

Aston Martin Holdings (UK) Limited

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016

Registered Number : 06067176

Aston Martin Holdings (UK) Limited

Annual report for the year ended 31 December 2016

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Directors and advisors

Directors

Najeeb Al-Humaidhi
Adnan A Al-Musallam
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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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**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 the 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. 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.

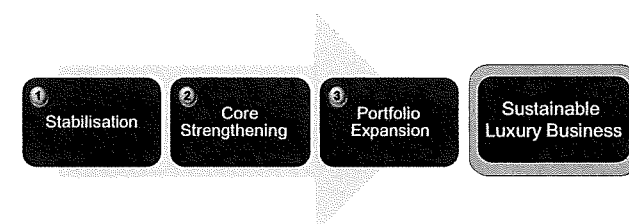
The resulting impact of the Group's activities in 2016 was a significant uplift in revenue growth, gross margin and underlying operating profit and a reduction in operating loss to £32m from £58m, demonstrating that the Second Century Plan is already delivering tangible transformation. Notably, in the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

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.



Strategic report
for the year ended 31 December 2016 (Continued)

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 Wellbeing; 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.

Strategic report
for the year ended 31 December 2016 (Continued)

Corporate social responsibility (Continued)

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 wellbeing

The health and wellbeing 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.

By order of the board



M Marecki (Company Secretary)

Date: 16 February 2017

**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 (2015 : £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
Other Key Employees	49	7
Other Employees	1316	237
Total	1375	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

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.

**Directors' report
for the year ended 31 December 2016 (Continued)**

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.

**Directors' report
for the year ended 31 December 2016 (Continued)**

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and to enable them to ensure that its financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report, that complies with that law and those regulations.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on pages 2 to 4.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Michael Marecki
Company Secretary

Date: 16 February 2017

Independent auditor's report to the members of Aston Martin Holdings (UK) Limited

We have audited the financial statements of Aston Martin Holdings (UK) Limited for the year ended 31 December 2016 set out on pages 9 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

SS Purkess

Simon Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date : 23/2/17

Consolidated statement of comprehensive income
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.

Notes on pages 14 to 39 form an integral part of the financial statements.

Consolidated statement of changes in equity

Group	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.

Group	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
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.

Aston Martin Holdings (UK) Limited

<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	-	-	-	-	(73,593)	(73,593)
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	<u>3</u>	<u>387,280</u>	<u>92,964</u>	<u>-</u>	<u>(126,446)</u>	<u>353,801</u>

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	-	-	-	-	(35,137)	(35,137)
Loss	-	-	-	-	(35,137)	(35,137)
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	<u>3</u>	<u>377,861</u>	<u>92,964</u>	<u>-</u>	<u>(52,853)</u>	<u>417,975</u>

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.

**Statements of financial position
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	-	-
		<u>937,789</u>	<u>894,146</u>	<u>667,982</u>	<u>667,982</u>
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
		<u>331,992</u>	<u>215,090</u>	<u>231,439</u>	<u>161,234</u>
Total assets		<u>1,269,781</u>	<u>1,109,236</u>	<u>899,421</u>	<u>829,216</u>
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	-	-
		<u>373,003</u>	<u>212,345</u>	<u>151,234</u>	<u>179,180</u>
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	-	-
		<u>824,118</u>	<u>632,811</u>	<u>394,386</u>	<u>232,061</u>
Total liabilities		<u>1,197,121</u>	<u>845,156</u>	<u>545,620</u>	<u>411,241</u>
Net assets		<u>72,660</u>	<u>264,080</u>	<u>353,801</u>	<u>417,975</u>
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		<u>(416,022)</u>	<u>(213,361)</u>	<u>(126,446)</u>	<u>(52,853)</u>
Equity attributable to owners of the group		<u>67,661</u>	<u>259,410</u>	<u>353,801</u>	<u>417,975</u>
Non-controlling interests	13	4,999	4,670	-	-
Total shareholders' equity		<u>72,660</u>	<u>264,080</u>	<u>353,801</u>	<u>417,975</u>

Notes on pages 14 to 39 form an integral part of the financial statements.

The financial statements on pages 9 to 39 were approved by the board of directors on 16 February 2017 and were signed on its behalf by:



Dr Andrew Palmer
Director

Company Number : 06067176

Consolidated statement of cash flows
for the year ended 31 December 2016

	Notes	Group 2016 £'000	Group 2015 £'000
Operating activities			
Loss for the year		(147,573)	(106,957)
<i>Adjustments to reconcile loss for the year to net cash inflow from operating activities</i>			
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

Notes on pages 14 to 39 form an integral part of the financial statements.

**Notes to the financial statements 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.

**Notes to the financial statements for the year ended
31 December 2016 (Continued)**

2 Accounting policies (Continued)

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

2 Accounting policies (Continued)

Intangible assets (Continued)

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:

	<u>Years</u>
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:

	<u>Years</u>
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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

2 Accounting policies (Continued)

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

2 Accounting policies (Continued)

Financial assets and liabilities (Continued)

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

2 Accounting policies (Continued)

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

3 Revenue

Group

	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
	<u>593,450</u>	<u>510,172</u>

4 Operating loss

Group

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
<i>Auditor's remuneration:</i>		
- 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	<u>10,858</u>	<u>10,570</u>

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	<u>10,858</u>	<u>10,570</u>

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	<u>(48,738)</u>	<u>(40,352)</u>
Tax on non-recurring items	-	-
Non-recurring items after tax	<u>(48,738)</u>	<u>(40,352)</u>

(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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

6 Staff costs and directors' emoluments
Group

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
(a) Staff costs		
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
	<u>96,917</u>	<u>94,955</u>

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
	<u>1,495</u>	<u>1,476</u>

(b) Directors' emoluments and transactions

	2016 £'000	2015 £'000
Directors' emoluments	<u>3,876</u>	<u>3,498</u>

None of the directors received any amounts under long term incentive plans.

Highest paid director:

Aggregate emoluments	<u>2,976</u>	<u>2,598</u>
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Compensation of key management personnel (including directors)

	2016 £'000	2015 £'000
Short-term employee benefits	7,701	7,549
Post-employment benefits	544	615
	<u>8,245</u>	<u>8,164</u>

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)7 Finance income
Group

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'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	<u>2,584</u>	<u>2,090</u>

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	<u>133,042</u>	<u>71,764</u>

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	<u>(757)</u>	<u>(493)</u>
<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	<u>15,961</u>	<u>21,492</u>
Total tax credit	<u>15,204</u>	<u>20,999</u>
<i>Tax relating to items charged in other comprehensive income</i>		
<i>Deferred tax</i>		
Actuarial (losses) / gains on defined benefit pension plan	<u>11,216</u>	<u>(1,278)</u>

(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	<u>(162,777)</u>	<u>(127,956)</u>
Loss on operations before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015 : 20.25%)	<u>20.00% (32,555)</u>	<u>20.25% (25,911)</u>
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	<u>(15,204)</u>	<u>(20,999)</u>

Notes to the financial statements for the year ended
31 December 2016 (Continued)

9 Tax expense on continuing operations (Continued)

(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 substantively 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:

	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)

Movement in deferred tax in 2016

	1 January 2016 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2016 £'000
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

Movement in deferred tax in 2015

	1 January 2015 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2015 £'000
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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

10 Intangible assets

Group

	Brands £'000	Technology £'000	Dealer Network and Other £'000	Deferred Development Cost £'000	Goodwill £'000	Total £'000
Cost						
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	-	(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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)12 Property, plant and equipment
Group

	Freehold land and buildings £'000	Plant, machinery, fixtures, fittings and tooling £'000	Motor vehicles £'000	Total £'000
Cost				
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).

Notes to the financial statements for the year ended
31 December 2016 (Continued)

13 Investments

Investments in subsidiary undertakings
Company

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 £'000	2015 £'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).

Notes to the financial statements for the year ended
31 December 2016 (Continued)15 Trade and other receivables
Group and Company

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Amounts included in current assets				
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
	<u>112,757</u>	<u>69,113</u>	<u>231,438</u>	<u>161,233</u>
Amounts included in non-current assets				
Other receivables	<u>2,309</u>	<u>2,169</u>	<u>-</u>	<u>-</u>

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	-	-
	<u>110,587</u>	<u>66,026</u>	<u>231,438</u>	<u>160,566</u>

Provision for impairment of receivables

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	<u>162</u>	<u>428</u>	<u>-</u>	<u>-</u>

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	<u>14,397</u>	<u>13,134</u>	<u>-</u>	<u>-</u>

There were no impairments in the Company in either year.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

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	<u>101,718</u>	<u>65,562</u>	<u>1</u>	<u>1</u>

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	-	-
	<u>101,718</u>	<u>65,562</u>	<u>1</u>	<u>1</u>

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
	<u>340,893</u>	<u>180,293</u>	<u>151,234</u>	<u>179,180</u>

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

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 10 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.

Borrowings

The following table analyses borrowings:

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

18 Financial Instruments (Continued)

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.

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
	<u>31,900</u>	<u>45,713</u>	<u>44,237</u>	<u>12,748</u>	<u>134,598</u>
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)
	<u>(63,689)</u>	<u>(47,342)</u>	<u>(17,515)</u>	<u>(7,010)</u>	<u>(135,556)</u>
Net balance sheet exposure	<u>(31,789)</u>	<u>(1,629)</u>	<u>26,722</u>	<u>5,738</u>	<u>(958)</u>
	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
	<u>22,314</u>	<u>22,705</u>	<u>20,990</u>	<u>10,745</u>	<u>76,754</u>
Financial liabilities					
Trade and other payables	(13,979)	(3,921)	(8,978)	(2,722)	(29,600)
Foreign exchange contracts	-	(9,784)	-	-	(9,784)
	<u>(13,979)</u>	<u>(13,705)</u>	<u>(8,978)</u>	<u>(2,722)</u>	<u>(39,384)</u>
Net balance sheet exposure	<u>8,335</u>	<u>9,000</u>	<u>12,012</u>	<u>8,023</u>	<u>37,370</u>

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

Notes to the financial statements for the year ended
31 December 2016 (Continued)

18 Financial Instruments (Continued)

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.

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	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£'000	£'000	£'000	£'000	£'000	£'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
	<u>-</u>	<u>359,910</u>	<u>33,024</u>	<u>547,760</u>	<u>756,343</u>	<u>1,697,037</u>

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	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£'000	£'000	£'000	£'000	£'000	£'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
	<u>483</u>	<u>204,744</u>	<u>28,193</u>	<u>534,557</u>	<u>404,556</u>	<u>1,172,533</u>

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

Notes to the financial statements for the year ended
31 December 2016 (Continued)

18 Financial Instruments (Continued)

Liquidity risk (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	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£'000	£'000	£'000	£'000	£'000	£'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
	<u>150,215</u>	<u>1,019</u>	<u>-</u>	<u>206,029</u>	<u>756,343</u>	<u>1,113,606</u>

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£'000	£'000	£'000	£'000	£'000	£'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
	<u>178,192</u>	<u>988</u>	<u>-</u>	<u>172,733</u>	<u>404,556</u>	<u>756,469</u>

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

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	2015
	£'000	£'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
	<u>39,066</u>	<u>19,994</u>

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	<u>13,701</u>
Analysed as:	
Current	7,631
Non-current	6,070
	<u>13,701</u>

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

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.

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%

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			

Notes to the financial statements for the year ended
31 December 2016 (Continued)

21 Pension obligations (Continued)

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

Asset Class	31 December 2016 Quoted £'000	31 December 2016 Unquoted £'000	31 December 2016 Total £'000	31 December 2015 Quoted £'000	31 December 2015 Unquoted £'000	31 December 2015 Total £'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

Total fair value of scheme assets
Present value of funded obligations
Liability recognised in the statement of financial position

31 December 2016 £'000	31 December 2015 £'000
253,766	208,243
(323,535)	(213,190)
(69,769)	(4,947)
Year ended 31 December 2016 £'000	Year ended 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)
	(9,045)	(9,994)

Total expense recognised in the Income Statement

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	-
	(323,535)	(213,190)

Obligation at the end of the year

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)
	253,766	208,243

Fair value at the end of the year

Actual return on scheme assets

Year ended 31 December 2016	Year ended 31 December 2015
39,706	1,425

Notes to the financial statements for the year ended
31 December 2016 (Continued)

21 Pension obligations (Continued)

	Year ended 31 December 2016	Year ended 31 December 2015
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	<u>(69,769)</u>	<u>(4,947)</u>
	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	<u>(65,975)</u>	<u>7,101</u>

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

	Change in assumption	Present value of benefit obligations At 31 December 2016 £'000	Present value of benefit obligations At 31 December 2015 £'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 1 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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

21 Pension obligations (Continued)

	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 £'000	2015 £'000
Allotted, called up and fully paid		
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)	-	-
	<u>3</u>	<u>3</u>
	2016 £'000	2015 £'000
Shares classified as liabilities	-	-
Shares classified as shareholders' funds	3	3
	<u>3</u>	<u>3</u>

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)

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)
	<u>(483,138)</u>	<u>(58,222)</u>	<u>(21,785)</u>	<u>(36,355)</u>	<u>(599,500)</u>

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)
	<u>(343,156)</u>	<u>(115,652)</u>	<u>(8,418)</u>	<u>(15,912)</u>	<u>(483,138)</u>

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	Unapproved Scheme	Approved Scheme	Unapproved Scheme
	2016	2016	2015	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	<u>21,714</u>	<u>21,714</u>	<u>21,714</u>	<u>21,714</u>

Weighted average exercise price:

	7230 p	0.1 p	7230 p	0.1 p
1 January	7230 p	-	7230 p	-
Exercised during the year	-	-	-	-
31 December	<u>7230 p</u>	<u>0.1 p</u>	<u>7230 p</u>	<u>0.1 p</u>

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.

Notes to the financial statements for the year ended
31 December 2016 (Continued)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:

Related party - Group		Sales to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Entities with significant influence over the Group	31 December 2016	<u>1,446</u>	<u>2,651</u>	<u>466</u>	<u>1,690</u>
Entities with significant influence over the Group	31 December 2015	<u>-</u>	<u>1,725</u>	<u>-</u>	<u>483</u>

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:

Related party - Subsidiary		Purchased on behalf of subsidiary undertakings £'000	Purchased via subsidiary undertakings £'000	Amounts owed by subsidiary undertakings £'000	Amounts owed to subsidiary undertakings £'000
Subsidiaries	31 December 2016	<u>-</u>	<u>29,638</u>	<u>231,083</u>	<u>150,215</u>
Subsidiaries	31 December 2015	<u>-</u>	<u>31,394</u>	<u>160,566</u>	<u>178,192</u>

Terms and conditions of transactions with related parties (Group and Company)

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%