systems Audit score of 99.65% (2015: 99.07%), represented the highest score in any sector anywhere in the world.

685 days without a Reportable Lost Time Accident.

Sustainable supply chain

A sustainable supply chain is essential for a sustainable business. Aston Martin continues to work with suppliers to maintain high standards of sustainable and ethical sourcing.

In 2012 Aston Martin established a Responsible Procurement Guide, which set out the Group's commitment to the application of social, ethical and environmental principles in the supply chain, including but not limited to eradicating any forms of slavery or human trafficking in line with the UK's Modern Slavery Act. These principles are supported by Aston Martin's procurement policies, practices and standards for all staff, suppliers and sub-suppliers.



PEOPLE

As a brand built on passion we are passionate about our people. We foster teamwork, sharing knowledge and skills, being creative and ethical. We also facilitate dialogue at all levels, mutual respect, professional fulfilment and the feeling of belonging to a company that retains its human dimension.

Our performance depends on mutual respect, diversity, good working conditions and the professional fulfilment of the women and men in our company.

Our people define who we are.



Karen Gibson, Director of Product Planning

Karen Gibson has been with Aston Martin since 1998 and has held a number of positions throughout the company starting in Engineering, but now holds the position of Director of Product Planning. As a qualified engineer, she describes herself as an inquisitive person, who wants to understand how things work. Her current position oversees the development of Aston Martin's future product plan.

"Planning for the future is an interesting combination of challenges, analysing market trends and consumer behaviour whilst ensuring you keep abreast of the latest technical trends, enabling you to develop innovative products to meet your customers' needs. The key to managing this effectively is developing a strong and integrated team, able to position the company at the forefront of the market place. I have had the privilege of working with some great people over the years, which has made it even more interesting and ultimately inspiring", Karen says.

Describing her experience in a traditionally male dominated environment Karen explains; *"The automotive industry has been male dominated for a number of reasons, but that is changing. At Aston Martin we actively encourage young women to choose a career in the industry. It's important that we get different perspectives to ensure we are best able to deliver the right products for men and women alike. My drive has always been to encourage different opinions and perspectives into the development of solutions."*



Richard Campbell, Production Lead Technician

Aston Martin's plan to open a new manufacturing facility in the Vale of Glamorgan in South Wales caused considerable interest in careers from people across Wales. One such person was Richard Campbell,

A skilled technician Richard joined the company in 2016. Initially based at its headquarters in Gaydon, Warwickshire he will transfer to the new St Athan facility in South Wales once operational.

Richard explained the reasoning behind his decision to move to the Midlands and develop a new career at Aston Martin.

"It's such an iconic brand, that when I heard Aston Martin were hiring I couldn't turn down the chance.

"It's a significant challenge leaving my family every week, but Aston Martin offer a real opportunity for me to further develop my skill set. I'm playing an important role here supporting the roll-out of the new DB11, but also learning the Aston Martin way of manufacturing. When we transfer to St Athan in 2018, we will get the opportunity to build not only Aston Martin's first SUV, but the first car to be built in Wales for a generation."

Our St Athan facility needs to operate world-class standards and our new Welsh employees are playing a vital role at Aston Martin, ensuring we have a skilled and knowledgeable workforce ready to deliver the new DBX.

Equal opportunities and employment of disabled people

Aston Martin has a well-established policy on equal opportunities and the employment of disabled people which, through the application of fair employment practices, is intended to ensure that individuals are treated equitably and consistently regardless of age, race, creed, colour, gender, marital or parental status, sexual orientation, religious beliefs and nationality.

The gender diversity of employees (full time equivalents) within the Group as at 31 December 2016 is as follows:

	Male	Female
Directors	10	0
Other Key Employees	49	7
Other Employees	1,316	237
Total	1,375	244

Of the total 1,619 Full Time Equivalent employees and directors, 52 are based in our overseas companies with a gender diversity split of 36 male and 16 female.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group is continued and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee communication

Communication with employees has been a focus of improvement over the year ended 31 December 2016, with regular meetings between management and employee representatives at all locations to review local issues and business performance.

1,619

Full Time Equivalent
employees and directors

52

Employees
based in our
overseas
companies



MARKET OVERVIEW

The High Luxury Sector (HLS) continues to grow year on year, with global High Net Worth Individual (HNWI) wealth forecast to cross US\$70 trillion by 2017. The growth is driven by an increase in the overall population of HNWI's, which has grown by a CAGR of 7.8% since 2009, with cars a major factor driving luxury sector growth as depicted in the chart opposite.

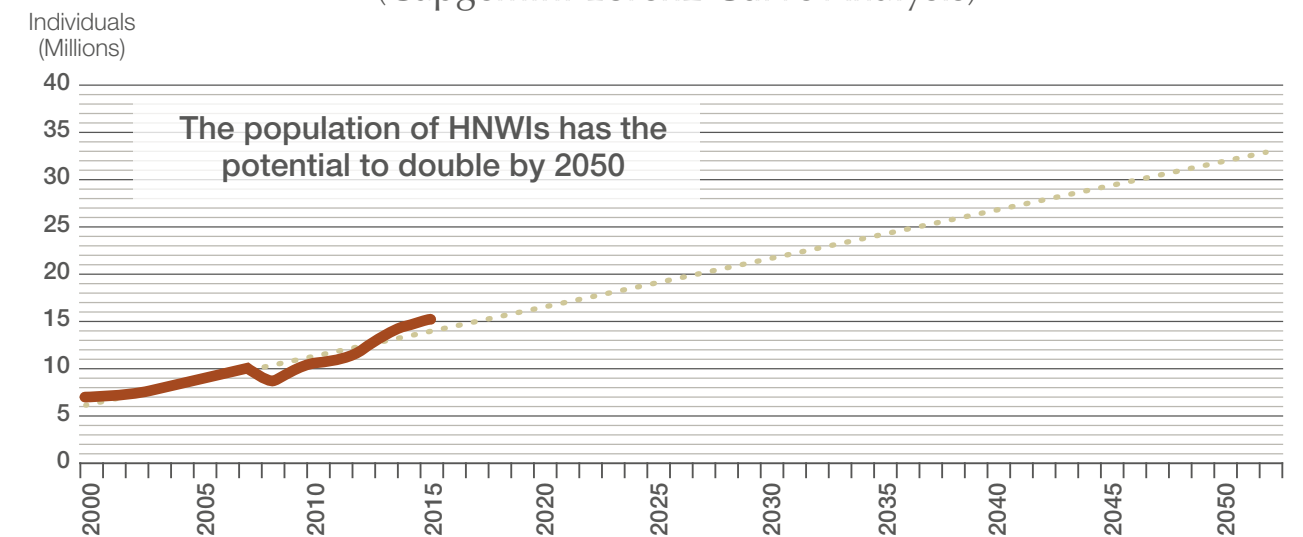
To ensure Aston Martin is best able to exploit this growth, the company analysed this market defining the Luxury Market into seven distinct clusters. The approach taken by the company was to understand the customer drivers and expectations behind each cluster.

"Essentially we asked ourselves what would these customers want from an Aston Martin? This then guided our thinking in how best to develop a distinctly different Aston Martin aimed at each of these seven clusters. The Second Century Plan delivers seven cars aimed at these seven clusters over a seven year period."

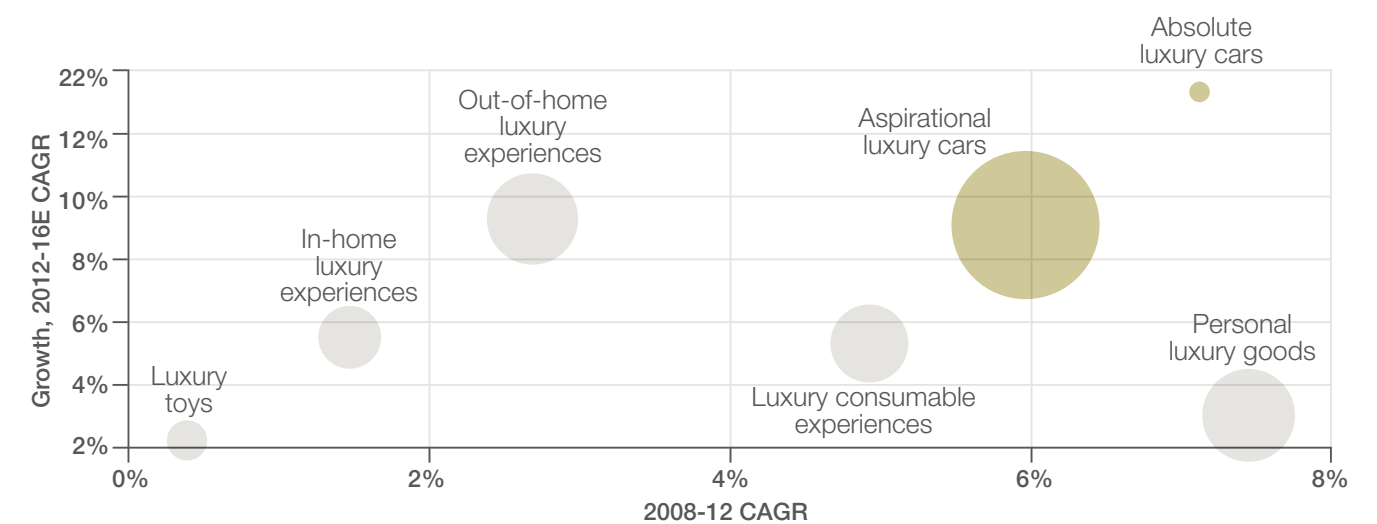
Christian Marti VP and Chief Sales Officer



GLOBAL HNWI GROWTH
(Capgemini Lorenz Curve Analysis)



LUXURY CARS MARKET TREND
(Bain & Co Global Luxury Goods Worldwide Market Study)



In 2016, Aston Martin started to benefit from its investment, gaining 7% market share across all HLS models and more specifically 12% in the HLS sports car segment.

Sales increased to 3,687 units, driven by a successful run out of DB9 GT and limited edition GT12 and Aston Martin Vulcan models. The launch of DB11 in late 2016 drove increased brand visibility, supporting market share gains globally with a strong order book.

To ensure continued market development and sales growth, the company is in the process of strengthening its dealer partner network. Its global dealer partners have committed to substantial investment of their own capital over the course of the next two years to enhance the customer sales and service experience. One example of this is a consolidation of dealers in Tokyo, with leading luxury car retailer Sky Group appointed as the new sole dealer in Tokyo. The new dealership is in a prime location in the centre of the luxury car district in Aoyama and is due to open in 2017.

- Wholesales increased to 3,687 units
- Strong order book for DB11
- Successful run-out of DB9 GT and limited-edition Vantage GT12 and Aston Martin Vulcan models.

Global Wholesales Overview

	2015	2016
1 – UK	957	1,108
2 – Europe	745	847
3 – Americas	1,055	829
4 – China	192	176
5 – Rest of World	666	727
GLOBAL	3,615	3,687



United Kingdom
& South Africa

23
Dealers

Headquarters –
Gaydon,
ENGLAND



Market Highlights

United Kingdom & South Africa

The UK, home to Aston Martin HQ and manufacturing facility located in Gaydon, Warwickshire, continues to be an important market to the company. Following a strategic review of our dealer footprint, the UK dealer network went through a series of changes in 2016 with a number of new dealers opening and some changing locations/facilities. This is the culmination of a strategy to have the best partners in the best locations to support our customer base and volume growth.

Resulting from these changes, alongside our new product launches and marketing initiatives, the UK delivered an 11% increase in sales in 2016. Significantly, this growth was also supported by the launch of the new DB11, with deliveries starting in late 2016.

Market Development (HLS Market Share, Market Share Development)

Aston Martin	2014	2015	2016
UK	23%	24%	20%

Key Market Activities;

- Headquarters – Gaydon, Warwickshire
- Manufacturing – Gaydon, Warwickshire
- Manufacturing – St Athan, South Wales (under construction)
- Research and development – Gaydon, Warwickshire
- Dealers – 23 (21 + 2)



Europe 42 Dealers

Headquarters –
Frankfurt,
GERMANY

Market Highlights

Europe

The European market continues to be a strong market for Aston Martin, with an increase of sales. The order book is also the strongest it has ever been, with orders across the range, with specific focus on DB11. Specials such as Vanquish Zagato have also been extremely popular in Europe representing 30% of global volume.

A large investment by our dealer partners is underway with six new or refurbished facilities in major cities underway. The first of these new dealerships came on line in 2016, Moscow, Russia and St Gallen, Switzerland. This shows the continued confidence in the brand and positions the company to exploit the growth opportunities in the coming years.

Market Development (HLS Market Share)

Aston Martin	2014	2015	2016
Europe	16%	15%	10%

Key Market Activities

- Headquarters – Frankfurt, Germany
- Dealers – 42

Market Highlights

China

The Chinese market remains an important growth market to Aston Martin, with the company maintaining stable growth in 2016. The Second Century Plan aims to showcase the company’s vision and to establish Aston Martin as the most distinguished luxury car brand in the local market.

The new DB11 was successfully introduced in China and received an incredibly positive reaction from both media and customers. To build on the product image and brand awareness activities, a number of customer focused test drive events were held in key cities around China.

The impact of these activities and the launch of DB11 more broadly has had a positive impact on results in China, with the number of registrations increasing in the country by 29%. Strong customer demand and a healthy order book provide a solid foundation to carry this growth into 2017.

Market Development
(HLS Market Share, Market Share Development)

Aston Martin	2014	2015	2016
China	6%	6%	6%

Key Market Activities

- Headquarters – Shanghai, China
- Dealers – 18

China
18
Dealers

Headquarters –
Shanghai,
CHINA

Market Highlights

Americas

Aston Martin’s Americas region is headquartered in Irvine, California with a regional scope that encompasses operations in the United States, Canada, Central and South America. In its entirety, the region accounts for approximately 25% of Aston Martin’s total sales, with sales in 2016 of 826.

With deliveries of the critically acclaimed new DB11 not reaching the Americas region until the end of 2016, the first results of this opening phase of the company’s aggressive new product introduction plans will not be seen until 2017 results.

Market Development
(HLS Market Share, Market Share Development)

Aston Martin	2014	2015	2016
North America	11%	10%	8%

Key Market Activities

- Headquarters – Irvine, California, USA
- Dealers – 46



Americas
46
Dealers
Headquarters –
Irvine,
California,
USA

Market Highlights

Asia Pacific

Asia Pacific saw strong growth in 2016, with sales of 529 units in 2016 up from its target and an increase from the 488 in 2015, representing 9%. This increase in performance is being driven by new product and investment in the region's dealer network, which now represents 22 retail locations and is projected to grow further still to 28 by the end of 2018. Alongside this the team in the region has been significantly strengthened to maximise performance.

Development and recognition of the Aston Martin brand in the region continues to grow strongly. Despite an increasingly punitive luxury tax regime the outlook for growth remains strongly positive; testament to the growing strength of the brand and the reception of the DB11.

Market Development
(HLS Market Share, Market Share Development)

Aston Martin	2014	2015	2016
Asia Pacific	14%	11%	11%

Key Market Activities

- Headquarters – Singapore
- Dealers – 22

Asia Pacific
22
Dealers

Headquarters –
SINGAPORE

Market Highlights

Middle East and India

The Middle East and North Africa (MENA) region is strategically important and has a deep understanding of the Aston Martin brand. Dominated by Kuwait and the GCC countries success is driven by access to new and compelling products. During 2016 sales grew by 44%, fueled by strong demand for the high-priced, ultra-exclusive special editions.

With a market share of 24%, and in second place in the HLS segment, the region remains well placed to benefit from the new product offensive from Aston Martin. Alongside this a dealer and network review will ensure we have an optimised distribution platform moving forwards.

Market Development
(HLS Market Share, Market Share Development)

Aston Martin	2014	2015	2016
Middle East and India	9%	7%	14%

Key Market Activities

- Headquarters – Kuwait City
- Dealers – 16

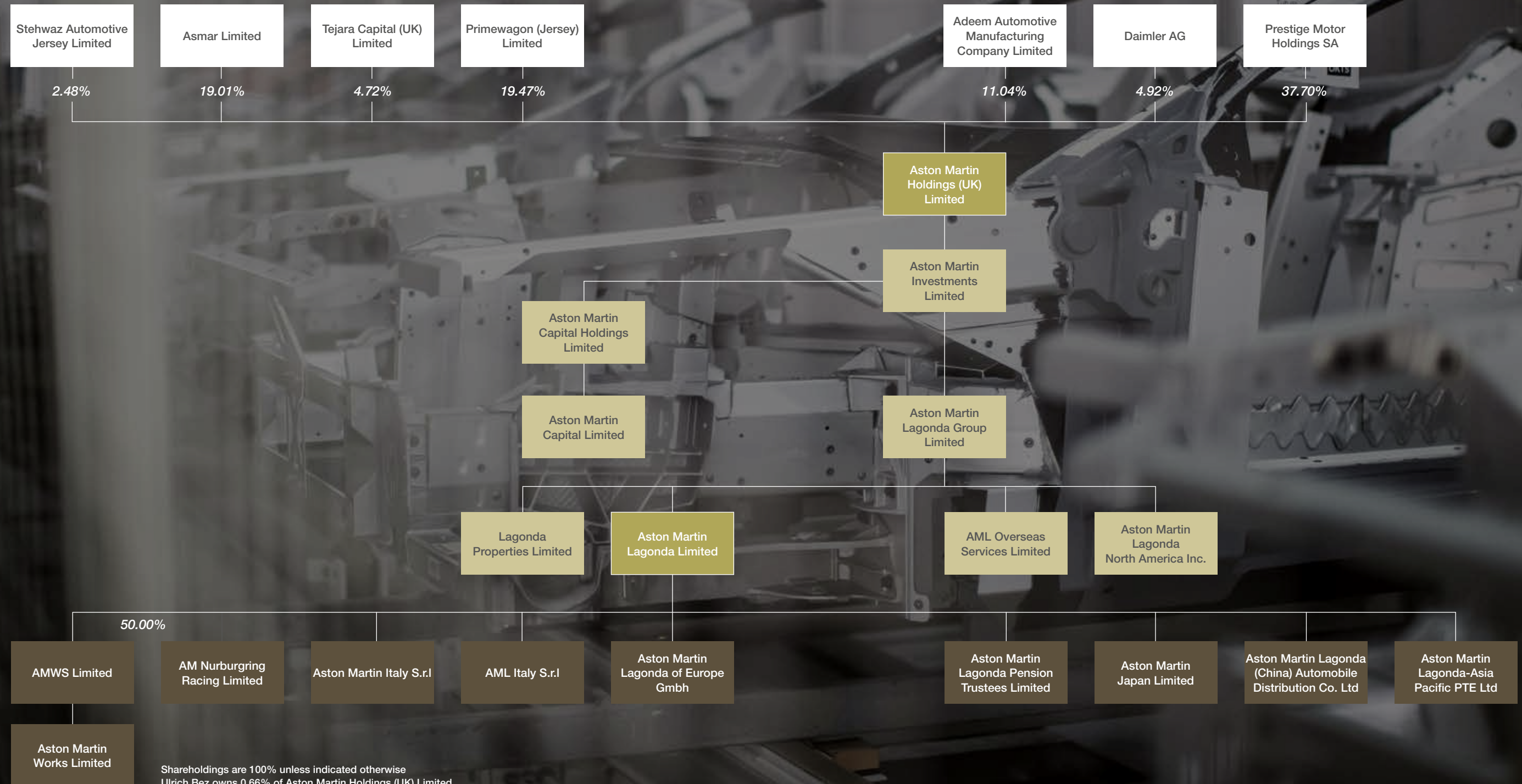
Middle East and India

16
Dealers

Headquarters –
KUWAIT CITY,

ASTON MARTIN GROUP STRUCTURE

– April 2017



CORPORATE OFFICERS, ASTON MARTIN LAGONDA LTD

The Board of Directors of Aston Martin (UK) Holdings Ltd (AMH Ltd) is the Group's most senior governing body and Aston Martin Lagonda Limited is the main trading company. The Corporate Officer team of Aston Martin Lagonda Limited are charged by the Board of AMH Ltd with the efficient running of the day-to-day operations and governance of the Group.



Dr Andy Palmer CMG

President and Chief
Executive Officer * †



Mark Wilson

Executive Vice
President and Chief
Financial Officer †



Marek Reichman

Executive Vice
President and Chief
Creative Officer †



Max Szwaj

Vice President
and Chief
Technical Officer



Nick Lines

Vice President and
Chief Planning
Officer



Simon Sproule

Vice President and
Chief Marketing
Officer



David King

Vice President
and Chief Special
Operations Officer.
President of
Aston Martin Racing



Christian Marti

Vice President and
Chief Sales Officer



Michael Kerr

Vice President and
Chief HR Officer



Michael Marecki

Vice President –
General Counsel
and Company
Secretary



Richard Humbert

Vice President
and Chief Quality
Officer



Keith Stanton

Vice President
and Chief
Manufacturing
Operations Officer

* director of Aston Martin Holdings (UK) Ltd

† director of Aston Martin Lagonda Ltd

Dr Andy Palmer CMG

President and Chief Executive Officer of Aston Martin Lagonda Ltd.

Dr Andy Palmer, CMG, is the President and Chief Executive Officer of Aston Martin. He joined the business on October 1, 2014.

Dr Palmer is a British-born chartered engineer, chartered manager and businessman with 37 years of automotive industry experience. Prior to joining Aston Martin, he held the post of Chief Planning Officer at Nissan Motor Co and was a member of the Nissan Executive Committee. He held a number of senior roles at Nissan over 23 years, including in corporate planning, product planning, marketing, sales & IT leadership and was Chairman of their luxury marque Infiniti from 2011 onwards.

Dr Palmer started his professional career in 1979 aged 16, as an apprentice at Automotive Products Limited (UK), following which he spent six years with Austin Rover and then moved to Nissan.

Following his apprenticeship Dr Palmer graduated from Warwick University with a Master's Degree (MSc) in Product Engineering in 1990 and acquired a Doctorate (PhD) in Management from Cranfield University in 2004. He is also a Chartered Engineer and a Fellow of the Institution of Mechanical Engineers.

In 2010, Coventry University awarded Dr Palmer an Honorary Doctorate of Technology and in 2014 he was appointed as a Professor, advising the university in the automotive field. He also holds the position of an Industrial Professor at Warwick University (2015), a Companion of the Chartered Management Institute CCMI (2015) and the first winner of the Cranfield University 'The Distinguished Manufacturing Alumnus/a of the Year Award' (2016).

He advises the government in a number of areas such as exports as an ambassador for the highly successful GREAT Britain campaign. In 2016 he was asked to be an advisor to the Prime Minister in the area of Skills and Apprenticeships.

In the 2014 New Year's Honours list, Dr Palmer was named a Companion of the Order of St Michael and St George (CMG) in recognition of services to the British automotive industry.



Mark Wilson

Executive Vice President and Chief Financial Officer

Mark Wilson is Executive Vice President and Chief Financial Officer of Aston Martin Lagonda. He joined the business on 1st June 2015, and is a Board Member of Aston Martin Lagonda Ltd. Before joining Aston Martin, Mark was Chief Financial Officer and Chief Operating Officer at GCube Underwriting.

Prior to this he spent eight years as Finance Director of McLaren Automotive and was instrumental in writing and delivering the company's first business and delivering the funding required to deliver it. He was also responsible for the financial management of key vehicle programmes at Lotus Cars including the Opel Speedster and engineering consultancy programmes with Aston Martin. Mark also held senior roles at Norwich Union Insurance and started his career on the Graduate Programme at AWG PLC.

Born in Doncaster in March 1974, Mark is a qualified Chartered Management Accountant, holds a degree in Law & Management from The University of Northampton and a Postgraduate Certificate in Management from Nottingham Business School.



Marek Reichman

Executive Vice President and Chief Creative Officer

Marek joined Aston Martin in 2005 as Director of Design from Ford North America where he held the position of Director of Design for Product, Interior Design Strategy and Process. Since then, he has been strengthening Aston Martin's iconic styling.

After beginning his design career with Rover Cars in 1991, Marek moved to BMW Designworks, California in 1995 to become Senior Designer. He joined Ford in 1999 as Chief Designer for the company's Ford and Lincoln Mercury brand, eventually becoming Director of Design for Product at Ford North America. While at Ford, he also led the overhaul of Land Rover's design DNA for future production models.

Marek has also been heavily involved with the design of some of the world's most iconic cars throughout his accomplished career. These have included the Rolls-Royce Phantom, the Lincoln MKX, the Navicross Concept Cars and the Range Rover Mk III.

Marek was born in Sheffield, England, in 1966. He graduated from Teesside University in Middlesbrough with a First Class Honours Degree in Industrial Design and continued his studies in Vehicle Design at the Royal College of Art in London. In 2011, Marek was invited to take up the position of visiting Professor at the RCA, allowing him the opportunity to give students an insight into modern automotive design. He also holds an honorary doctorate from Teesside University.



Max Szwaj

Vice President and Chief Technical Officer of Aston Martin Lagonda Ltd.

Max Szwaj is Vice President and Chief Technical Officer of Aston Martin Lagonda. He joined the business in December 2016.

Before joining Aston Martin, Szwaj spent three years as Head of Innovation and Body Engineering at Maserati, having previously held the position of Head of Innovation at Ferrari. He has also held senior positions at Porsche and BMW in Germany and the USA.

Max was born in Ireland in 1965 and graduated from Trinity College, University of Dublin with a Bachelor of Mechanical Engineering degree in 1989. He joined Rover Group's Graduate Training Programme and soon progressed to Principal Design Engineer responsible for a number of Rover and Mini car programmes.



Nick Lines

Vice President and Chief Planning Officer

Nick was appointed Vice President and Chief Planning Officer at the beginning of 2016.

He joined Aston Martin in 2001, initially leading the Manufacturing Business Office and developing the company's lean manufacturing processes. Subsequently he oversaw manufacture of the original Vanquish at Newport Pagnell before transferring to Gaydon to lead Body Construction and the Paint Shop for the Vantage, DB9 and DBS. After progressing to the position of Manufacturing Engineering General Manager, Nick was appointed as the Head of Manufacturing at Aston Martin in 2012; a position he held for four years.

Prior to joining Aston Martin, Nick worked for BMW in Germany and the UK where he worked on the new model launches of a variety of new products including the 3-series coupe, cabriolet and the Mini.

Nick's career began with Rover in 1994 where he managed the Assembly department at the Oxford Plant and subsequently the Rover 75 launch. He holds a Master's degree in Engineering and Management from the University of Manchester's Institute of Science and Technology and an MBA from Warwick Business School.



Simon Sproule

Vice President and Chief Marketing Officer, Aston Martin Lagonda Ltd.

Simon Sproule has been Vice President and Chief Marketing Officer for Aston Martin Lagonda since November 2014. His responsibilities include global marketing, communications, corporate affairs, brand communications and corporate social responsibility.

Prior to Aston Martin, Simon served in executive marketing communications positions for Tesla Motors in California and between 2003 and 2014, for Nissan Motor Company based primarily at Nissan's global HQ in Japan. Simon started his career in 1992 with Ford Motor Company, initially in the UK and then in the US. Between 2000 and 2003, and while the brands were under Ford ownership, Simon led communications in North America for Jaguar, Aston Martin and Land Rover. In 2003, Simon joined Nissan North America as Vice President for Communications and a year later moved to Japan to take up the role of Corporate Vice President for Global Communications.

Simon has been recognised numerous times by the media and industry organizations for his career achievements including being named as a Young Achiever of the Year by the Automotive Hall of Fame in Detroit and in 2013, given an 'All Star Award' for Public Relations by Automotive News.

Born in Hampshire, England, he holds a Bachelor of Science in Geography from the University of London.



David King

Vice President and Chief Special Operations Officer. President of Aston Martin Racing

David has been working in the automotive industry for over 30 years. He joined Aston Martin in 1999 as a Project Manager, leading the early engineering studies of Aston Martin's revolutionary VH architecture and the concept designs of what were to become both the DB9, launched in 2004 and the V8 Vantage, launched in 2005.

Following this, he stepped into a non-technical role as Head of Product Communications and Motorsport for three years. He went on to become Director of Special Projects and Motorsport in 2008, where he has since grown an operation that is now a key part of Aston Martin's Second Century plan; Special Operations.

David began his career in the automotive industry as a graduate at Jaguar in 1986, becoming Programme Manager in 1991 when he oversaw the application of the V12 powertrain into the Jaguar XJ6. In 1995, with both Jaguar and Aston Martin under Ford ownership, David provided development and engineering expertise to the Aston Martin DB7 project and led to him joining the company on a permanent basis in 1999.

David was active in motorsport as both a rally driver and navigator in his twenties, and retains a passion for both rallying and racing.

David graduated from Loughborough University in 1986 with a degree in Automotive Engineering. He is also a keen cricket enthusiast and a Director of the Oxfordshire Cricket Board.



Christian Marti

Vice President and Chief Sales Officer of Aston Martin Lagonda Ltd.

Christian Marti is Vice President and Chief Sales Officer at Aston Martin Lagonda. He joined the business in June 2013 as Global Sales Director.

Previously, he was at McLaren Automotive as European Director, building the regional management team, establishing the European dealer network and launching the first new McLaren.

He began his career in the automotive industry by joining the International Trainee Programme at BMW's Headquarters in Munich and worked as Product Manager for the Z3 and the Z8 Roadster. Following a senior position as Product Director for Renault Germany, Christian worked for seven years at Jaguar Land Rover as Managing Director for the national sales companies in Austria, China and France.

Christian graduated in 1993 from the European School of Management (now ESCP Europe) with a European Master's in Management and the German Diplom-Kaufmann after studying across Paris, Oxford and Berlin.



Michael Kerr

Vice President and Chief HR Officer of Aston Martin Lagonda Ltd.

Michael Kerr joined Aston Martin Lagonda in June 2014 as VP and Chief HR Officer. Prior to this, he held senior roles in multinational, blue chip organisations across a number of sectors, including automotive, financial services, consumer goods, B2B, and most recently, in Premier League football as HR Director of West Ham United FC, providing guidance and support on all HR and employment law matters.

Over the last three years at Aston Martin, Michael has worked closely with the CEO and senior team to implement the ambitious Second Century business plan. He is currently in the process of a complete overhaul of the company culture to achieve this goal.

Michael graduated from the University of Hull with a Bachelor's degree in Special Social Studies and is a chartered MCIPD.



Michael Marecki

Vice President – General Counsel and Company Secretary

Michael Marecki is Vice President, General Counsel and Company Secretary at Aston Martin Lagonda. He joined the business in 2007.

Prior to joining Aston Martin, Michael spent 19 years at Ford Motor Company, in a number of roles including; Legal Director of Jaguar Land Rover, Assistant General Counsel for Environment and Safety, Counsel for SEC and Corporate Matters, Counsel for Ford of Europe, and in various other Ford OGC positions.

Michael received his Juris Doctor from Georgetown University Law Center in 1988 and his undergraduate degree from Fordham University in 1982.



Richard Humbert

Vice President and Chief Quality Officer

Richard Humbert is Vice President and Chief Quality Officer of Aston Martin Lagonda. He joined the business in November 2007.

Prior to moving to Aston Martin, Richard spent 16 years at Toyota UK. He joined Toyota in its infancy in Europe and was heavily involved in establishing the Quality Function at Toyota's first European Manufacturing Plant. Holding a number of positions in Toyota, Richard's last role was Head of Quality for UK vehicle manufacturing.

Prior to Toyota, Richard began his career on Peugeot Talbot's Graduate Training Programme.

Born in the UK in 1963 Richard graduated from Surrey University with a Bachelor's degree in Mechanical Engineering in 1988.



Keith Stanton

Vice President and Chief Manufacturing Operations Officer, Aston Martin Lagonda Ltd.

Keith joined Aston Martin in 2007 taking on the role of Manufacturing Director, responsible for all manufacturing and production activities at the company. In 2016, Keith added all Purchasing and Supply Chain responsibilities under the title of Chief Manufacturing Operations Officer.

Prior to joining Aston Martin, Keith worked at Ford Motor Company, which he joined in 1983 as an Electrical Technician and Robotics Engineer, progressing quickly to hold a number of senior positions across Europe, the last being Plant Director of the Ford Transit Assembly Plant in Southampton.

Born in 1960, Keith started work as a Technical Apprentice studying electrical engineering for the Ministry of Defence at Chatham Naval Base. He spent five years on nuclear submarines and obtained a HND in Electrical Engineering. He also graduated from London Business School with an MBA in 2002.

CHIEF FINANCIAL OFFICER FOREWORD

Our results in 2016 emphasise the credibility and benefits of our Second Century Plan, in which we have stabilised the company, strengthened the balance sheet and transformed our profitability. In the fourth quarter of 2016 we saw extremely strong demand for the DB11 and, together with our continued financial discipline and growth plans, this has enabled us to increase our 2017 forecasts to the following;

- Revenues will rise to between £785m and £815m in 2017
- EBITDA expected to increase to between £160m and £165m.

These revised forecasts follow continuing demand for the DB11, the first of our new products and illustrates consumer confidence in our product plan.

In the last three months of the year, wholesale volumes rose 48% to 1,668 units as the DB11 went on sale in major markets – with significant order intake globally.

Product investment rose to £192m from £161m, and the company ended the year with net cash of £101.7m, up from £65.6m at the end of 2015. Cash generated from operation activities rose to £164.6m from £75.2m in the same period of 2015.

Building on the DB11 launch, the company plans to bring to market one new model every nine months for the duration of the plan through 2022. The programme will include the company's first electric car the RapidE launched in 2019 and our first SUV, which will be assembled at a new manufacturing plant at St Athan in Wales which will be fully operational in 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

Group results are contingent on sales of cars to our franchised dealer partners across the world who, in turn, are reliant on a pipeline of customers. Principal risks and uncertainties that could impact our ability to achieve sales and profit targets are outlined below.

Global economic conditions

Sales of our products and services are affected by general economic conditions and can be materially impacted by the economic cycle. Market economic volatility and deterioration in demand for luxury goods, including high-performance sports cars, may adversely affect future results as a result of downward pressure on prices and volumes. In 2016, the Brexit vote resulted in some economic volatility, particularly with regard to the value of Sterling. Uncertainty remains as to the long-term impact the Brexit vote will have, but may include further de-valuing of Sterling and potential tariffs on European imports and UK exports which could adversely affect competitiveness of Aston Martin products due to the level of European sourced parts and ability to protect a market competitive price position.

Against this backdrop, our ability to meet our targets is supported by a balanced distribution of sales across the UK, Europe, the Americas, and the rest of the world alongside substantial investment in global brand awareness over the past two years. Our robust pipeline of competitive new products places Aston Martin in a strong position to maintain demand in the event of an economic downturn.

The Group has robust financing measures in place, including the capital from preference shares to fund the Second Century Plan, a hedging policy to mitigate the effect of exchange rate movements and a range of profit improvement initiatives. In addition, the Group has the ability to delay spend in growth projects to support liquidity.

Technological advancement

The automotive industry is in a period of flux due to a shift in market drivers and changing consumer needs. Rising urban populations and the advent of the post-millennial generation are driving a rapid pace of technological innovation including low emission powertrains, connectivity and autonomous driving. Developing new technologies demands substantial investment which could result in an inability for Aston Martin to keep pace with market requirements for technology, impacting the competitiveness of our new products. Lack of competitive products would place downward pressure on prices and volumes, negatively impacting operating performance.

We engage in strategic partnerships that enable us to develop and implement new technologies cost-effectively. The Group is also focused on talent recruitment, retention and development, both at headquarters and in our regional offices, to sustain our ability to develop competitive products that meet increasingly high technological standards.

Brand reputation

Our future performance depends on the continued strength of the Aston Martin brand. This position could be impacted by factors that damage consumers' perception of our brand, including low brand awareness in new markets, low market acceptance of new models, or high-profile product recalls as a result of quality issues.

The Group has established production and sourcing risk management processes and closely monitors the performance of our suppliers to mitigate the risk of disruption. In addition, we have skilled sourcing and supplier quality improvement personnel to ensure a rapid response to potential issues.

Supply chain management

Our business depends on a substantial number of suppliers to ensure uninterrupted production of high quality sports cars. Failure of suppliers to deliver components, systems and materials in a timely manner could disrupt operations and adversely affect our ability to achieve sales targets and the financial position of the business. Alternative supply routes may be available, but could result in increased pricing, delays to production, and implications for design or quality.

The Group has established production and sourcing risk management processes and closely monitors the performance of our suppliers to mitigate the risk of disruption. In addition, we have skilled sourcing and supplier quality improvement personnel to ensure a rapid response to potential issues.

Regulatory requirements

The automotive industry is subject to safety, environmental and other legislative requirements. The Group is obliged to comply with any new legislative requirements whenever and wherever they are issued. Regulatory changes could adversely affect the business due to the cost of compliance which may result in weakened profitability or cash flow. Alternatively the business could be negatively impacted if we are unable to comply in a timely manner due to the level of product development and change required, which could disrupt our ability to continue to sell cars in certain markets.

Our product development and regional teams continuously monitor regulatory requirements in markets around the world with a long-term perspective, and work closely with the wider organisation to support our ability to develop compliant products.

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and market risk. The Group has in place a risk management programme that is described below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables.

The Group sells vehicles through a dedicated dealer network. Dealers outside of North America are required to pay for vehicles in advance of despatch or receipt or use the wholesale financing scheme (see Liquidity risk). Dealers within North America are allowed 10-day credit terms from the date of invoice or may use the wholesale financing scheme. All vehicle sales on the wholesale financing scheme are covered by credit risk insurance which means that a third party bears substantially all the credit risk associated with dealers using the wholesale financing scheme. In exceptional circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell vehicles to the dealer outside of the credit risk insurance policy or on deferred payment terms. Parts sales, which represent a smaller element of total revenue, are made to dealers on 30-day credit terms. Service receivables are due for payment on collection of the vehicle.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group uses a wholesale financing scheme to finance certain vehicle sales on despatch of the vehicle. The utilisation of this £125m facility (2015: £100m facility) at 31 December 2016 is £120.9m (2015: £84.4m). This facility is dependent on the availability of credit insurance to the dealer network. The wholesale finance facility and the credit insurance supporting the facility have been renewed for a two-year period to August 2018. The Group has access to a £40m revolving credit facility until 2018 which was undrawn at 31 December 2016 and 31 December 2015.

The Group also has facilities to finance certain of its inventories and the order pipeline between Aston Martin Lagonda Limited and Aston Martin Lagonda (China) Automobile Distribution Co., Ltd. The total size of these facilities at 31 December 2016 is £26.8m (31 December 2015: £23.5m). The utilisation of these facilities at 31 December 2016 is £5.2m (31 December 2015: £ 16.6m).

At 31 December 2016 the Group had cash and cash equivalents of £101.7m (2015: £65.6m).

In March 2014, the Group issued Senior Subordinated PIK notes with a value of 165m US dollars (£: 99.6m) due for repayment in July 2018.

On 23 April 2015, the Company accepted binding subscriptions for £200m of preference shares. The first tranche of £100m was received on 27 April 2015 and the second tranche of £100m was drawn in April 2016. These subscriptions also included warrants for a pro rata allocation of P shares (non voting ordinary shares) corresponding to 4% of the current fully diluted share capital of the Company. The redeemable cumulative preference shares are repayable in 2025.

The directors are of the opinion that the Group will have sufficient cash resources to meet the interest payments on the Senior Secured Notes and all other interest payments in the foreseeable future.

Market risk

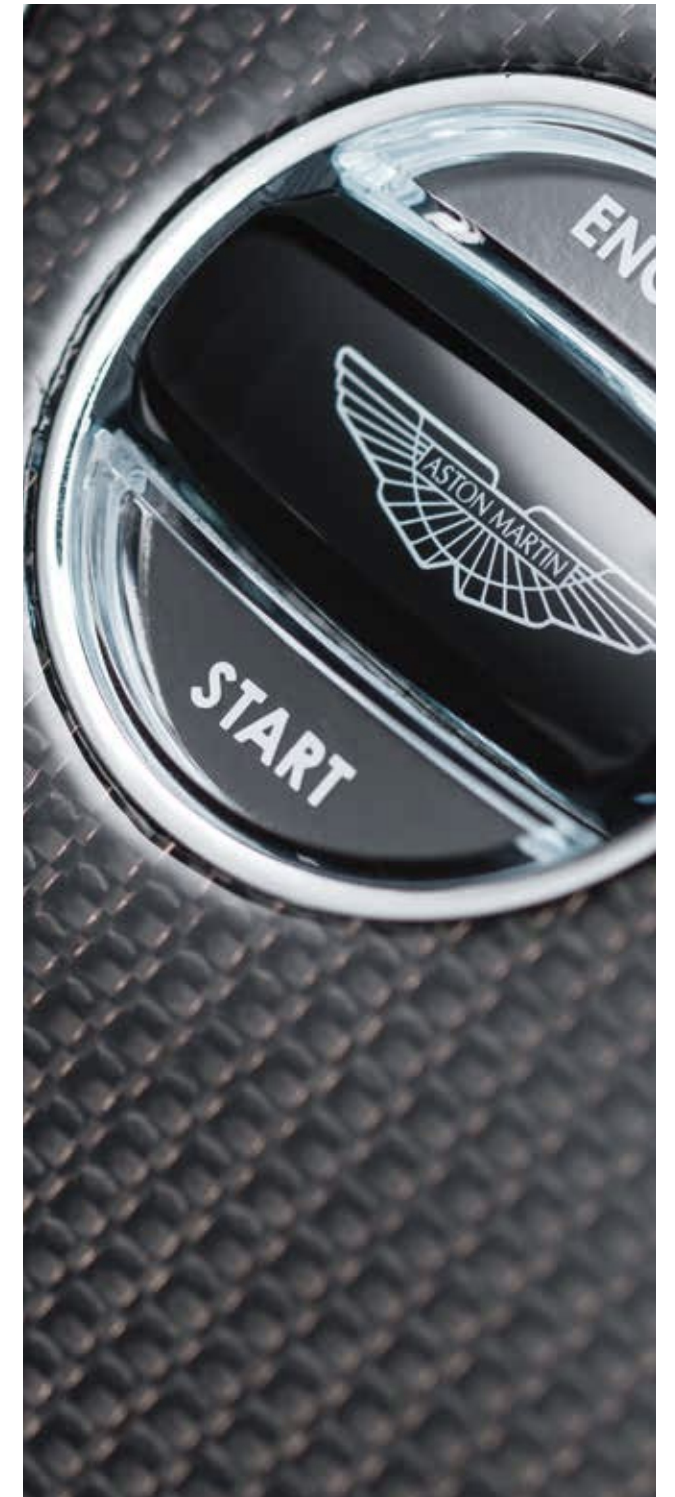
Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exchange rate risk

The Group may from time-to-time use derivative financial instruments to manage exchange rate risk where it has significant exposure in a foreign currency.

Price risk

The Group is exposed to commodity price risks such as metal prices as a result of its operations. The Group has entered into fixed price arrangements with a number of its suppliers to mitigate this risk. The need for agreements is reviewed on a case by case basis. The directors will revisit the appropriateness of this policy should the Group's operations change.



Interest rate cash flow risk

In June 2011 the Group issued £304m of 9.25% Senior Secured Notes repayable in July 2018. As the Senior Secured Notes attract a fixed rate of interest there is no interest rate risk attached to them. Attached to the Senior Secured Notes is a £40m Revolving Credit Facility which was undrawn at 31 December 2016 and 31 December 2015.

The Group has entered into a number of arrangements to finance Group inventory and the order pipeline between Aston Martin Lagonda Limited and Aston Martin Lagonda (China) Automobile Distribution Co., Ltd. Total borrowings on these facilities at 31 December 2016 were £5.2m (2015: £16.6m). The interest rate charged on each of these facilities is determined when the borrowings are made. The borrowings are made for periods not in excess of six months.

In March 2014 the Group issued \$165m (£99.6m) of Senior Subordinated PIK Notes which are repayable in July 2018. The interest rate payable on the Senior Secured PIK notes is fixed at 10.25% per annum.

In both April 2015 and April 2016 the Group issued £100m of Preference Shares (£200m in total) which are redeemable in April 2025. The rate of interest on the Group's redeemable cumulative Preference Shares is 15% per annum.

The £304m 9.25% Senior Secured Notes are at a fixed interest rate of 9.25% per annum. The Senior Subordinated PIK notes are at a fixed interest rate of 10.25% per annum. The redeemable cumulative Preference Shares are at a fixed rate of 15% per annum. Any interest rate payable on the Revolving Credit Facility is determined at the time of drawing the facility.



DIRECTORS AND ADVISORS

Directors

Najeeb Al-Humaidhi
Adnan A Al-Musallam
Rezam M Al-Roumi
Roberto Maestroni
Umberto Magnetti
Carlo Pasquale Campanini-Bonomi
Dante Razzano
Mahmoud Samy Mohamed Ali El Sayed
Amr Ali Abdallah Abou El Seoud
Dr Andrew Palmer
(Chief Executive Officer)

Secretary and Registered Office

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CV35 0DB

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10 Gresham Street
London
EC2V 7AE

Standard Chartered Bank plc
1 Basinghall Avenue
London
EC2V 5DD

Comerica Bank
1717 Main Street
Dallas
Texas 75201
United States of America

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

Principal activities

The principal activities of the Group are the manufacture of luxury high-performance sports cars, the sale of parts and the servicing of sports cars, all under the brand name of Aston Martin. We design, engineer and produce our vehicles in Warwickshire, United Kingdom, and we sell these vehicles through a network of dealers.

At 31 December 2016 we had five core models (DB11, V8 Vantage S, V12 Vantage S, Vanquish S and Rapide S) with a majority available in both Coupe and Convertible body styles. We also produce the limited volume Vantage GT8 and Vanquish Zagato.

Results and financial position

The results for the Group show a pre-tax loss of £162.8m (2015: £128.0m), revenue of £593.5m (2015: £510.2m) and net assets of £72.7m (2015: £264.1m).

Business review and future outlook

Aston Martin is one of the world’s most widely recognised luxury sports car brands with a history of automotive and design excellence spanning more than a century. The Group’s cars are positioned in the expanding high luxury sports segment (HLS) of the global automotive market. Sustained growth of both the global High Net Worth Individual (HNWI) population – particularly in North America and Asia Pacific – and sales of luxury cars, the major factor driving growth in the luxury goods sector, underpin the continued expansion within the HLS and hence incremental revenue potential for the segment in which we operate.

The Group is in the midst of a transformation programme – the ‘Second Century Plan’ – to build a globally relevant and sustainable future for the Group in the luxury automotive sector. The plan aims to deliver a significant uplift in profitability and cash generation to ensure that long-term product development is funded from positive free cash flow.

Our 2016 business results show that the Second Century Plan remains well on-track in its second year of implementation. The Group’s performance in the period

covered by these accounts reflects the re-balancing of the business to establish firm foundations for growth, combined with benefits from profit improvement initiatives and on-plan new product launches. Investment for future growth continues with a strong pipeline of new products and the integration of advanced technologies in our next-generation models.

The new product offensive began with the launch of DB11 at the Geneva International Motor Show in March 2016. DB11, the flagship for a new generation of Aston Martin sports cars, has received an outstanding reception from media and the public. This, in turn, has secured a strong order book that substantially supports 2017 planned production and underpins solid sales momentum into 2017. Start of production and first deliveries were achieved on-plan and 1,005 units were wholesaled in the three months to December 2016, exceeding our target.

Alongside the renewal of the sports car portfolio, we continued to launch two high-value limited edition vehicles per annum with the production of Vantage GT8 and Vanquish Zagato Coupe in 2016. A future limited edition, “AM-RB 001”, was announced in July. This revolutionary hyper-car is the result of a collaboration with Red Bull that will bring together cutting-edge technology derived from Formula One™ racing and Aston Martin’s signature design language. Interest in the project has led to significant customer orders, exceeding supply, for 150 road-going and 25 track-only units.

Significant progress was also made during the year on plans to expand the product line-up, which will further increase the global relevance of the Aston Martin family of models. In February 2016 St Athan, South Wales, was selected as the manufacturing site for the first Aston Martin sports utility vehicle – ‘DBX’. The acquisition of the St Athan site was finalised in December 2016 and construction of the new facility has begun.

The Group’s commitment to technical innovation was demonstrated by announcements including plans to develop a production ‘Rapide’ electric vehicle, and the formation

of Aston Martin Consulting – a structured approach to providing companies with the opportunity to engage with Aston Martin’s expertise centred on design, engineering and manufacturing. In December 2016, Maximilian Szwaj was appointed Vice President and Chief Technical Officer. In this executive role, Max – who has more than twenty five years’ experience in the automotive industry and has held management positions at BMW, Porsche, Ferrari and Maserati – will be responsible for the Group’s global engineering operations.

During the year, Aston Martin strengthened its position as one of the most iconic brands in the luxury goods sector. In 2016, a number of ventures were launched under the “Art of Living” banner, to enhance the significance of the Aston Martin brand in the luxury space. The Art of Living collaborations support our core business by reaching a wider audience through carefully positioned products and experiences – increasing brand awareness and driving brand value for the long term.

On 23 April 2015, the Company accepted binding subscriptions for £200 million of preference shares.

Key Performance Indicators

The board monitors progress on the overall Group strategy and the individual strategic elements by reference to a number of KPIs. The principal KPIs are shown below.

Performance during the period is set out in the table below:

	2016	2015	Definition, method of calculation and analysis
Revenue (%)	16.3	8.9	Year on year revenue growth expressed as a percentage. The introduction of higher priced special editions and the launch of DB11 has contributed to the increase in revenue of 16.3%.
Gross margin (%)	37.3	32.3	Gross margin is the ratio of gross profit to revenue expressed as a percentage. Gross margin percentage has increased due to the introduction of higher priced special editions and the launch of the DB11.
Return on capital employed (%)	9.8	(5.8)	Underlying Group operating profit/(loss) expressed as a percentage of the average of the capital employed at the start and end of the year. The launch of new products at higher margins has resulted in an underlying profit in 2016 (2015: underlying loss), and the capital employed has reduced given the overall business losses in the current investment phase.
Number of dealerships	167	162	Open dealerships in the global network at 31 December. The Group continues to seek opportunities to expand its dealer network with new appointments in suitable locations.

The second tranche of £100 million was drawn in April 2016 and forms the final cash injection that supports the funding required to deliver the Second Century Plan. These preference shares, are treated as long term borrowings within these financial statements and the associated cost of £29,124,000 (2015 : £10,838,000) is shown within finance expense, as required by International Financial Reporting Standards. As no cash is payable by the Group until dividends are declared or the preference shares are redeemed, the Directors view the preference shares akin to equity. The preference shares are senior to the ordinary share capital of the Company but rank below the secured and unsecured creditors in terms of settlement.

The resulting impact on the Group’s activities in 2016 was a significant uplift in revenue growth, gross margin and underlying operating profit and a reduction in operating loss to £32m from £58m, demonstrating that the Second Century Plan is already delivering tangible transformation. Notably, in the final quarter of 2016 the Group achieved a positive operating profit and profit before tax excluding non-recurring items.

Principal risks and uncertainties

Group results are contingent on sales of cars to our franchised dealer partners across the world who, in turn, are reliant on a pipeline of customers. Principal risks and uncertainties that could impact our ability to achieve sales and profit targets are outlined below.

Global economic conditions

Sales of our products and services are affected by general economic conditions and can be materially impacted by the economic cycle. Market economic volatility and deterioration in demand for luxury goods, including high-performance sports cars, may adversely affect future results as a result of downward pressure on prices and volumes. In 2016, the Brexit vote resulted in some economic volatility, particularly with regard to the value of Sterling. Uncertainty remains as to the long-term impact the Brexit vote will have, but may include further de-valuing of Sterling and potential tariffs on European imports and UK exports which could adversely affect competitiveness of Aston Martin products due to the level of European sourced parts and ability to protect a market competitive price position.

Against this backdrop, our ability to meet our targets is supported by a balanced distribution of sales across the UK, Europe, the Americas, and the rest of the world alongside substantial investment in global brand awareness over the past two years. Our robust pipeline of competitive new products places Aston Martin in a strong position to maintain demand in the event of an economic downturn.

The Group has robust financing measures in place, including the capital from preference shares to fund the Second Century Plan, a hedging policy to mitigate the effect of exchange rate movements and a range of profit improvement initiatives. In addition, the Group has the ability to delay spend in growth projects to support liquidity.

Technological advancement

The automotive industry is in a period of flux due to a shift in market drivers and changing consumer needs. Rising urban populations and the advent of the post-millennial generation are driving a rapid pace of technological innovation including low emission powertrains, connectivity and autonomous driving. Development of new technologies demands substantial investment which could result in an inability for Aston Martin to keep pace with market requirements for technology, impacting the competitiveness of our new products. Lack of competitive products would place downward pressure on prices and volumes, negatively impacting operating performance.

We engage in strategic partnerships that enable us to develop and implement new technologies cost-effectively. The Group is also focused on talent recruitment, retention and development, both at headquarters and in our regional offices, to sustain our ability to develop competitive products that meet increasingly high technological standards.

Brand reputation

Our future performance depends on the continued strength of the Aston Martin brand. This position could be impacted by factors that damage consumers’ perception of our brand, including low brand awareness in new markets, low market acceptance of new models, or high-profile product recalls as a result of quality issues.

The Group has established production and sourcing risk management processes and closely monitors the performance of our suppliers to mitigate the risk of disruption. In addition, we have skilled sourcing and supplier quality improvement personnel to ensure a rapid response to potential issues.

Supply chain management

Our business depends on a substantial number of suppliers to ensure uninterrupted production of high quality sports cars. Failure of suppliers to deliver components, systems and materials in a timely manner could disrupt operations and adversely affect both our ability to achieve sales targets and the financial position of the business. Alternative supply routes may be available, but could result in increased pricing, delays to production, and implications for design or quality.

The Group has established production and sourcing risk management processes and closely monitors the performance of our suppliers to mitigate the risk of disruption. In addition, we have skilled sourcing and supplier quality improvement personnel to ensure a rapid response to potential issues.

Regulatory requirements

The automotive industry is subject to safety, environmental and other legislative requirements. The Group is obliged to comply with any new legislative requirements whenever and wherever they are issued. Regulatory changes could adversely affect the business due to the cost of compliance which may result in weakened profitability or cash flow. Alternatively the business could be negatively impacted if we are unable to comply in a timely manner due to the level of product development and change required, which could disrupt our ability to continue to sell cars in certain markets.

Our product development and regional teams continuously monitor regulatory requirements in markets around the world with a long-term perspective, and work closely with the wider organisation to support our ability to develop compliant products.

Corporate social responsibility

The focus of our Second Century Plan is for Aston Martin to be a sustainable luxury automotive business, which includes the promotion of responsible and sustainable economic growth. As a signatory to the UN Global Compact the Group is committed to doing business in an ethical and transparent manner, overseen by good corporate governance.

This commitment has resulted in development of an integrated Corporate Social Responsibility Strategy for the business. In support of this, we published the first Aston Martin Sustainability Report in 2016 which highlights our ambitions in four key areas: Environmental Sustainability; Community and Stakeholder Engagement; Health and Well-being; and Sustainable Supply Chain.

We believe that our commitment to sustainability will drive long-term shareholder value and ensure Aston Martin develops into a sustainable luxury business.

Environmental sustainability

Aston Martin has an established environmental policy to ensure we operate as a responsible business. The environmental policy covers every aspect of the Group’s operations, whether they are directly or indirectly involved in the design, engineering, manufacture, servicing or restoration of motor cars or the distribution of parts.

We strive for continuous improvement in our environmental performance and the elimination of pollution and waste at source in line with our business objectives, using recognised environmental best-practice wherever possible.

Our objectives and commitments to the environment and the community are to:

- Comply as a minimum with all relevant environmental legislation as well as other environmental requirements, whilst striving to achieve beyond that wherever possible
- Commit to ongoing reductions in energy and resource consumption in the manufacture and operation of our vehicles, and an ongoing reduction in our carbon footprint

- Set, monitor and attain all objectives and targets for managing our environmental performance, to ensure strict control over the environmental aspects of all products, processes and facilities
- Minimise the impact of Aston Martin activities, products and services through effective waste management
- Give due consideration to environmental issues and energy performance in acquisition, design, refurbishment, location and use of buildings
- Promote sustainable product design and construction, using low carbon energy resources wherever possible
- Operate and maintain an environmental system in line with ISO14001:2004
- Communicate internally and externally our environmental policy, working with our employees, suppliers and partners to promote improved environmental performance and encourage feedback

Performance during the period against our key performance indicators is outlined below:

- Water consumption of 32,445 cubic metres (2015: 26,897 cubic metres) up by 20.6% due to increases in headcount and volume
- Electricity consumption of 19,602.7 mWh (2015: 19,635.2 mWh) down by 0.2% despite increases in headcount and volume
- Gas consumption of 25,233.3 mWh (2015: 25,766.9 mWh) down by 2.1% despite increases in headcount and volume
- Total waste generated of 927 tonnes (2015: 950 tonnes) down by 2.4% despite increases in headcount and volume
- 99.5% of all waste produced was diverted from landfill (2015: 99.4%)

With the opening of the new manufacturing facility in St Athan, South Wales, there is an opportunity to improve our environmental performance through the use of energy-saving equipment and on-site power generation. This is currently

being explored as part of the development programme.

Aston Martin is also in the process of developing the first electric car in its model line-up, harnessing innovative powertrain technology to offer customers a unique ultra-low emission vehicle. This next generation powertrain technology will contribute significantly towards continuing the trend of reduced average carbon dioxide emissions across the Aston Martin fleet.

Community and stakeholder engagement

Aston Martin is committed to the environment and gives particular attention to the needs and concerns of the communities in which we operate. Identification of our stakeholders, the issues that may affect them and how we communicate with them is fundamental to our Corporate Social Responsibility Strategy.

The passion and commitment of our people is a key to our success and we are dedicated to investing in both our current and future employees through our apprentice and graduate programmes. As an aspirational brand, we support local schools, colleges and businesses to inspire the next generation. Andrew Palmer, Chief Executive Officer, is a strong advocate for learning and skills development and is an apprenticeship ambassador for the British government.

As a sustainable business, we actively contribute to charities. The Group has committed to supporting two charities per year that fit with our ethos, heritage and brand. In addition, a further charity is selected annually by our employees. Beyond direct corporate giving we continue to support our employees and the local community – supporting sports teams, events and charity fundraising.

Health and well-being

The health and well-being of employees is an important aspect of operating an effective and successful business. We also depend on the health and stability of the communities in which we operate. We recognise that we have both a responsibility and an opportunity to make a positive contribution.

Aston Martin aims to be an employer of choice, recognised by independent organisations, by continuing to motivate and engage with employees across all areas and levels through regular communications, training and up-skilling opportunities and offering competitive benefit packages. Beyond our employees we actively engage with our local communities to build a sense of partnership between the Group and the local areas.

We educate our employees on the Group’s approach and the specific requirements with regard to human rights in business operations. In 2016, no human rights violations within the Group were reported, nor were any relevant reports received regarding our supply network.

The health and safety of our workforce, visitors and the local community is of paramount importance to Aston Martin. We aim to be a centre of excellence where our Health and Safety Management System is held as an example to the rest of the automotive industry. Whilst we have an impressive record, we strive for continuous improvement by sharing best practice and awareness across the business which, in 2016, was demonstrated by improvement against our key performance indicators including the following:

- Awarded a fifth consecutive ‘Sword of Honour’ from the British Safety Council in recognition of the commitment and resolve to achieving the highest standards of health, safety and environmental management throughout the business
- British Safety Council Five Star Health & Safety Management Systems Audit score of 99.65% (2015: 99.07%) was the highest score in any sector anywhere in the world

- International Safety Award achieved for eighth consecutive year
- 685 days without a Reportable Lost Time Accident.

Sustainable supply chain

A sustainable supply chain is essential for a sustainable business. Aston Martin continues to work with suppliers to maintain high standards of sustainable and ethical sourcing.

In 2012 Aston Martin established a Responsible Procurement Guide, which set out the Group’s commitment to the application of social, ethical and environmental principles in the supply chain, including but not limited to eradicating any forms of slavery or human trafficking in line with the UK’s Modern Slavery Act. These principles are supported by Aston Martin’s procurement policies, practices and standards for all staff, suppliers and sub-suppliers.

DIRECTORS’ REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and Group financial statements for the year ended 31 December 2016.

The annual report complies with the Walker Guidelines for enhanced disclosure by portfolio companies.

Directors

The current directors are:

Najeeb Al-Humaidhi

Adnan A Al-Musallam

Rezam M Al-Roumi

Roberto Maestroni*

Umberto Magnetti*

Carlo Pasquale Campanini-Bonomi*

Dante Razzano*

Mahmoud Samy Mohamed Ali El Sayed

Amr Ali Abdallah Abou El Seoud

Dr Andrew Palmer (Chief Executive Officer)

* Representatives of Investindustrial V L.P., which controls Prestige Motor Holdings S.A.

There have been no changes in directors either during the year or since the year end.

All of the directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Dividends

The directors recommend that no dividend be paid in respect of 2016 (201: £Nil).

Research and development and product strategy

Our continuous investment in renewing and developing the Aston Martin portfolio has produced a range of highly-desirable products based on the lightweight, highly adaptable aluminium structure.

In 2016 the Group launched the first of a new generation of sports cars – the DB11 – based on a new vehicle platform. The DB11 is the launch vehicle for a new electronic architecture and infotainment system delivered through our strategic technical partnership with Daimler. It also features innovative aerodynamic and body solutions that preserve the elegance of the exterior.

The model's new 5.2-litre V12 turbocharged engine has delivered not only the most powerful production DB model ever but also class-leading carbon dioxide emissions of 265g/km (outgoing DB9 GT: 325g/km), supporting a total reduction in average fleet emissions for cars sold to European Union customers by more than a third since 2000.

Technological updates were deployed on the rest of the model range in 2016 – most notably on the ‘Vanquish S’, which featured a powertrain upgrade, aerodynamic and chassis enhancements alongside striking design enhancements.

The core product range was complemented by the launch of two limited edition models in the year. The Vantage GT8 incorporated technology and features originally deployed on the Vantage GT12 in 2015. The Vanquish Zagato Coupe saw the first implementation of the powertrain and chassis enhancements that were deployed on Vanquish S alongside a significantly revised exterior and interior developed through a collaboration with the Italian design-house Zagato.

The Group is committed to sustaining investment in new technologies and product development to ensure a continuous pipeline of competitive world-class sports cars. The appointment of Maximilian Szwaj as Vice President and Chief Technical Officer in December – who previously served as Head of Body Engineering and Innovation at Ferrari – underpins this commitment.

Equal opportunities and employment of disabled people

The Group has a well-established policy on equal opportunities and the employment of disabled people which, through the application of fair employment practices, is intended to ensure that individuals are treated equitably and consistently regardless of age, race, creed, colour, gender, marital or parental status, sexual orientation, religious beliefs and nationality.

The gender diversity of employees (full time equivalents) within the Group as at 31 December 2016 is as follows:

	Male	Female	
Directors	10	0	Of the total 1,619 Full Time Equivalent employees and directors, 52 are based in our overseas companies with a gender diversity split of 36 male and 16 female.
Other Key Employees	49	7	
Other Employees	1316	237	
Total	1375	244	

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group is continued and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee communication

During the year ended 31 December 2016, there were regular meetings between management and employee representatives at all locations to review local issues and performance.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and market risk. The Group has in place a risk management programme that is described below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables.

The Group sells vehicles through a dedicated dealer network. Dealers outside of North America are required to pay for vehicles in advance of despatch or receipt or use the wholesale financing scheme (see Liquidity risk below). Dealers within North America are allowed 10-day credit terms from the date of invoice or may use the wholesale financing scheme. All vehicle sales on the wholesale financing scheme

are covered by credit risk insurance which means that a third party bears substantially all the credit risk associated with dealers using the wholesale financing scheme. In exceptional circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell vehicles to the dealer outside of the credit risk insurance policy or on deferred payment terms. Parts sales, which represent a smaller element of total revenue, are made to dealers on 30- day credit terms. Service receivables are due for payment on collection of the vehicle.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group uses a wholesale financing scheme to finance certain vehicle sales on despatch of the vehicle. The utilisation of this £125m facility (2015: £100m facility) at 31 December 2016 is £120.9m (2015: £84.4m). This facility is dependent on the availability of credit insurance to the dealer network. The wholesale finance facility and the credit insurance supporting the facility have been renewed for a two-year period to August 2018. The Group has access to a £40m revolving credit facility until 2018 which was undrawn at 31 December 2016 and 31 December 2015.

The Group also has facilities to finance certain of its inventories and the order pipeline between Aston Martin Lagonda Limited and Aston Martin Lagonda (China) Automobile Distribution Co., Ltd. The total size of these facilities at 31 December 2016 is £26.8m (31 December 2015: £23.5m). The utilisation of these facilities at 31 December 2016 is £5.2m (31 December 2015: £ 16.6m).

At 31 December 2016 the Group had cash and cash equivalents of £101.7m (2015: £65.6m).

In March 2014, the Group issued Senior Subordinated PIK notes with a value of 165m US dollars (£: 99.6m) due for repayment in July 2018.

On 23 April 2015, the Company accepted binding subscriptions for £200 million of preference shares. The first tranche of £100 million was received on 27 April 2015 and the second tranche of £100 million was drawn in April 2016. These subscriptions also included warrants for a pro rata allocation of P shares (non voting ordinary shares) corresponding to 4% of the current fully diluted share capital of the Company. The redeemable cumulative preference shares are repayable in 2025.

The directors are of the opinion that the Group will have sufficient cash resources to meet the interest payments on the Senior Secured Notes and all other interest payments in the foreseeable future.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Group’s income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exchange rate risk

The Group may from time-to-time use derivative financial instruments to manage exchange rate risk where it has significant exposure in a foreign currency.

Further details can be found in note 18 to the accounts.

Price risk

The Group is exposed to commodity price risks such as metal prices as a result of its operations. The Group has entered into fixed price arrangements with a number of its suppliers to mitigate this risk. The need for agreements is reviewed on a case by case basis. The directors will revisit the appropriateness of this policy should the Group’s operations change.

Interest rate cash flow risk

In June 2011 the Group issued £304m of 9.25% Senior Secured Notes repayable in July 2018. As the Senior Secured Notes attract a fixed rate of interest there is no interest rate risk attached to them. Attached to the Senior Secured Notes is a £40m Revolving Credit Facility which was undrawn at 31 December 2016 and 31 December 2015.

The Group has entered into a number of arrangements to finance Group inventory and the order pipeline between Aston Martin Lagonda Limited and Aston Martin Lagonda (China) Automobile Distribution Co., Ltd. Total borrowings on these facilities at 31 December 2016 were £5.2m (2015: £16.6m). The interest rate charged on each of these facilities is determined when the borrowings are made. The borrowings are made for periods not in excess of six months.

In March 2014 the Group issued \$165m (£: 99.6m) of Senior Subordinated PIK Notes which are repayable in July 2018. The interest rate payable on the Senior Secured PIK notes is fixed at 10.25% per annum.

In both April 2015 and April 2016 the Group issued £100m of Preference Shares (£200m in total) which are redeemable in April 2025. The rate of interest on the Group’s redeemable cumulative Preference Shares is 15% per annum.

The £304m 9.25% Senior Secured Notes are at a fixed interest rate of 9.25% per annum. The Senior Subordinated PIK notes are at a fixed interest rate of 10.25% per annum. The redeemable cumulative Preference Shares are at a fixed rate of 15% per annum. Any interest rate payable on the Revolving Credit Facility is determined at the time of drawing the facility.

FINANCIAL STATEMENT

Summarised Income Statements for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue	3	593,450	510,172
Cost of sales		(371,903)	(345,294)
Gross profit		221,547	164,878
Selling and distribution expenses		(41,858)	(32,084)
Administrative and other expenses		(212,008)	(191,076)
Operating loss	4	(32,319)	(58,282)
Analysed as:			
Impairment of intangible and tangible assets	5	(48,738)	(30,169)
Restructuring costs including related consultancy costs	5	–	(7,547)
Payment to a former director relating to the settlement of shares	5	–	(2,636)
Underlying operating profit/(loss)*		16,419	(17,930)
Operating loss		(32,319)	(58,282)
Finance income	7	2,584	2,090
Finance expense	8	(133,042)	(71,764)
Net financing expense		(130,458)	(69,674)
Loss before tax		(162,777)	(127,956)
Income tax credit	9	15,204	20,999
Loss for the year		(147,573)	(106,957)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability	21	(65,975)	7,101
Related income tax	9	11,216	(1,278)
		(54,759)	5,823
Items that are or may be reclassified to profit or loss			
Foreign exchange translation differences		1,493	1,015
Other comprehensive income for the period, net of income tax		(53,266)	6,838
Total comprehensive income for the period		(200,839)	(100,119)
Loss attributable to:			
Owners of the group		(147,902)	(107,108)
Non-controlling interests		329	151
		(147,573)	(106,957)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the group		(201,168)	(100,270)
Non-controlling interests		329	151
		(200,839)	(100,119)

* underlying operating profit/(loss) represents operating loss excluding non-recurring items.

A non-recurring item is an item on the Group's consolidated statement of comprehensive income that is not expected to occur regularly.

Consolidated statement of changes in equity

<i>Group</i>	Share Capital £'000	Share Premium and Share Warrants £'000	Capital Reserve and non-controlling interest £'000	Translation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2016	3	377,861	98,734	843	(213,361)	264,080
Total comprehensive income for the period						
Profit/(loss)	-	-	329	-	(147,902)	(147,573)
Other comprehensive income						
Foreign currency translation differences	-	-	-	1,493	-	1,493
Remeasurement of defined benefit liability (note 21)	-	-	-	-	(65,975)	(65,975)
Income tax on other comprehensive income (note 9)	-	-	-	-	11,216	11,216
Total other comprehensive income	-	-	-	1,493	(54,759)	(53,266)
Total comprehensive income for the period	-	-	329	1,493	(202,661)	(200,839)
Transactions with owners, recorded directly in equity						
Capital increase	-	9,419	-	-	-	9,419
Total transactions with owners	-	9,419	-	-	-	9,419
At 31 December 2016	3	387,280	99,063	2,336	(416,022)	72,660

The capital increase during the year ended 31 December 2016 represents the fair value of the share warrants granted in connection with the issue of the second tranche of preference shares amounting to £9,419,000 as £100,000,000 of Preference Shares were issued in both April 2015 and April 2016.

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £4,999,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

Consolidated statement of changes in equity (continued)

<i>Group</i>	Share Capital £'000	Share Premium and Share Warrants £'000	Capital Reserve and non-controlling interest £'000	Translation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2015	3	366,463	98,583	(172)	(112,076)	352,801
Total comprehensive income for the period						
Profit/(loss)	-	-	151	-	(107,108)	(106,957)
Other comprehensive income						
Foreign currency translation differences	-	-	-	1,015	-	1,015
Remeasurement of defined benefit liability (note 21)	-	-	-	-	7,101	7,101
Adjustment to pension scheme assets in accordance with paragraph 58 of IAS19 (note 22)	-	-	-	-	-	-
Income tax on other comprehensive income (note 9)	-	-	-	-	(1,278)	(1,278)
Total other comprehensive income	-	-	-	1,015	5,823	6,838
Total comprehensive income for the period	-	-	151	1,015	(101,285)	(100,119)
Transactions with owners, recorded directly in equity						
Capital increase	-	11,398	-	-	-	11,398
Total transactions with owners	-	11,398	-	-	-	11,398
At 31 December 2015	3	377,861	98,734	843	(213,361)	264,080

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £4,670,000 of Non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

The capital increase during the year ended 31 December 2015 represents the share premium paid for previously partly paid shares of £2,355,000 and the fair value of the share warrants granted in connection with the issue of the preference shares amounting to £9,043,000

Consolidated statement of changes in equity (continued)

<i>Company</i>	Share Capital £'000	Share Premium and Share Warrants £'000	Capital Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2016	3	377,861	92,964	-	(52,853)	417,975
Total comprehensive income for the period						
Loss	-	-	-	-	(73,593)	(73,593)
Total comprehensive expense for the period	-	-	-	-	(73,593)	(73,593)
Transactions with owners, recorded directly in equity						
Capital increase	-	9,419	-	-	-	9,419
Total transactions with owners	-	9,419	-	-	-	9,419
At 31 December 2016	3	387,280	92,964	-	(126,446)	353,801

The capital increase during the year ended 31 December 2016 represents the fair value of the share warrants granted in connection with the issue of the second tranche of preference shares amounting to £9,419,000 as £100,000,000 of Preference Shares were issued in both April 2015 and April 2016.

<i>Company</i>	Share Capital £'000	Share Premium and Share Warrants £'000	Capital Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2015	3	366,463	92,964	-	(17,716)	441,714
Total comprehensive expense for the period						
Loss	-	-	-	-	(35,137)	(35,137)
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	(35,137)	(35,137)
Transactions with owners, recorded directly in equity						
Capital increase	-	11,398	-	-	-	11,398
Total transactions with owners	-	11,398	-	-	-	11,398
At 31 December 2015	3	377,861	92,964	-	(52,853)	417,975

The capital increase during the year ended 31 December 2015 represents the share premium paid for previously partly paid shares of £2,355,000 and the fair value of the share warrants granted in connection with the issue of the preference shares amounting to £9,043,000.

Summarised Balance Sheets at 31 December 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Non-current assets					
Intangible assets	10	706,947	677,297	-	-
Property, plant and equipment	12	196,321	166,314	-	-
Investments in subsidiary undertakings	13	-	-	667,982	667,982
Other receivables	15	2,309	2,169	-	-
Other financial assets	18	88	63	-	-
Deferred tax asset	9	32,124	48,303	-	-
		937,789	894,146	667,982	667,982
Current assets					
Inventories	14	117,245	80,363	-	-
Trade and other receivables	15	112,757	69,113	231,438	161,233
Other financial assets	18	272	52	-	-
Cash and cash equivalents	16	101,718	65,562	1	1
		331,992	215,090	231,439	161,234
Total assets		1,269,781	1,109,236	899,421	829,216
Current liabilities					
Borrowings	18	5,153	16,597	-	-
Trade and other payables	17	340,893	180,293	151,234	179,180
Income tax payable		680	894	-	-
Other financial liabilities	18	18,646	8,200	-	-
Provisions	20	7,631	6,361	-	-
		373,003	212,345	151,234	179,180
Non-current liabilities					
Borrowings	18	696,065	532,103	394,386	232,061
Other financial liabilities	18	9,611	1,584	-	-
Employee benefits	21	69,769	4,947	-	-
Provisions	20	6,070	8,218	-	-
Deferred tax liabilities	9	42,603	85,959	-	-
		824,118	632,811	394,386	232,061
Total liabilities		1,197,121	845,156	545,620	411,241
Net assets		72,660	264,080	353,801	417,975
	Notes	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Capital and reserves					
Share capital	22	3	3	3	3
Share premium	23	368,818	368,818	368,818	368,818
Share warrants	23	18,462	9,043	18,462	9,043
Capital reserve	23	94,064	94,064	92,964	92,964
Translation reserve	23	2,336	843	-	-
Retained earnings		(416,022)	(213,361)	(126,446)	(52,853)
Equity attributable to owners of the group		67,661	259,410	353,801	417,975
Non-controlling interests	13	4,999	4,670	-	-
Total shareholders' equity		72,660	264,080	353,801	417,975

Notes on pages XX to XX form an integral part of the financial statements.

Summarised cash flow statement for the year ended 31 December 2016

	Notes	Group 2016 £'000	Group 2015 £'000
Operating activities			
Loss for the year		(147,573)	(106,957)
Adjustments to reconcile loss for the year to net cash inflow from operating activities			
Tax on continuing operations	9	(15,204)	(20,999)
Net finance costs		122,306	66,838
Other non cash movements		1,035	1,129
Losses on sale of property, plant and equipment	4	22	54
Depreciation and impairment of property, plant and equipment	4, 12	38,314	46,320
Amortisation and impairment of intangible assets	4, 10	94,858	73,157
Difference between pension contributions paid and amounts recognised in income statement		(1,153)	(356)
(Increase)/decrease in inventories		(36,882)	18,064
Increase in trade and other receivables		(39,126)	(19,816)
Increase in trade and other payables		150,333	21,574
Movement in provisions		(1,289)	(2,876)
Cash generated from operations		165,641	76,132
Income taxes paid		(1,082)	(905)
Net cash inflow from operating activities		164,559	75,227
Cash flows from investing activities			
Interest received	7	2,224	2,090
Proceeds on the disposal of property, plant and equipment		395	94
Payments to acquire property, plant and equipment	12	(68,280)	(38,517)
Payments to acquire intangible assets	10	(124,508)	(124,649)
Net cash used in investing activities		(190,169)	(160,982)
Cash flows from financing activities			
Interest paid		(32,612)	(32,252)
Proceeds from equity share issue	23	-	2,355
Movement in borrowings	18, 24	(13,787)	(3,751)
New Borrowings	18, 24	100,000	100,000
Transaction fees on new borrowings	24	-	(3,536)
Net cash inflow from financing activities		53,601	62,816
Net increase/(decrease) in cash and cash equivalents		27,991	(22,939)
Cash and cash equivalents at the beginning of the year	16, 24	65,562	89,250
Effect of exchange rates on cash and cash equivalents		8,165	(749)
Cash and cash equivalents at the end of the year	16, 24	101,718	65,562

SUMMARISED OTHER KEY
NOTES FOR THE YEAR ENDED
31 DECEMBER 2016

1. Basis of accounting

Aston Martin Holdings (UK) Limited (the ‘Company’) is a Company incorporated in England and Wales and domiciled in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the ‘Group’). The parent Company financial statements present information about the Company as a separate entity and not about its Group.

Both the parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). On publishing the parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£’000) except when otherwise indicated.

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes, Senior Subordinated PIK notes, preference shares, a revolving credit facility, inventory financing facilities and a wholesale vehicle financing facility.

The Group issued £304,000,000 of 9.25% Senior Secured Notes repayable in 2018 and has access to a £40,000,000 revolving credit facility until 2018 which was undrawn at 31 December 2016 and 31 December 2015. The Senior Secured Notes and revolving credit facility include certain covenant tests.

In March 2014, the Company issued Senior Subordinated PIK notes with a value of 165,000,000 US dollars (£ :99,620,000) due for repayment in July 2018.

On 23 April 2015, the Company accepted binding subscriptions for £200 million of preference shares. The first tranche of £100 million was received on 27 April 2015 and the second tranche of £100 million were drawn in April 2016. These subscriptions also included warrants for a pro rata allocation of P shares (non voting ordinary shares) corresponding to 4% of the current fully diluted share capital of the Company.

The Directors have prepared trading and cash flow forecasts for the period to 2020 from the date of approval of these financial statements. These forecasts show that the Group has sufficient financial resources to meet its obligations as they fall due and meet all covenant tests for the period of at least 12 months from the date that these financial statements were approved.

The forecasts make assumptions in respect of future trading conditions and in particular, the launch of future models. The nature of the Group’s business is such that there can be variation in the timing of cash flows around the development and launch of new models and the availability of funds provided through the vehicle wholesale finance facility as the availability of credit insurance and sales volumes vary, in total and seasonally. The forecasts take into account the aforementioned factors to an extent which the Directors consider to represent their best estimate of future events, based on the information that is available to them at the time of approval of these financial statements.

The Directors have also prepared a downside forecast which incorporates certain adverse sensitivities which while not expected still represent a reasonably possible scenario. In this forecast the Group still has sufficient financial resources to meet its obligations as they fall due and meets all covenant tests for the period of at least 12 months from the date these financial statements are approved.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the Directors continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies

Basis of consolidation

Subsidiaries
Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent Company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency of the operation by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss, except for differences on monetary assets and liabilities that form part of the Group’s net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in other comprehensive income.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the reporting date. Income and expenses are translated at average exchange rates for the period. The resulting exchange differences are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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 the fair value of the consideration receivable, deducting wholesale and any anticipated retail discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Sale of vehicles

Revenue from the sale of vehicles is recognised when the significant risks and rewards of ownership of the vehicles have passed to the buyer, which is normally considered to be at the point of despatch to the dealer, distributor or any other party for whom the Group acts as agent when the vehicles are adopted by the dealer, distributor or other party. When despatch is deferred at the formal request of the buyer, revenue is recognised when the vehicle is ready for despatch and a written request to hold the vehicle until a specified delivery date has been received. Vehicles are sold with a warranty. Revenue relating to this warranty service is recognised on despatch of the vehicle.

Sales of parts

Revenue from the sale of parts is generally recognised upon despatch to the dealer or any other party for whom the Group acts as agent. Where the dealer is Aston Martin Works Limited or Aston Martin Italy S.r.l, both indirect subsidiaries of Aston Martin Holdings (UK) Limited, revenue is recognised at the point of despatch to a buyer outside of the Group.

Servicing and restoration of vehicles and bodyshop sales

Income from servicing and restoration of vehicles and bodyshop sales is recognised as the services are completed.

Finance income

Finance income comprises interest receivable on funds invested calculated using the effective interest rate method, net interest income on the net defined benefit (liability) asset and gains on financial instruments that are recognised in profit or loss.

Finance expense

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, net interest expense on the net defined benefit (liability) asset, losses on financial instruments that are recognised in profit or loss and net losses on financial liabilities measured at amortised cost. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the Group’s operating cycle. Current assets also include assets classified as held for sale. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group’s operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Goodwill

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. The only cash generating unit of the Group is that of the Aston Martin Lagonda Group Limited business. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Purchased intellectual property

Purchased intellectual property that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. It is stated at cost less accumulated depreciation.

Brands

An acquired brand is only recognised in the statement of financial position as an intangible asset where it is supported by a registered trademark, is established in the market place, brand earnings are separately identifiable, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase price consideration of an acquired business between the underlying fair values of the tangible assets, goodwill, brands and other intangible assets acquired, using an income approach, the multi-period excess earnings methodology.

Development costs

Expenditure on internally developed intangible assets, excluding development costs, is taken to profit or loss in the year in which it is incurred. Expenditure relating to clearly defined and identifiable development projects is recognised as an intangible asset only after all the following criteria are met:

- the project’s technical feasibility and commercial viability can be demonstrated;
- the availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
- the correlation between development costs and future revenues has been established.

Technology

Patented and unpatented technology acquired in business combinations is valued using the cost approach. The value is determined using the substitution principle by adjusting the actual costs incurred by the loss due to obsolescence at the date of acquisition of Aston Martin Lagonda Group Limited. The obsolete element is determined by reference to the proportion of the product life cycle that had expired at the acquisition date.

Technology acquired from third parties is included at fair value.

Dealer network

The Group sells its vehicles exclusively through a network of franchised dealers. To the extent that the Group benefits from the network as its only means of distribution, the dealer network has been valued based on costs incurred by the Group.

Beneficial lease

Rent free lease options have been valued on the basis of the net present value of the market rental cashflows.

Amortisation

Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation of these capitalised costs begins on the date production commences. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in profit or loss, as follows:

	Years
Purchased intellectual property	5
Brands	Indefinite life
Development costs	Over the life of the model
Technology	10
Dealer network	20
Beneficial lease	10

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction are capitalised.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis to its residual value over its expected useful life as follows:

	Years
Freehold buildings	30
Plant, machinery, fixtures, fittings and tooling	3 to 30
Motor vehicles	5 to 9

Tooling is amortised over the life of the project.

Assets in the course of construction are included in their respective category, but are not depreciated until completion of the construction.

No depreciation is provided on freehold land.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in profit or loss in the period of derecognition.

Investments in subsidiaries

In its separate financial statements the Company recognises its investments in subsidiaries at cost. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of investment.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For goodwill and brands that have an infinite life and capitalised development costs not yet available for use, the recoverable amount is estimated annually or more frequently when there is an indication that the asset is impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

Impairment losses recognised on goodwill cannot be reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. For service and restoration projects, net realisable value is the price at which the project can be invoiced in the normal course of business after allowing for the costs of realisation. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials, service parts and spare parts – purchase cost on a first-in, first-out basis;
- Work in progress and finished vehicles – cost of direct materials and labour plus attributable overheads based on a normalised level of activity, excluding borrowing costs.

Provisions are made, on a specific basis, for obsolete, slow moving and defective stocks and if the cost of the service or restoration project cannot be fully recovered.

Leases

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Where consignment and deposit monies have been received from customers or dealers, these are included in trade and other payables and released to profit or loss on completion of the sale. The financial liability on deposits is derecognised when the entity does not have any obligation with respect to these deposits.

Derivative financial instruments

Derivative financial assets and liabilities are recognised on the statement of financial position at fair value when the Group becomes a party to the contractual provisions of the instrument. The Group uses derivative instruments to manage its exposure to foreign exchange risk arising from operating and financing activities. Movements in the fair value of foreign exchange derivatives are recognised in finance income or expense and realised gains and losses in cost of sales in the statement of comprehensive income, with movements in the fair value of interest rate derivatives taken through finance income or finance expense, as appropriate. A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial assets and liabilities

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets.

Trade and other receivables

Trade and other receivables are carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of the estimated future cash flows. Receivables are not discounted as the time value of money is not considered to be material.

Derivative financial assets

A derivative financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A derivative financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Trade and other payables

Trade and other payables are recognised and carried at their original invoiced value. Payables are not discounted to take into account the time value of money, as the effect is immaterial.

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Pensions

The Group operates a defined contribution pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The Group operates a defined benefit pension plan, which is contracted out of the state scheme. The Group's net obligation in respect of defined benefit plans is calculated for the plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, the interest on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit asset or liability, taking into account any changes in the net defined asset or liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service cost or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

Warranty and service plan provision

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, typically on despatch of a vehicle. Expected future cash flows are not discounted to present value as the effect is not material.

The Group provides for the estimated liability for all products under warranty and service plans. The provision is estimated based on past experience of the level of warranty claims settled and the cost of service plans.

Income taxes

Tax on the profit or loss for the period represents the sum of the tax currently payable and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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 substantively enacted by the reporting date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that 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.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends and distributions relating to equity instruments are debited direct to equity.

Critical accounting assumptions and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, which are described in this note, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- the point of capitalisation and amortisation of development costs; and
- the useful lives of tangible and intangible assets
- The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:
 - the measurement and impairment of indefinite life intangible assets (including goodwill);
 - the measurement of warranty liabilities; and
 - the measurement of defined benefit pension assets and obligations.

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate (see note 11).

The measurement of warranty liabilities has been estimated on past experience of the actual level of warranty claims received. Management establishes these estimates based on historical information on the nature, frequency and average cost of the warranty claims.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and suitable discount rates (see note 21).

The following new standards are not yet effective but could be relevant to the Group.

There were no significant new financial reporting standards adopted in 2016. The following standards and interpretations, which are not yet effective and not yet endorsed by the European Union and have not been early adopted by the Group, will be adopted in future accounting periods:

IFRS 9 Financial Instruments: In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to apply IFRS 9 initially on 1 January 2018.

The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future.

IFRS 15 Revenue from Contracts with Customers : IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 16 Leases: IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The introduction of IFRS 15, IFRS 9 and IFRS 16 will have a significant impact on reported results of the Group, although it is not currently possible to quantify the effect.

3. Revenue

<i>Group</i>		
	2016 £'000	2015 £'000
Analysis by category		
Sale of vehicles	528,974	457,404
Sale of parts	53,605	44,700
Servicing of vehicles	10,871	8,068
	593,450	510,172

4. Operating loss

<i>Group</i>		
The Group operating loss is stated after charging:		
	2016 £'000	2015 £'000
Depreciation of property, plant and equipment (note 12)	38,314	46,320
Amortisation of intangible assets (note 10)	94,858	73,157
Provision for the impairment of trade receivables (note 15)	(176)	352
Loss on sale of property, plant and equipment	22	54
Net foreign currency differences	4,091	3,204
Cost of inventories recognised as an expense	287,987	264,930
Write-down of inventories to net realisable value	1,453	964
Operating lease payments		
Land and buildings	2,898	2,818
Plant and machinery	1,842	1,615
Auditor's remuneration:		
Audit of these financial statements	15	15
Audit of financial statements of subsidiaries pursuant to legislation	150	121
Other services relating to taxation	266	366
All other services	373	147
Research and development expenditure recognised as an expense	10,858	10,570
Research and development expenditure is further analysed as follows:		
Total research and development expenditure	127,335	132,603
Capitalised research and development expenditure (note 10)	(116,477)	(122,033)
Research and development expenditure recognised as an expense	10,858	10,570

5. Non-recurring items

	2016 £'000	2015 £'000
Non-recurring operating expenses:		
Impairment of intangible and tangible assets (a)	(48,738)	(30,169)
Restructuring costs including related consultancy costs (b)	-	(7,547)
Payment to a former director relating to the settlement of shares (c)	-	(2,636)
Non-recurring items before tax	(48,738)	(40,352)
Tax on non-recurring items	-	-
Non-recurring items after tax	(48,738)	(40,352)

(a) In view of the launch of new models from 2016 onwards, the Group performed a review of the carrying value of its intangible and tangible assets which has resulted in an impairment charge.

(b) In October 2015 the Group announced a Business Rebalancing Programme to deliver significant efficiency and stability to the business, mostly affecting administrative and managerial positions as opposed to manufacturing operations. The charge to the income statement includes related consultancy costs.

(c) The Group made a contractual payment to a former director relating to the settlement of partly paid shares.

There is no tax effect on the non-recurring items in either year.

6. Staff costs and directors’ emoluments

Group		
	Year ended 31 December 2016	Year ended 31 December 2015
(a) Staff costs	£'000	£'000
Wages and salaries	77,297	75,766
Social security costs	8,141	7,641
Expenses related to post-employment defined benefit plan	9,042	9,717
Contributions to defined contribution plans	2,437	1,831
	96,917	94,955
During the year the Company had no employees or staff costs (2015: none).		
The average monthly number of employees during the years ended 31 December 2016 and 31 December 2015 were:		
By activity	2016	2015
Production	687	681
Selling and distribution	197	206
Administration	611	589
	1,495	1,476
(b) Directors’ emoluments and transactions		
	2016	2015
	£'000	£'000
Directors’ emoluments	3,876	3,498
None of the directors received any amounts under long term incentive plans.		
Highest paid director:		
Aggregate emoluments	2,976	2,598
Compensation of key management personnel (including directors)		
	2016	2015
	£'000	£'000
Short-term employee benefits	7,701	7,549
Post-employment benefits	544	615
	8,245	8,164
Compensation for loss of office payments included above amounted to £246,638 (2015: £18,563).		
All of the directors benefited from qualifying third party indemnity provisions.		

7. Finance income

Group		
	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000
Bank deposit and other interest income	2,224	2,090
Net gain on financial instruments recognised at fair value through profit or loss	360	-
Total finance income	2,584	2,090

8. Finance expense

Group		
	2016 £'000	2015 £'000
Bank loans and overdrafts	49,571	46,670
Net interest expense on the net defined benefit liability	3	277
Interest on preference shares classified as financial liabilities	29,124	10,838
Net loss on financial instruments recognised at fair value through profit or loss	26,737	6,850
Net foreign exchange loss	27,607	7,129
Total finance expense	133,042	71,764

9. Tax expense on continuing operations

Group			
	2016 £'000	2015 £'000	
<i>Current tax expense</i>			
UK corporation tax on profits	(93)	(47)	
Overseas tax	(643)	(430)	
Prior period movement	(21)	(16)	
Total current income tax	(757)	(493)	
<i>Deferred tax expense</i>			
Origination and reversal of temporary differences	13,840	15,388	
Effect of change in tax laws	2,145	6,004	
Prior period movement	(24)	100	
Total deferred tax	15,961	21,492	
Total tax credit	15,204	20,999	
(a) Tax relating to items charged in other comprehensive income			
Deferred tax			
Actuarial (losses)/gains on defined benefit pension plan	11,216	(1,278)	
(b) Reconciliation of the total tax charge			
The tax credit in the consolidated statement of comprehensive income for the year is lower than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are reconciled below:			
	2016 £'000	2015 £'000	
Loss from operations before taxation	(162,777)	(127,956)	
Loss on operations before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	20.00% (32,555)	20.25% (25,911)	
Difference to current tax credit due to effects of:			
Unrecognised tax losses	6,281	6,701	
Expenses not deductible for tax purposes	7,919	2,100	
Adjustments in respect of prior periods	45	(84)	
Effect of change in tax laws	5,136	(4,201)	
Pension movements taken to equity	(1,979)	160	
Other	(51)	236	
Total tax credit	(15,204)	(20,999)	

(c) Factors affecting future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2016 have been calculated based on these rates.

(d) Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

9. Tax expense on continuing operations (Continued)

	Assets 2016 £'000	Assets 2015 £'000	Liabilities 2016 £'000	Liabilities 2015 £'000
Property, plant and equipment	(285)	(33,819)	-	-
Intangible assets	-	-	42,603	85,959
Employee benefits	(11,861)	(890)	-	-
Provisions	(1,744)	(2,416)	-	-
Losses	(18,234)	(11,178)	-	-
Tax (assets)/liabilities	(32,124)	(48,303)	42,603	85,959
Set off of tax liabilities/(assets)	32,124	48,303	(32,124)	(48,303)
	1 January 2016 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2016 £'000
<i>Movement in deferred tax in 2016</i>				
Property, plant and equipment	(33,819)	33,534	-	(285)
Intangible assets	85,959	(43,356)	-	42,603
Employee benefits	(890)	245	(11,216)	(11,861)
Provisions	(2,416)	672	-	(1,744)
Losses	(11,178)	(7,056)	-	(18,234)
	37,656	(15,961)	(11,216)	10,479
	1 January 2015 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2015 £'000
<i>Movement in deferred tax in 2015</i>				
Property, plant and equipment	(27,102)	(6,717)	-	(33,819)
Intangible assets	101,894	(15,935)	-	85,959
Employee benefits	(2,481)	313	1,278	(890)
Provisions	(2,910)	494	-	(2,416)
Losses	(11,531)	353	-	(11,178)
	57,870	(21,492)	1,278	37,656

Deferred tax assets have not been recognised in respect of the following items:

	2016 £'000	2015 £'000
Tax losses	33,039	26,804

Deferred tax assets have not been recognised where it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

A deferred tax asset has been recognised in respect of losses in trading companies where future trading profits are foreseen.

10. Intangible assets

Group

	Brands	Technology	Dealer Network and Other	Deferred Development Cost	Goodwill	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015	242,600	101,302	48,591	378,016	85,436	855,945
Additions	-	-	2,616	122,033	-	124,649
Balance at 31 December 2015	242,600	101,302	51,207	500,049	85,436	980,594
Balance at 1 January 2016	242,600	101,302	51,207	500,049	85,436	980,594
Additions	-	-	8,031	116,477	-	124,508!
Disposals	-	(80,100)	-	-	-	(80,100)
Balance at 31 December 2016	242,600	21,202	59,238	616,526	85,436	1,025,002!
Amortisation						
Balance at 1 January 2015	-	60,743	28,880	140,317	200	230,140
Amortisation for the year	-	19,357	9,692	43,976	132	73,157
Balance at 31 December 2015	-	80,100	38,572	184,293	332	303,297
Balance at 1 January 2016	-	80,100	38,572	184,293	332	303,297
Amortisation for the year	-	471	9,345	84,910	132	94,858
Disposals	-	-	-	-	-	-
Disposals	-	(80,100)	-	-	-	(80,100)
Balance at 31 December 2016	-	471	47,917	269,203	464	318,055
Carrying Amounts						
At 1 January 2015	242,600	40,559	19,711	237,699	85,236	625,805
At 31 December 2015	242,600	21,202	12,635	315,756	85,104	677,297
At 1 January 2016	242,600	21,202	12,635	315,756	85,104	677,297
At 31 December 2016	242,600	20,731	11,321	347,323	84,972	706,947

The Brand identified above and valued through the acquisition of Aston Martin Lagonda Group Limited has been identified as having an indefinite life due to the long history and wide recognition of the brand which has meant it has not been possible to identify its future lifetime.

Dealer Network and Other intangible assets of £11,321,000 (2015: £12,635,000) include £8,018,000 (2015: £8,789,000) relating to the dealer network, £308,000 relating to Chinese distribution rights (2015: £1,535,000), £2,735,000 relating to software development (2015: £2,098,000) and £260,000 relating to other items (2015: £213,000).

Goodwill of £84,972,000 (2015: £85,104,000) relates to the following. £84,131,000 (2015: £84,131,000) arose on the acquisition of Aston Martin Lagonda Group Limited by Aston Martin Holdings (UK) Limited (via Aston Martin Investments Limited) in 2007. £215,000 (2015: £304,000) results from the acquisition of AMWS Limited, the parent company of Aston Martin Works Limited in 2014. £626,000 (2015: £669,000) results from a transfer in when Aston Martin Works Limited became part of the Group in 2014.

Amortisation in the year ended 31 December 2016 relates to the amortisation of the Goodwill on the acquisition of AMWS limited of £89,000 (2015: £89,000) and amortisation of the Goodwill within Aston Martin Works Limited of £43,000 (2015: £43,000).

There are no intangible assets in the Company.

11. Impairment testing of goodwill and other intangible fixed assets with indefinite useful lives

Group

Goodwill and brands acquired through business combinations have been allocated for impairment testing purposes to one cash generating unit – the Aston Martin Lagonda Group Limited business. This represents the lowest level within the Group at which goodwill and brands are monitored for internal purposes.

The Group tests the carrying value of goodwill and brands at the cash-generating unit level for impairment annually or more frequently if there are indications that goodwill or brands might be impaired. At the year-end reporting date, a review was undertaken on a value-in-use basis, assessing whether the carrying values of goodwill and brands were supported by the net present value of future cash flows derived from those assets.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

Cash flows were projected based on actual operating results and the four-year business plan. Beyond this, cash flows were extrapolated using a constant growth rate of 2% per annum. Key assumptions such as revenue, gross margin and fixed costs within the forecasts are based on past experience and current business strategy.

Discount rates are calculated using a weighted average cost of capital approach. They reflect the individual nature and specific risks relating to the business and the market in which it operates. The pre-tax discount rate used was 12.0%. An exchange rate of \$1.30/£ has been used in the forecast.

Sensitivity analysis

- the pre-tax discount rate would need to increase to 17.0% in order for the assets to become impaired
- the rate of growth of 2% per annum beyond the four-year plan would need to be a decline of 7.0% in order for the assets to become impaired
- the exchange rate would need to increase to \$2.47/£ (with all other currencies moving against the £ in line with the \$) in order for the assets to become impaired.

12. Property, plant and equipment

<i>Group</i>				
	Freehold land and buildings	Plant, machinery, fixtures, fittings and tooling	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000
Balance at 1 January 2015	68,145	307,293	888	376,326
Additions	-	38,517	-	38,517
Disposals	(23)	(184)	(50)	(257)
Effect of movements in exchange rates	(155)	(29)	(5)	(189)
Balance at 31 December 2015	67,967	345,597	833	414,397
Balance at 1 January 2016	67,967	345,597	833	414,397
Additions	24	68,256	-	68,280
Disposals	-	(267)	(150)	(417)
Effect of movements in exchange rates	461	256	18	735
Balance at 31 December 2016	68,452	413,842	701	482,995
Depreciation				
Balance at 1 January 2015	15,879	185,994	74	201,947
Charge for the year	2,305	43,990	25	46,320
Disposals	(9)	(101)	-	(110)
Effect of movements in exchange rates	(35)	(37)	(2)	(74)
Balance at 31 December 2015	18,140	229,846	97	248,083
Balance at 1 January 2016	18,140	229,846	97	248,083
Charge for the year	2,334	35,951	29	38,314
Disposals	-	-	-	-
Effect of movements in exchange rates	122	141	14	277
Balance at 31 December 2016	20,596	265,938	140	286,674
Carrying amounts				
At 1 January 2015	52,266	121,299	814	174,379
At 31 December 2015	49,827	115,751	736	166,314
At 1 January 2016	49,827	115,751	736	166,314
At 31 December 2016	47,856	147,904	561	196,321
As detailed in Note 18, property, plant and equipment above provides security for a fixed and floating charge in favour of the holders of the 9.25% Senior Secured Notes.				
Assets in the course of construction at a cost of £Nil (2015: £125,000) are included within land and buildings.				
Assets in the course of construction at a cost of £55,539,000 (2015: £20,113,000) are included within plant and machinery.				
Capital expenditure contracts to the value of £57,184,000 have been placed but not provided for as at 31 December 2016 (2015: £43,879,000).				
There was no property, plant and equipment in the Company (2015: £Nil).				

13. Investments

Investments in subsidiary undertakings			
<i>Company</i>			
Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of Business
Aston Martin Capital Limited * ◇	Ordinary	100%	Financing company holding the Senior Secured Notes
Aston Martin Investments Limited *	Ordinary	100%	Holding Company
Aston Martin Lagonda Group Limited **	Ordinary	100%	Holding Company
Aston Martin Lagonda of North America Incorporated ** ^	Ordinary	100%	Luxury sports car distributor
Lagonda Properties Limited **	Ordinary	100%	Dormant Company
Aston Martin Lagonda Pension Trustees Limited **	Ordinary	100%	Trustee of the Aston Martin Lagonda Limited Pension Scheme
Aston Martin Lagonda Limited**	Ordinary	100%	Manufacture and sale of luxury sports cars and the sale of parts
Aston Martin Lagonda of Europe GmbH ** >	Ordinary	100%	Provision of engineering and sales and marketing services
AML Overseas Services Limited **	Ordinary	100%	Dormant Company
Aston Martin Italy S.r.l ** <	Ordinary	100%	Sale and servicing of luxury sports cars and the sale of parts
AML Italy S.r.l **<	Ordinary	100%	Dormant Company
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd ** √	Ordinary	100%	Luxury sports car distributor
AM Nurburgring Racing Limited **	Ordinary	100%	Dormant Company
Aston Martin Japan GK ** <<	Ordinary	100%	Operator of the sales office in Japan and certain other countries in the Asia Pacific region
Aston Martin Lagonda – Asia Pacific PTE Limited ** >>	Ordinary	100%	Operator of the sales office in Singapore and certain other countries in the Asia Pacific region
AMWS Limited ** ◇	Ordinary	50%	Holding Company
Aston Martin Works Limited **	Ordinary	50%	Sale, servicing and restoration of Aston Martin cars
All subsidiaries are incorporated in England and Wales unless otherwise stated.			
◇ incorporated in Jersey			
^ incorporated in the United States of America			
> incorporated in Germany			
< incorporated in Italy			
<< incorporated in Japan			
>> incorporated in Singapore			
√ incorporated in the People's Republic of China			
* Held directly by Aston Martin Holdings (UK) Limited			
** Held indirectly by Aston Martin Holdings (UK) Limited			
			Shares in subsidiary undertakings
			£'000
Cost and carrying value			
1 January 2016			667,982
Additions			-
31 December 2016			667,982

14. Inventories

Group		
	2016	2015
	£'000	£'000
Service parts, spares and production stock	50,345	33,902
Work in progress	18,363	14,034
Finished cars and parts for resale	48,537	32,427
	117,245	80,363
Finished cars and parts for resale includes Group owned service vehicles at a net realisable value of £19,886,000 (31 December 2015 : £11,777,000). These are vehicles used by employees of the Group and are not retained by the Group for periods in excess of one year.		
There were no inventories in the Company (2015: £Nil).		

15. Trade and other receivables

Group and Company				
	Group 2016	Group 2015	Company 2016	Company 2015
Amounts included in current assets	£'000	£'000	£'000	£'000
Trade receivables	90,979	47,227	-	-
Owed by Group undertakings (see note 27)	-	-	231,083	160,566
Owed by related parties (see note 27)	466	-	-	-
Other receivables including taxation	16,833	16,630	-	-
Prepayments	4,479	5,256	355	667
	112,757	69,113	231,438	161,233
Amounts included in non-current assets				
Other receivables	2,309	2,169	-	-

Trade receivables and other receivables are non-interest bearing and generally have terms between 10 and 30 days, with amounts financed through the trade finance facility with Standard Chartered Bank plc (see below) having terms between 30 and 60 days. Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

The majority of the Group's receivables are derived from sales to franchised dealers who are appointed by the Group. The receivables are supported by credit risk insurance and the credit limit for each franchised dealer is set by the Insurance company in consultation with the Group. Credit risk is discussed further in note 18.

All financed vehicle sales are made directly to third-party Aston Martin franchised dealers, and a large proportion are financed through a £125,000,000 trade finance facility with Standard Chartered Bank plc with an associated credit insurance policy.

The Group has entered into a financing agreement with Standard Chartered Bank plc, whereby Standard Chartered Bank plc advance to the Group the sales value of vehicles which have been despatched upon receipt of transportation documentation. Substantially all of the risks of the associated receivables reside with Standard Chartered Bank plc, and therefore the financing arrangement is treated as off-balance sheet. The utilisation of the facility at 31 December 2016 is £120,948,000 (2015: £84,415,000).

The carrying amount of trade and other receivables (excluding prepayments) are denominated in the following currencies:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Sterling	46,385	37,963	231,438	160,566
Chinese Renminbi	14,921	8,207	-	-
Euro	9,698	1,887	-	-
US Dollar	32,229	12,565	-	-
Other	7,354	5,404	-	-
	110,587	66,026	231,438	160,566

Provision for impairment of receivables

15. Trade and other receivables (continued)

Trade receivables with a value of £162,000 were impaired in the Group at 31 December 2016 (31 December 2015: £428,000). Management review trade receivables on an individual account basis and make provision where recoverability is doubtful.

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
At 1 January	428	331	-	-
(Credit)/charge for the year	(176)	352	-	-
Utilised	(119)	(19)	-	-
Effect of movements in exchange rates	29	(236)	-	-
At 31 December	162	428	-	-

As at 31 December 2016, trade receivables of £14,397,000 were overdue but not impaired (31 December 2015: £13,134,000).

The ageing analysis of these trade receivables is as follows:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Up to 3 months overdue	10,872	9,716	-	-
3 to 6 months overdue	2,301	2,862	-	-
Over 6 months overdue	1,224	556	-	-
Total	14,397	13,134	-	-

There were no impairments in the Company in either year.

16. Cash and cash equivalents

Group and Company				
	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash at bank and in hand	101,718	65,562	1	1

Cash at bank earns interest at floating rates based on daily bank deposit rates. The book value of cash and cash equivalents approximates to their fair value.

Cash is held in the following currencies; those held in currencies other than Sterling have been converted into Sterling at year end exchange rates:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Sterling	31,682	16,986	1	1
Chinese Renminbi	29,316	12,783	-	-
Euro	22,202	20,427	-	-
US Dollar	13,484	10,025	-	-
Other	5,034	5,341	-	-
	101,718	65,562	1	1

17. Trade and other payables

Current trade and other payables – Group and Company

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade payables	93,137	63,633	–	-
Due to Group undertakings (see note 27)	-	–	150,215	178,192
Due to related parties (see note 27)	1,690	483	–	–
Accruals and other payables	246,066	116,177	1,019	988
	340,893	180,293	151,234	179,180

Trade payables are non-interest bearing and it is the Group's policy to pay within the stated terms which vary from 14 to 60 days.

Trade and other payables are held at amortised cost and their amortised cash flows are expected to mature within 12 months of the year end.

18. Financial Instruments

Group and Company

The Group's principal financial instruments comprise Senior Secured Notes, Senior Subordinated PIK notes, Preference Shares, a Revolving Credit Facility, inventory financing facilities, cash and forward currency contracts. The Group also has trade payables and trade receivables, which arise directly from its operations. These short term assets and liabilities are included in the currency risk disclosure.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk as shown below. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

The Board of Directors oversees how management monitor compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

The Group sells vehicles through a dedicated dealer network. Dealers outside of North America are required to pay for vehicles in advance of their despatch or use the wholesale financing scheme with Standard Chartered Bank plc (see Liquidity risk). Dealers within North America are allowed ten-day credit terms from the date of invoice or can use the wholesale financing scheme. Standard Chartered Bank plc has substantially all of the risk associated with the wholesale financing scheme and in addition all vehicle sales on the wholesale financing scheme are covered by credit risk insurance, which means that a third party bears substantially all the credit risk associated with dealers using the wholesale finance scheme. In exceptional circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell vehicles to the dealer outside of the credit risk insurance policy or on deferred payment terms. Parts sales, which represent a smaller element of total revenue, are made to dealers on 30-day credit terms. Service receivables are due for payment on collection of the vehicle.

Interest rate risk

The Group uses a wholesale financing scheme to fund certain vehicle receivables and also places surplus cash funds on deposit. These arrangements attract interest at a rate that varies depending on LIBOR.

The Group has entered into a number of arrangements to finance Group inventory and the order pipeline between Aston Martin Lagonda Limited and Aston Martin Lagonda (China) Automobile Distribution Co., Ltd. Total borrowings on these facilities at 31 December 2016 were £5.2m (2015: £16.6m). The interest rate charged on each of these facilities is determined when the borrowings are made. The borrowings are made for periods not in excess of six months. The interest rates charged on the inventory financing are based on LIBOR. The interest rates charged on the order pipeline financing are the rates charged by the Chinese banks.

18. Financial Instruments (continued)

Borrowings

The following table analyses borrowings:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'00
Current				
Bank loans and overdrafts	5,153	16,597	-	-
Non current				
Senior Secured Notes	301,679	300,042	-	-
Senior Subordinated PIK Notes	176,417	133,796	176,417	133,796
Preference Shares	217,969	98,265	217,969	98,265
Total non current borrowings	696,065	532,103	394,386	232,061
Total borrowings	701,218	548,700	394,386	232,061

In June 2011, the Group issued £304,000,000 of 9.25% Senior Secured Notes repayable in July 2018. The Senior Secured Notes are quoted on the Luxembourg Stock Exchange. The interest rate payable on the Senior Secured Notes is fixed at 9.25% per annum until the repayment date.

As described in accounting policies, borrowings are initially recognised at fair value less attributable transaction costs. Subject to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis.

The Senior Secured Notes above are secured by fixed and floating charges over certain assets of the Group.

Attached to the Senior Secured Notes is a £40,000,000 Revolving Credit Facility which was undrawn at 31 December 2016 and 31 December 2015. The Group has entered into a number of arrangements to finance Group inventory and the order pipeline between Aston Martin Lagonda Limited and Aston Martin Lagonda (China) Automobile Distribution Co., Ltd. Total borrowings on these facilities at 31 December 2016 were £5,153,000 (year ended 31 December 2015: £16,597,000).

In March 2014 the Group issued \$165,000,000 (£99,620,000) of Senior Subordinated PIK Notes which are repayable in July 2018. The interest rate payable on the Senior Secured PIK notes is 10.25% per annum. Interest is charged semi-annually in arrears, on January 15th and July 15th of each year. Interest charged increases the principal amount of the Senior Subordinated PIK Notes and is payable on repayment of the Senior Subordinated PIK Notes in July 2018.

In both April 2015 and April 2016 the Group issued £100,000,000 of Preference Shares which are redeemable in April 2025. The Preference Shares are initially recognised at fair value at the date of issue which is the same as the par value of the Preference Shares (£200,000,000). The rate of interest on the Group's redeemable cumulative Preference Shares is 15% per annum and is payable on the redemption of the shares.

Borrowing costs of £Nil (2015: £4,246,000) have been capitalised during the year ended 31 December 2016. This includes £Nil (2015: £3,536,000) relating to the issue of the Preference Shares.

Interest rate risks – sensitivity

In June 2011 the Group issued £304,000,000 of 9.25% Senior Secured Notes repayable in July 2018. As the Senior Secured Notes attract a fixed rate of interest there is no interest rate risk attached to them. Attached to the Senior Secured Notes is a £40,000,000 Revolving Credit Facility which was undrawn at 31 December 2016 and 31 December 2015.

The Group has entered into a number of arrangements to finance Group inventory and the order pipeline between Aston Martin Lagonda Limited and Aston Martin Lagonda (China) Automobile Distribution Co., Ltd. Total borrowings on these facilities at 31 December 2016 were £5,153,000 (2015 : £16,597,000). The interest rate charged on each of these facilities is determined when the borrowings are made. The borrowings are made for periods not in excess of six months.

In March 2014 the Group issued \$165,000,000 (£99,620,000) of Senior Subordinated PIK Notes which are repayable in July 2018. The interest rate payable on the Senior Secured PIK notes is fixed at 10.25% per annum.

In both April 2015 and April 2016 the Group issued £100,000,000 of Preference Shares (£200,000,000 in total) which are redeemable in April 2025.

The £304,000,000 9.25% Senior Secured Notes are at a fixed interest rate of 9.25% per annum. The Senior Subordinated PIK notes are at a fixed interest rate of 10.25% per annum. The redeemable cumulative Preference Shares are at a fixed interest rate of 15% per annum. Any interest rate payable on the Revolving Credit Facility is determined at the time of drawing the facility. Therefore, the Group has no sensitivity to an increase in interest rates based on the borrowings at either year end.

Foreign currency risk management

In addition to the functional currency (Sterling), the Group buys and sells in other currencies. The Group manages the movement of funds via individual bank accounts relating to each currency, thereby reducing its exposure to exchange rate fluctuations. The Group may from time-to-time use derivative financial instruments to manage exchange rate risk where it has a significant exposure in a foreign currency. At both year ends the Group had derivative instruments in several currencies, in the form of forward exchange contracts.

18. Financial Instruments (continued)

Foreign currency exposure

The Group’s sterling equivalents of financial assets and liabilities denominated in foreign currencies at 31 December 2016 and 31 December 2015 were:

	Euros £’000	US Dollars £’000	Chinese Renminbi £’000	Other £’000	Total £’000
At 31 December 2016					
Financial assets					
Trade and other receivables	9,698	32,229	14,921	7,354	64,202
Foreign exchange contracts	-	-	-	360	360
Cash balances	22,202	13,484	29,316	5,034	70,036
	31,900	45,713	44,237	12,748	134,598
Financial liabilities					
Trade and other payables	(63,689)	(21,361)	(17,515)	(4,734)	(107,299)
Foreign exchange contracts	-	(25,981)	-	(2,276)	(28,257)
	(63,689)	(47,342)	(17,515)	(7,010)	(135,556)
Net balance sheet exposure	(31,789)	(1,629)	26,722	5,738	(958)
	Euros £’000	US Dollars £’000	Chinese Renminbi £’000	Other £’000	Other £’000
At 31 December 2015					
Financial assets					
Trade and other receivables	1,887	12,565	8,207	5,404	28,063
Foreign exchange contracts	-	115	-	-	115
Cash balances	20,427	10,025	12,783	5,341	48,576
	22,314	22,705	20,990	10,745	76,754
Financial liabilities					
Trade and other payables	(13,979)	(3,921)	(8,978)	(2,722)	(29,600)
Foreign exchange contracts	-	(9,784)	-	-	(9,784)
	(13,979)	(13,705)	(8,978)	(2,722)	(39,384)
Net balance sheet exposure	8,335	9,000	12,012	8,023	37,370

The following significant exchange rates applied:

	Average Rate 2016	Average Rate 2015	Reporting date spot rate 2016	Reporting date spot rate 2015
Euro	1.2443	1.3598	1.1715	1.3568
Chinese Renminbi	9.1285	9.5647	8.5872	9.6820
US Dollar	1.3868	1.5328	1.2357	1.4739

Currency risk – sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rates, with all other variables held constant, of the Group’s loss after tax (due to changes in the fair value of monetary assets and liabilities):

	(Increase)/ decrease in USD rate	Effect on profit after tax 2016 £’000	Effect on profit after tax 2015 £’000
US Dollar	Five per cent	(7,692)	(4,401)
The Company trades almost entirely in Sterling and therefore has no other significant foreign currency risk.			

18. Financial Instruments (continued)

Liquidity risk

The Group seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group uses a wholesale financing scheme to finance certain vehicle sales on despatch of the vehicle. At 31 December 2016, £120,948,000 (2015: £84,415,000) had been received against sales invoices. The wholesale finance scheme and the credit insurance supporting the facility have been renewed for a further two year period to August 2018.

In June 2011 the Group issued £304,000,000 of 9.25% Senior Secured Notes repayable in July 2018. The Group also has access to a £40,000,000 revolving credit facility until 2018 which was undrawn at 31 December 2016 and 31 December 2015.

The Group also has facilities to finance certain of its inventories and the order pipeline between Aston Martin Lagonda Limited and Aston Martin Lagonda (China) Automobile Distribution Co., Ltd. The total size of these facilities at 31 December 2016 is £26,800,000 (2015: £23,506,000). The utilisation of these facilities at 31 December 2016 is £5,153,000 (2015: £16,597,000).

In March 2014, the Company issued Senior Subordinated PIK notes with a value of 165,000,000 US dollars (£: 99,620,000) due for repayment in July 2018.

On 22 April 2015, the Company accepted binding subscriptions for £200,000,000 of preference shares. The first tranche of £100,000,000 was received on 27 April 2015 and the second tranche of £100,000,000 was drawn in April 2016. These subscriptions also included warrants for a pro rata allocation of P shares (non voting ordinary shares) corresponding to 4% of the current fully diluted share capital of the company.

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2016 based on contractual undiscounted payments:

	On demand £’000	Less than 3 months £’000	3 to 12 months £’000	1 to 5 years £’000	>5 years £’000	Contractual Cash Flows Total £’000
Non-derivative financial liabilities						
Bank loans and overdrafts	-	1,302	3,973	-	-	5,275
Senior Secured Notes	-	14,060	14,060	332,120	-	360,240
Senior Subordinated PIK Notes	-	-	-	206,029	-	206,029
Preference Shares	-	-	-	-	756,343	756,343
Trade and other payables	-	340,893	-	-	-	340,893

Derivative financial liabilities						
Forward exchange contracts	-	3,655	14,991	9,611	-	28,257
	-	359,910	33,024	547,760	756,343	1,697,037

Included in the table above in respect of the Group are interest bearing loans and borrowings at a carrying value of £701,128,000.

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2015 based on contractual undiscounted payments:

	On demand £’000	Less than 3 months £’000 s	3 to 12 months £’000	1 to 5 years £’000	>5 years £’000	Contractual Cash Flows Total £’000
Non-derivative financial liabilities						
Bank loans and overdrafts	-	8,804	8,003	-	-	16,807
Senior Secured Notes	-	14,060	14,060	360,240	-	388,360
Senior Subordinated PIK Notes	-	-	-	172,733	-	172,733
Preference Shares	-	-	-	-	404,556	404,556
Trade and other payables	483	179,810	-	-	-	180,293

Derivative financial liabilities						
Forward exchange contracts	-	2,070	6,130	1,584	-	9,784
	483	204,744	28,193	534,557	404,556	1,172,533

Included in the table above in respect of the Group are interest bearing loans and borrowings at a carrying value of £548,700,000.

18. Financial Instruments (continued)

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2016 based on contractual undiscounted payments.

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Contractual Cash Flows Total £'000
Non-derivative financial liabilities						
Senior Subordinated PIK Notes	-	-	-	206,029	-	206,029
Preference Shares	-	-	-	-	756,343	756,343
Trade and other payables	150,215	1,019	-	-	-	151,234
	150,215	1,019	-	206,029	756,343	1,113,606

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2015 based on contractual undiscounted payments.

	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	>5 years £'000	Contractual Cash Flows Total £'000
Non-derivative financial liabilities						
Senior Subordinated PIK Notes	-	-	-	172,733	-	172,733
Preference Shares	-	-	-	-	404,556	404,556
Trade and other payables	178,192	988	-	-	-	179,180
	178,192	988	-	172,733	404,556	756,469

Estimation of fair values

Forward currency contracts are carried at fair value. These are valued using pricing models and discounted cash flow techniques based on the assumptions provided by Standard Chartered Bank plc.

The 9.25% Senior Secured Notes, which were issued in 2011, are valued at amortised cost. The fair value of the 9.25% Senior Secured Notes is determined by reference to the quoted price at 31 December. The 9.25% Senior Secured Notes are quoted on the Luxembourg Stock Exchange (Bourse de Luxembourg). On 31 December 2016, the fair value of the Senior Secured Notes was £311,600,000 (2015: £304,000,000). At 31 December 2016 the effective interest rate on the Senior Secured Notes is 10.25 % (2015: 10.25%).

For all other receivables and payables, the carrying amount is deemed to reflect the fair value.

Under IFRS 7, such assets and liabilities are classified by the way in which their fair value is calculated. The interest bearing loans and borrowings are considered to be level 1 liabilities. All remaining financial assets and liabilities are considered to be level 2 assets and liabilities. IFRS 7 defines level 2 assets and liabilities as inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain the future development of the business. Given this, the objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The capital structure of the Group consists of debt which includes the borrowings disclosed in this note, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital and reserves as disclosed in notes 22 and 23 and the consolidated statements of changes in equity. No changes were made in the objectives, policies or processes during either year.

19. Obligations under leases

Group		
The Group has entered into commercial leases on certain properties and items of machinery. The leases have a duration of between 1 and 8 years.		
Future minimum rentals payable under non-cancellable operating leases are as follows:		
	2016 £'000	2015 £'000
Not later than one year	5,722	4,054
After one year but not more than five years	15,563	9,618
More than five years	17,781	6,322
	39,066	19,994
None of the leases contain any contingent rents.		
There were no obligations under leases in the Company (2015: £Nil)		

20. Provisions for liabilities and charges

Group	
	Warranty and Service Plans 2016 £'000
At the beginning of the year	14,579
Additions	12,075
Utilisation	(13,364)
Effect of movements in exchange rates	411
At the end of the year	13,701
Analysed as:	
Current	7,631
Non-current	6,070
	13,701

The warranty and service plans provision represents costs provided for in respect of the Group's warranty scheme. A provision of £13,701,000 (2015: £14,579,000) has been recognised for expected claims based on past experience of the level of actual warranty claims received, and is expected to be substantially utilised within the next three years. There are no provisions for liabilities and charges in the Company.

21. Pension obligations

Group

Defined contribution scheme

The Group opened a defined contribution scheme in June 2011. The total expense relating to this scheme in the current year was £2,437,000 (2015: £1,831,000). Outstanding contributions at the year end were £240,000 (2015: £178,000).

Defined benefit scheme

The Group operates a defined benefit pension scheme providing benefits based on final pensionable salary. The scheme was closed to new entrants on 31 May 2011. The benefits of the existing members are not affected by the closure of the scheme. A defined contribution scheme is available to new employees from this date. The scheme assets are invested with Standard Life Pension Limited, Legal & General Assurance, MFS International (UK) Limited, Eaton Vance Management (International) Limited, Morgan Stanley Investment Management Limited and Majedie Asset Management and the scheme is administered by Buck Consultants (Administration & Investment) Limited. The assets of the scheme are held separately from those of the Group.

The pension scheme operates under the regulatory framework of the Pensions Act 2004.

The Trustee has the primary responsibility for governance of the Scheme. Benefit payments are from Trustee-administered funds and scheme assets are held in a Trust which is governed by UK regulation. Responsibility for governance of the scheme lies mainly with the Trustee. The Trustee is comprised of representatives of the Group and members of the scheme.

The pension scheme exposes the Group to the following risks:

Asset volatility – the scheme’s Statement of Investment Principles targets 55% return-enhancing assets and 45% risk-reducing assets. The Trustee monitors the appropriateness of the scheme’s investment strategy, in consultation with the Group, on an on-going basis.

Inflation risk – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

Longevity – increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the scheme’s liabilities.

There have been no scheme amendments or settlements during either the years ended 31 December 2016 or 31 December 2015. There have been no curtailment events in the year ended 31 December 2016 which have resulted in a past service credit to the scheme (2015 : £287,000).

The projected unit method has been used to determine the liabilities.

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the scheme had an effective date of 6 April 2014. The assumptions that make the most significant effect on the valuation are those relating to the rate of return on investments, the rate of increase in salaries and pensions and expected longevity. It was assumed that the pre retirement investment return would be 5.0% per annum and the post retirement return 3.85% and that salary increases would average 3.5% per annum for the first calendar year starting on 1 January 2014 and 4.05% thereafter.

At the 6 April 2014 actuarial valuation, the actuarial value of the scheme assets was £178,667,000, sufficient to cover 102% of the benefits which had accrued to members, after allowing for the expected future increases in earnings.

Following the latest actuarial valuation of the scheme on 6 April 2014, contributions increased from 15.5% to 22.5% for the Group where the active member does not participate in the salary sacrifice scheme. For active members participating in the salary sacrifice scheme, employees make no contributions and the Group contribution is 29%.

The latest actuarial valuation on 6 April 2014 showed a surplus in the scheme of £3,447,000. Although the scheme was in surplus at this date, in the light of a deterioration in the funding position subsequently, the Group has agreed to maintain the recovery plan contributions agreed at the 6 April 2011 valuation of £2,750,000 per annum through to 6 April 2021. Estimated Group contributions for the year ending 31 December 2017 are £9,903,000.

Assumptions

A full actuarial valuation was carried out at 6 April 2014 by a qualified independent actuary. This valuation has been updated by an independent qualified actuary to both 31 December 2015 and 31 December 2016 in accordance with IAS 19R. The next actuarial valuation is due at 6 April 2017.

The principal assumptions used by the actuary were:

	31 December 2016	31 December 2015
Discount rate	2.70%	3.95%
Rate of increase in salaries (see below)	3.40%	3.20%
Rate of revaluation in deferment	2.40%	2.20%
Rate of increase in pensions in payment attracting LPI	3.20%	3.10%
Expected return on scheme assets	2.70%	3.95%
RPI Inflation assumption	3.40%	3.20%
CPI Inflation assumption	2.40%	2.20%

21. Pension obligations (continued)

The salary escalation assumption applies after 2021. The salary assumption increase for 2016-2021 is 3% per annum. The salary increase of 3.4% in the table above applies after 2021.

The Group’s inflation assumption reflects its long-term expectations and has not been amended for short-term variability. The post mortality assumptions allow for expected increases in longevity. The ‘current’ disclosures below relate to assumptions based on the longevity (in years) following retirement at each reporting date, with ‘future’ being that relating to an employee retiring in 2036 (2016 assumptions) or 2035 (2015 assumptions).

Projected life expectancy from age 65				
	‘Future’ Currently aged 45 2016	‘Current’ Currently aged 65 2016	‘Future’ Currently aged 45 2015	‘Current’ Currently aged 65 2015
Male	24.4	22.8	23.6	22.3
Female	28.0	26.1	27.6	26.1
	Years			
Duration of the liabilities in years as at 31 December 2016	28			
Duration of the liabilities in years as at 31 December 2015	27			

The following table provides information on the composition and fair value of the assets of the Scheme:

Asset Class	31 December 2016	31 December 2016	31 December 2016	31 December 2015	31 December 2015	31 December 2015
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	£’000	£’000	£’000	£’000	£’000	£’000
UK Equities	41,024	-	41,024	31,968	-	31,968
Overseas Equities	44,817	-	44,817	34,946	-	34,946
Property	-	22,084	22,084	-	21,710	21,710
Index linked gilts	55,927	-	55,927	43,918	-	43,918
Corporate bonds	-	52,318	52,318	-	43,172	43,172
Diversified alternatives	-	22,537	22,537	-	18,907	18,907
High yield bonds	-	10,945	10,945	-	9,715	9,715
Cash	1,326	-	1,326	1,856	-	1,856
Insurance policies	-	2,788	2,788	-	2,051	2,051
Total	143,094	110,672	253,766	112,688	95,555	208,243

	31 December 2016 £’000	31 December 2015 £’000
Total fair value of scheme assets	253,766	208,243
Present value of funded obligations	(323,535)	(213,190)
Liability recognised in the statement of financial position	(69,769)	(4,947)

	31 December 2016 £’000	31 December 2015 £’000
Amounts recognised in the income statement		
Amounts (charged)/credited to operating loss:		
Current service cost	(9,042)	(10,004)
Past service cost	-	287
	(9,042)	(9,717)

Amounts charged to finance expense:		
Net interest income on the net defined liability	(3)	(277)
Total expense recognised in the Income Statement	(9,045)	(9,994)

21. Pension obligations (continued)

Changes in present value of the defined benefit pensions obligations are analysed as follows:		
	Year ended 31 December 2016	Year ended 31 December 2015
At the beginning of the year	(213,190)	(212,698)
Current service cost	(9,042)	(10,004)
Past service cost	-	287
Employee contributions	(32)	(37)
Interest cost	(8,342)	(7,807)
Experience losses	(344)	(436)
Actuarial (losses)/gains arising from changes in financial assumptions	(97,205)	13,642
Disbursements	4,413	3,863
Actuarial gains arising from changes in demographic assumptions	207	-
Obligation at the end of the year	(323,535)	(213,190)
Changes in the fair value of plan assets are analysed as follows:		
	Year ended 31 December 2016	Year ended 31 December 2015
At the beginning of the year	208,243	200,294
Interest on assets	8,339	7,530
Employer contributions	10,198	10,350
Contributions by employees	32	37
Return on scheme assets excluding interest income	31,367	(6,105)
Benefits paid	(4,413)	(3,863)
Fair value at the end of the year	253,766	208,243
	Year ended 31 December 2016	Year ended 31 December 2015
Actual return on scheme assets	39,706	1,425
Analysis of amounts recognised in the statement of financial position:		
Liability at the beginning of the year	(4,947)	(12,404)
Net expense recognised in the statement of comprehensive income	(9,045)	(9,994)
Employer contributions	10,198	10,350
Actuarial (loss) / gain recognised in other comprehensive income	(65,975)	7,101
Liability recognised in the statement of financial position at the end of the year	(69,769)	(4,947)
	Year ended 31 December 2016	Year ended 31 December 2015
Analysis of amount taken to other comprehensive income:		
Return on assets greater than the discount rate	31,367	(6,105)
Experience losses arising on funded obligations	(344)	(436)
(Losses)/gains arising due to changes in financial assumptions underlying the present value of funded obligations	(97,205)	13,642
Gain arising due to changes in demographic assumptions	207	-
Amount recognised in other comprehensive income	(65,975)	7,101

21. Pension obligations (continued)

	Change in assumption	Present value of benefit obligations	Present value of benefit obligations
		At 31 December 2016	At 31 December 2015
		£'000	£'000
Discount rate	Decrease by 0.25%	346,862	227,257
Rate of inflation *	Increase by 0.25%	340,537	221,754
Life expectancy increased by approximately one year	Increase by one year	335,825	219,759
* Applies to the Retail Prices Index and the Consumer Prices index inflation assumptions. The assumption is that the salary increase assumption will also increase by 0.4% per annum after 2020/21.			
The projected unit method has been applied when calculating these defined benefit obligations.			
Funding levels are monitored on a regular basis by the Trustee and the Group to ensure the security of member's benefits. The next triennial valuation as at 6 April 2017 is due to be completed by June 2018 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.			
		Year ended 31 December 2016	Year ended 31 December 2015
Expected future benefit payments		£'000s	£'000s
Year 1 (2017/2016)		2,478	2,235
Year 2 (2018/2017)		2,543	2,044
Year 3 (2019/2018)		2,868	2,541
Year 4 (2020/2019)		3,073	2,848
Year 5 (2021/2020)		3,393	3,049
Years 6 to 10 (2021 to 2025)		-	25,048
Years 6 to 10 (2022 to 2026)		29,081	-
History of scheme experience			
		Year ended 31 December 2016	Year ended 31 December 2015
Present value of the scheme liabilities		(323,535)	(213,190)
Fair value of the scheme assets		253,766	208,243
Deficit in the scheme before taking into account the effect of Paragraph 64 of IAS19.		(69,769)	(4,947)
Experience gains/(losses) on scheme assets		31,367	(6,105)
Percentage of scheme assets		12.4%	(2.9)%
Experience losses on scheme liabilities		(344)	(436)
Percentage of the present value of the scheme liabilities		(0.1)%	(0.2)%
Total amount recognised in other comprehensive income		(65,975)	7,101
Percentage of the present value of the scheme liabilities		20.4%	(3.3)%

22. Share capital

Group and Company		
	2016	2015
Allotted, called up and fully paid	£'000	£'000
3,069,085 ordinary shares of £0.001 each (2015: 3,069,085 ordinary shares of £0.001 each)	3	3
162,521 D shares of £0.001 each (2015: 162,521)	-	-
	3	3
	2016	2015
	£'000	£'000
Shares classified as liabilities	-	-
Shares classified as shareholders' funds	3	3
	3	3

In April 2014 a further 76,180 ordinary shares were issued to Prestige Motor Holdings S.A, which is controlled by Investindustrial V L.P., for a consideration of £3,750,000, as part of the share subscription agreement dated 5 December 2012.

In September 2014, 33,650 additional D shares were issued to Daimler AG for a consideration of £33.65, giving Aston Martin Holdings (UK) Limited and its subsidiaries access to certain technologies for use in its next generation of vehicles.

Further shares or cash will be issued to Prestige Motor Holdings S.A. in 2017 dependent upon the deficit of the defined benefit pension scheme over the four-year period to June 2017.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The holders of the D shares are entitled to receive dividends as declared from time to time but are not entitled to vote at meetings of the Company.

23. Reserves

Share premium – The share premium of £368,818,000 represents the following transactions.

£291,512,000 represents the difference between the par value of the share capital issued between 1 June 2007 and 31 December 2009 and the amount subscribed for the shares.

In June 2011 the board of directors approved a reduction of capital whereby £100,000,000 of the share premium account was transferred to retained earnings in order to create distributable reserves within Aston Martin Holdings (UK) Limited (the parent company of the Group) to enable both the redemption of preference shares and the payment of a dividend.

In April 2013, shares were issued to Prestige Motor Holdings S.A., which is controlled by Investindustrial V L.P., for a consideration of £150,000,000 with a par value of £1,000, resulting in a share premium of £149,999,000.

In December 2013, shares were issued to Daimler AG, for nominal consideration and a share premium of £16,785,000.

In April 2014, shares were issued to Prestige Holdings S.A., which is controlled by Investindustrial V L.P., for a nominal consideration and a share premium of £3,750,000 as part of the same share subscription agreement dated 5 December 2012.

In September 2014, shares were issued to Daimler AG, for a nominal consideration and a share premium of £4,417,000.

In April 2015, the Group received settlement for the balance due on partly paid shares which gave rise to a share premium of £2,355,000.

Share warrants – The share warrants of £18,462,000 arose as follows. In both April 2015 and April 2016, the Group issued £100,000,000 of preference shares. The subscriptions included warrants for a pro rata allocation of P shares (non-voting ordinary shares) corresponding to 4% of the fully diluted share capital of the Company with a fair value of £9,043,000 in April 2015 and £9,419,000 at April 2016.

Capital reserve – The capital reserve of £94,064,000 arose as follows. In the year ended December 2008 there was a capital contribution from the Company's existing shareholders of £39,069,000 plus the share based payment charge of £5,495,000 on the valuation of the shares and options granted to Mr. David Richards and Dr. Ulrich Bez in relation to the services provided by them in connection with the acquisition of the Aston Martin Lagonda Group (see note 25).

In June 2011, the group redeemed £48,400,000 of preference shares and transferred an equivalent amount from retained earnings to a capital redemption reserve.

In April 2014 the Group acquired a 50% controlling interest in AMWS Limited, the parent company of Aston Martin Works Limited. The increase in the capital reserve of £1,100,000 represents the difference between the consideration paid on acquisition and the fair value of the disposal of the 40% interest in AMWS Limited which the Group owned at the date of acquisition.

Translation reserve – The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

24. Additional cash flow information

Group					
Analysis of Group net debt					
Year ended 31 December 2016					
	1 January 2016	Cash flow	Exchange differences	Non-cash movements	31 December 2016
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	65,562	27,991	8,165	-	101,718
Bank loans and overdrafts	(16,597)	13,787	(2,343)	-	(5,153)
Senior Secured Notes	(300,042)	-	-	(1,637)	(301,679)
Senior Subordinated PIK notes	(133,796)	-	(27,607)	(15,014)	(176,417)
Preference Shares	(98,265)	(100,000)	-	(19,704)	(217,969)
	(483,138)	(58,222)	(21,785)	(36,355)	(599,500)

Year ended 31 December 2015					
	1 January 2015	Cash flow	Exchange differences	Non-cash movements	31 December 2015
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	89,250	(22,939)	(749)	-	65,562
Bank loans and overdrafts	(19,808)	3,751	(540)	-	(16,597)
Senior Secured Notes	(298,403)	-	-	(1,639)	(300,042)
Senior Subordinated PIK notes	(114,195)	-	(7,129)	(12,472)	(133,796)
Preference Shares	-	(96,464)	-	(1,801)	(98,265)
	(343,156)	(115,652)	(8,418)	(15,912)	(483,138)

25. Share based payments

The Company has two share option schemes in operation; a Revenue and Customs approved scheme and an unapproved scheme. Both schemes have no vesting conditions and are equity-settled. The earliest exercise date of both schemes is 18 October 2007. The approved scheme has no expiry date and the unapproved scheme has an expiry date of 18 October 2027.

Movements in share options				
	Approved Scheme 2016	Unapproved Scheme 2016	Approved Scheme 2015	Unapproved Scheme 2015
	Number of shares	Number of shares	Number of shares	Number of shares
1 January	21,714	21,714	54,285	21,714
Exercised during the year	-	-	(32,571)	-
31 December	21,714	21,714	21,714	21,714
Weighted average exercise price:				
1 January	7230 p	0.1 p	7230 p	0.1 p
Exercised during the year	-	-	7230 p	-
31 December	7230 p	0.1 p	7230 p	0.1 p
The average weighted exercise price at 31 December 2016 was 3615p (31 December 2015: 3615p)				
The share options were issued in return for services in relation to the acquisition of Aston Martin Lagonda Group Limited during the period ended 31 December 2007. Therefore, the fair value of the options issued of £5,495,000 has been recognised in goodwill.				

26. Contingent liabilities and capital commitments

Group
i) Capital expenditure contracts to the value of £57,184,000 (2015: £43,879,000) have been placed but not provided for as at 31 December 2016.

Company
i) The Company is a guarantor for the 9.25% Senior Secured Notes issued by Aston Martin Capital Limited in June 2011. Aston Martin Capital Limited is a subsidiary of the Company. See Note 18 for further information.

27. Related party transactions

Group					
Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed. The Group has entered into transactions, in the ordinary course of business, with entities with significant influence over the Group and other related parties of the Group. Transactions entered into, and trading balances outstanding at each year end with entities with significant influence over the Group and other related parties of the Group are as follows:					
		Sales to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Related party – Group					
Entities with significant influence over the Group	31 December 2016	1,446	2,651	466	1,690
Entities with significant influence over the Group	31 December 2015	–	1,725	-	483
Transactions with directors					
During the year ended 31 December 2016 and the year ended 31 December 2015, there were no transactions with directors.					
No amounts were outstanding at either year end.					
The Company has not entered into any transactions with other related parties of the Company in either year. There are no balances outstanding with other related parties of the Company at either year end.					

The Company operates an arrangement with its direct and indirect subsidiaries, whereby it purchases goods and services on behalf of those subsidiaries and the subsidiaries purchase goods and services on behalf of the Company. Transactions entered into, and trading balances at each year end with the subsidiaries of the Company are as follows:

		Purchased on behalf of subsidiary undertakings £'000	Purchased via subsidiary undertakings £'000	Amounts owed by subsidiary undertakings £'000	Amounts owed to subsidiary undertakings £'000
Related party – Subsidiary					
Subsidiaries	31 December 2016	-	29,638	231,083	150,215
Subsidiaries	31 December 2015	-	31,394	160,566	178,192
<i>Terms and conditions of transactions with related parties (Group and Company)</i>					

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The Group and the Company have not provided or benefited from any guarantees for any related party receivables or payables. The Company has not made any provision for impairment relating to amounts owed by related parties at either year end.

28. Immediate parent company

The Company has no immediate parent company.	
The Company shareholders and their interests in ordinary share capital of the Company at 31 December 2016 are as follows:	
Prestige Motor Holdings S.A.	37.7%
PrimeWagon (Jersey) Limited	19.5%
Asmar Limited	19.0%
Adeem Automotive Manufacturing Company Limited	11.0%
Daimler AG (non-voting)	4.9%
Tejara Capital Limited	4.7%
Stehwaz Automotive Jersey Limited	2.5%
Dr. Ulrich Bez	0.7%

