Aston Martin Holdings (UK) Limited

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

Registered Number : 06067176

Aston Martin Holdings (UK) Limited

Annual report for the year ended 31 December 2017

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Strategic report
for the year ended 31 December 2017

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. The Group designs, engineers and produces its vehicles in Warwickshire, United Kingdom, and it sell these vehicles through a network of dealers.
At 31 December 2017 the Group 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. In addition, the following limited edition special models were produced during 2017: Vantage GT8, Vantage AMR Pro, Vanquish Zagato and DB4 GT Continuation.

The Group designs, engineers and hand builds the significant majority of its product range in Warwickshire, United Kingdom, with the DB4 GT Continuation models produced at the Aston Martin Works facility in Buckinghamshire, United Kingdom.

Results and financial position

2017 Highlights:
- Record financial performance for the Group with regard to revenues, profit and cash generation, driven by strong demand for the DB11 and special models
- Pre-tax profit achieved in every quarter and £250 million improvement in full year pre-tax profit versus prior year
- Cash generated from operating activities was more than double prior year
- Positive free cash flow one year ahead of plan and strong liquidity position

The Group delivered revenue of £876.0m (2016: £593.5m) and a pre-tax profit of £86.7m (2016: pre-tax loss of £162.8m). The increased underlying gross margin of 41% (2016: 37%), adjusted for non-recurring past service pension benefit, was driven by strong growth in average selling price for core models and contribution from special models. Cash generated from operating activities of £343.8m (2016: £164.6m) was supported by continued strong deposit intake for the recurring pipeline of special models. The Group achieved positive free cash flow, one year ahead of the Second Century Plan target, and ended the period with a closing cash balance of £167.9m (2016: £101.7m). At 31 December 2017, The Group had net assets of £147.8m (2016: £72.7m).

Sales performance was driven by the first full year of DB11 availability alongside a record volume of special models for the Group. Total wholesale volumes increased 38% to 5,098 units (2016: 3,687 units), which included 270 units of special models (2016: 133 units), resulting in Aston Martin's highest full-year sales volume since 2008.

As a result of new product introductions and brand investment, significant sales growth was achieved across all major regions in 2017. In particular, the UK (2017: 1,538 units; 2016: 1,108 units), North America (2017: 1,277 units; 2016: 829 units) and China (2017: 324 units; 2016: 176 units) all saw in excess of the 38% global average wholesale volume increase. Rest of World sales growth of 10% (2017: 797 units; 2016: 727 units) was impacted by a contraction of the Middle East market.

Business review and future outlook

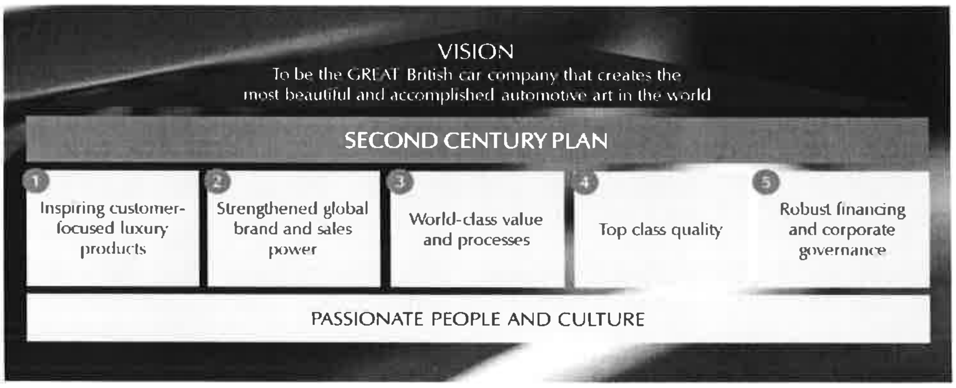
Aston Martin is one of the world's most widely recognised luxury sports car brands with a history of automotive and design excellence spanning more than a century. The Group's cars are positioned in the expanding high luxury sports (HLS) segment of the global automotive market. Sustained growth of both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

The Second Century Plan

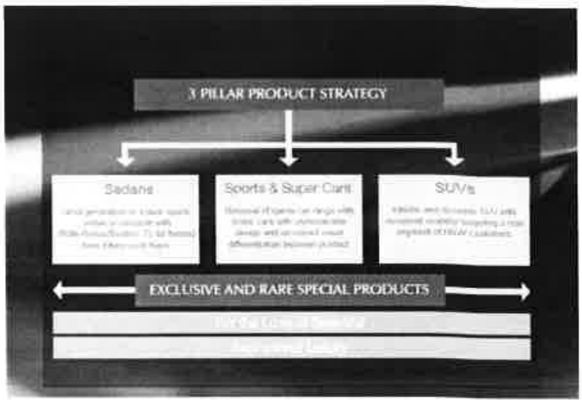
In 2015, Aston Martin embarked on an ambitious mid-term strategy – the "Second Century Plan". The transformation programme has three phases: business stabilisation, core strengthening and expansion of the product portfolio, aimed at solidifying the Group's position as a sustainable luxury business by 2020. The plan targets a significant uplift in profitability and cash generation ensuring that long-term product development is funded from free cash flow and attractive returns are delivered for investors.

The Group's performance in the period covered by these accounts reflects completion of the stabilisation phase of the Second Century Plan and continued progress in renewal and expansion of the product portfolio. During 2017 the Group continued to focus on profit improvement initiatives, successfully refinanced the previous debt instruments, and made changes to significantly reduce liabilities accruing in the final salary defined benefit pension scheme. In addition the Group has successfully commenced the second phase of the Plan – Core Strengthening – and this is demonstrated by the successful launch of the critically acclaimed DB11. Aston Martin continues to invest in advanced technologies, the rapid expansion of the product portfolio and associated growth of the manufacturing footprint, most notably at its factory at St Athan in Wales.

Delivery of the Second Century Plan is achieved through a focus on five distinct elements underpinned by a shared organisational culture.



Strategic report
for the year ended 31 December 2017 (Continued)



1. Inspiring customer-focused luxury products
Under the Second Century Plan, the Group is focused on a three-pillar product strategy spanning the high-luxury automotive segment, comprising sports cars, SUVs and performance sedans in order to address a wider segment of the HNWI landscape. One new core model is expected to be introduced every year, alongside a continued pipeline of high-value limited-edition special models.

2017 represented the first full year of availability of the DB11 V12-engined coupe, and in September a second engine derivative – a twin-turbo 4.0-litre V8 – was introduced. This additional derivative, which has the lowest CO2 emissions of the current model line-up, brings significant benefits in markets where car taxation policy is structured around engine capacity. The launch of "Vantage AMR" and "Vanquish S Ultimate" final editions drove strong demand for the final production run of the normally-aspirated Vantage and Vanquish model lines.

2017 also represented the Group's strongest performance to date for special model sales. The Vantage GT8, Vanquish Zagato Coupe, and track-going Vantage AMR Pro completed production. Both Vanquish Zagato Volante and DB4 GT Continuation commenced deliveries in the fourth quarter and, alongside the Lagonda Taraf, will continue during 2018. Deliveries of the Vanquish Zagato Speedster and Shooting Brake will commence during 2018.

Success against the strategy to deliver customer-focused luxury products is measured both in the increase in volumes and a continued improvement in pricing power. Total volumes have increased by 38% over the last year (2017: 5,098 units; 2016: 3,687 units), following the launch of DB11 and the average selling price of core models has more than doubled since 2007 (2017: £150,000; 2007: £70,000).

The strong, positive outlook is supported by a continuing pipeline of new products:
- Both the convertible derivative of DB11 ("DB11 Volante") and new Vantage sports car commence production in the first half of 2018;
- The replacement for the flagship Vanquish model will launch during late 2018;
- All new special models for 2018 are fully subscribed;
- Sustained momentum into 2019 is supported by continued investment in key models:
  - The DBX programme addresses a growing SUV market and HNWI customer segment in the luxury space;
  - RapidE responds to a growing demand for zero-emissions technology and will be the first full Battery Electric Vehicle (BEV) in the luxury segment; and
  - The Aston Martin Valkyrie hypercar represents the Group's first mid-engined sports car offering, further broadening the brand's appeal

2. Strengthened global brand and sales power
In the period under review, Aston Martin further strengthened its global brand momentum and sales power, with exclusive partnerships and increased investment in marketing. The Group also continued to leverage its elite group of brand ambassadors - including Tom Brady, Serena Williams, Daniel Ricciardo, and Max Verstappen - in global marketing activity.

<u>Dealership network</u>
Aston Martin vehicles are sold through a global network of 161 dealers (2016 : 167 dealers), which allows the Group to benefit from geographical diversification and access to high growth markets.

In 2017, the Group reinforced its network in key markets, opening new state-of-the-art dealer showrooms in Tokyo, Melbourne, Auckland, Copenhagen, Wilmslow and Nottingham, and the first global brand centre outside the UK, in one of Japan's most prestigious neighbourhoods – Aoyama in Tokyo. The "House of Aston Martin, Aoyama" represents part of a £500m trade and investment programme in Japan announced in August and signifies the importance of Japan as a luxury market.

<u>Racing</u>
During the year, Aston Martin further strengthened its innovation partnership with Red Bull Racing. The Formula One™ team will compete as 'Aston Martin Red Bull Racing' from 2018, giving Aston Martin access to a robust marketing platform with global visibility. The successful partnership, which has already resulted in development of the sold-out Aston Martin Valkyrie hypercar special, will also yield future products and a new Advanced Performance Centre on the Red Bull Racing campus in Milton Keynes, United Kingdom, bringing both great technological benefits to both parties and future collaboration projects.

Aston Martin Racing claimed an historic victory at the 85th 24 Hours of Le Mans in the GTE class with the V8 Vantage GTE and was a world championship winner for the second year in a row taking both the GTE AM drivers and team titles in the 2017 FIA World Endurance Championship. A new Vantage GTE will take to the track in 2018.

<u>AM Brands</u>
In December 2017, Aston Martin completed the acquisition of the AM Brands business, bringing AM Brands' complementary and carefully-considered licensing and luxury design projects into the Group. It represents a significant step in unifying Aston Martin's global brand strategy and expanding visibility and relevance of the brand to new audiences across the world.

Earlier in the year, the Group's first real estate project - Aston Martin Residences, a 66-story luxury condominium tower in Miami – broke ground. The Aston Martin design team, led by Executive Vice President and Chief Creative Officer Marek Reichman, is designing the interior and amenity spaces throughout the development. The project is set for completion in 2021.

<u>Aston Martin Consulting</u>
Aston Martin Consulting, a division within the Group, announced a collaboration with Triton Submarines LLC to create an exclusive, strictly limited-edition submersible. Codenamed "Project Neptune", the venture marries Triton's diving and operational expertise with Aston Martin design, materials and craftsmanship, whilst further enabling Aston Martin to enhance and grow the brand in pioneering, but complementary, segments of the luxury market.

<u>Art of Living</u>
Key growth trends in the luxury segment include one-to-one relationships, experiential elements and event and travel personalisation. The "Art of Living" programme is tailored towards creating close touchpoints with our customers that reflect the core values of Aston Martin to enhance and strengthen the relationship.

In 2017, Aston Martin continued to deliver specially curated experiences for our clients through the Art of Living events, which included a Monaco race weekend, 24 hours of Le Mans, "Aston Martin On Ice" programmes, and a number of exclusive driving tours.

<u>Brand Finance evaluation</u>
In the early part of 2018, Brand Finance - a leading independent branded business valuation and strategy consultancy - compiled its annual reports on the world's most valuable brands. Aston Martin had the fastest growing brand value year-on-year of all companies evaluated for the 2018 annual report driven by the growth in brand strength and improved business performance.

3. World-class value and processes
Embedding world-class processes throughout the operation is fundamental to achieving an efficient and effective business and sustainable high-performance.

With advanced technology and a state-of-the-art facilities, Aston Martin consistently develops and manufactures luxury vehicles that combine our customers' demands for technologically advanced cars while maintaining the elegance, style and beauty for which the brand is globally renowned.

Strategic report
for the year ended 31 December 2017 (Continued)

World-class technical capabilities and processes
An advanced modular architecture is the backbone of the product portfolio and employs a Carry Over-Carry Across (COCA) principle for key systems and components to reduce engineering cost and complexity, and time-to-market, for subsequent models. The highly flexible modular architecture allows for a high degree of product differentiation and enables us to easily adapt to accommodate new variants, thereby reducing the production and development costs for incremental models based on the same architecture.

Aston Martin employs a standardised process for new product introductions ("MISSION"), which is a system of project gateways with clear deliverables to ensure adherence to all program targets.

As a result of in-house design, technology and development capabilities, use of the flexible modular architecture and MISSION, Aston Martin achieves a rapid time to market from design conception to launch, at a lower cost than normally required in the industry. In 2017, the Group made significant progress in development of the new Vantage and the Vanquish replacement. Both models benefit from the COCA principle and MISSION process - with investment and time to market significantly reduced when compared to DB11.

Strategic partnerships with key partners
The Group continues to explore opportunities for carefully chosen partnerships as a source of technical expertise, brand strengthening and future growth. The strategic partnership with Daimler AG to develop and supply high-powered bespoke V8 powertrains and electrical and electronic architecture for the new generation of models enables the Group to access cutting-edge technology and high-performance, durable, reliable components.

In 2017, the Group started production of the first model incorporating the Daimler AG 4.0-litre V8 AMG engine – the V8 variant of DB11.

Highly scalable and efficient manufacturing capabilities
The Group's Gaydon factory, home to Aston Martin sports car manufacturing, was opened in 2003 and is a highly modern and advanced manufacturing facility. The factory has the fundamental infrastructure to support flexible production capacity such that production can be expanded with limited additional investment. This flexibility has enabled the Group to upscale production in 2017 to support DB11 demand with relatively low levels of incremental investment for automotive manufacturers.

The Gaydon facility also boasts a highly flexible direct employee base, trained across most of our production stations and models, which allows the employee base to be scaled in line with requirements and moved across different areas of production, in order to optimise production capacity and utilisation. Production volume increases are supported by production line rate increases and additional shifts or extra working days. With production of the DB11, new lean manufacturing techniques have been implemented throughout the production process and have yielded efficiency savings.

In addition, to support the diversification of the product portfolio, Aston Martin has continued construction of a new plant in St Athan, Wales which will produce the SUV and other models from the large car platform. In 2017, the Group resumed production at the "Aston Martin Works" Newport Pagnell facility, for the first time since 2007, with the DB4 GT Continuation.

The Group also continues to incubate skills and industrial expertise with a training programme for staff at its Gaydon site.

4. Top class quality
Aston Martin has a top-down commitment, reflected by regular executive reviews of performance against a broad matrix of quality metrics, and a "Total Customer Satisfaction" approach to quality.

Management holds the brand to an incredibly high standard and in order for each of our cars to earn its iconic Aston Martin wings, it must undergo a final 175-point inspection that concludes with the inspector's name stamped in the engine bay, as a mark of quality. Dr. Andrew Palmer - Group President and Chief Executive Officer - personally inspected and signed-off the first 1,000 DB11 customer vehicles.

In addition to the rigorous inspections and testing that are embedded within the manufacturing process, consumer product audits are conducted on a regular basis to help maintain the required standards. This focus on quality and Aston Martin's inspection, checking and testing processes has helped drive a significant improvement in customer satisfaction and in quality performance of DB11. In 2017, DB11 achieved the best consumer product audit scores across the Aston Martin model range.

The Group's "Total Customer Satisfaction" approach to quality ensures that the focus extends beyond cars in production. In 2016, Aston Martin launched a global certified pre-owned sports car program "Timeless". This international program offers customers pre-owned Aston Martin sports cars with high levels of quality, assurance and confidence.

5. Robust financing and corporate governance
On 23 April 2015, the Company, Aston Martin Holdings (UK) Limited, accepted binding subscriptions for £200 million of preference shares to fund delivery of the Second Century Plan. These preference shares, are treated as long term borrowings within these financial statements and the associated cost of £37,873,000 (2016: £29,124,000) 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.

In 2017 the Group achieved positive free cash flow, one year ahead of plan. In addition, a number of actions were taken to strengthen the financial position of the Group and provide a solid foundation for delivering future growth.

Refinancing of debt instruments
On 18th April 2017, the Group successfully completed an offering of £550m equivalent of Senior Secured Notes (SSN) due 2022, with coupons of 6.50% and 5.75% on USD and GBP tranches respectively. This offering replaced the existing £304m 9.25% SSN and $165m 10.25% PIK Notes due 2018. As a result of the strong interest in the bond placement the Group was able to upsize issuance, generating an additional £33m of liquidity and further strengthening the statement of financial position. Like for like interest costs on the new issuance generated savings of approximately £12m in 2017.

Concurrently, the Group took the opportunity to renew the Super Senior Revolving Credit Facility (SSRCF), increasing it to £80m from £40m.

Follow-on Notes offering
On 13th December 2017, Aston Martin successfully completed a £55m follow-on SSN offering in order to fund the acquisition of AM Brands Limited. The Notes constitute a further issuance of Aston Martin's 5.75% Senior Secured Notes due 2022. The offering completed at a purchase price equal to 104.5% of the principal amount of the original Notes plus accrued and unpaid interest from 15 October 2017.

Ratings improvements
During the course of 2017, the Group achieved an improved position against its credit ratings.

On 12th September, Moody's Investor Service upgraded the Group's Corporate Family Rating to B2 from B3 on the back of continued strong demand for DB11 and anticipated improvement in financial metrics.

On 1st November, Standard and Poor's revised the Group's outlook to Positive from Stable in recognition that the Group continues to turn around its business prospects (faster than expected), deliver on its new car pipeline and business plan, and maintain a strong liquidity position following the refinancing in April.

Change to final salary pension scheme benefit structure
From 1 January 2018, the Group will adopt a Career Average Related Earnings ("CARE") benefit structure in respect of pensionable service. This replaces the existing final salary defined benefit scheme. The change to the final salary pension scheme structure improves the Group statement of financial position and risk outlook by reducing pension liabilities and future Scheme volatility. Accordingly, a non-recurring credit of £24.3m, representing the related lifecycle reduction in the pension scheme deficit, was credited to the Income Statement in 2017.

Strategic report
for the year ended 31 December 2017 (Continued)

Select Key Performance Indicators (KPIs)

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:

	2017	2016	Definition, method of calculation and analysis
Revenue growth (%)	**47.6**	16.3	Year on year revenue growth expressed as a percentage. The introduction of higher priced special editions and the full year benefit of DB11, including the V8 version, has contributed to the increase in revenue of 47.6%.
Gross margin (%)	**40.6**	37.3	Gross margin is the ratio of gross profit (excluding non-recurring items) to revenue expressed as a percentage. Gross margin percentage has increased due to the introduction of higher priced special editions and the full year benefit of the DB11, including the V8 version.
Adjusted EBITDA* (£m)	**206.5**	100.9	Earnings before net finance expense, tax, depreciation, amortisation and gains and losses on the sale of property, plant and equipment, adjusted to exclude non-recurring gains of £24.3m in the year ended 31 December 2017. Depreciation and amortisation charges including gains and losses on the sale of property, plant and equipment were in the year ended 31 December 2017 £82.0m (year ended 31 December 2016 £133.2m). The launch of new products at higher margins has resulted in the increase in adjusted EBITDA.
Operating profit / (loss) (£m)	**148.8**	(32.3)	Profit or loss before net finance expense and tax including non-recurring items. The launch of new products at higher margins has resulted in the increase in the operating result.
Number of dealerships	**161**	167	Open dealerships in the global network at 31 December. Whilst continuing to seek opportunities to expand its dealer network, the Group is also looking to improve the quality of its dealer representation.

*Adjusted to exclude a non-recurring gain of £24.3m in 2017 (2016: unadjusted)

Principal risks and uncertainties

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

Global economic conditions

Sales of Aston Martin 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. Downturns in general economic conditions may also materially impact the sustainability of the supplier and dealer network resulting in risks of disruption to sustained supply and demand.

The planned exit of the United Kingdom from the European Union may be a source of instability in international markets. There is uncertainty as to the long-term impact that leaving the European Union will have, but potential risks may include exchange rate volatility and potential adverse impacts to current trading and supply arrangements, which could have a material adverse effect on the Group's operations and financial condition.

Against this backdrop, Aston Martin's economic resilience is supported by a balanced distribution of sales across the UK, mainland Europe, the Americas, and the rest of the world alongside a continued commitment to substantial investment in both global brand awareness and new product pipeline. Increasing product competitiveness and brand strength place Aston Martin in a strong position to maintain demand in the event of an economic downturn.

In addition, the Group has robust financing measures in place, including the capital from Preference shares to fund the Second Century Plan, long term debt maturity on senior secured notes to 2022 and an increased revolving credit facility, a hedging policy to mitigate the effect of exchange rate movements and a continued focus on profit improvement initiatives. Further to this, the Group has the ability to delay spend in growth projects to maintain liquidity.

Competitive and technologically advanced products

The success of the Group depends on the continued popularity of existing products and the ability to provide customers with attractive new products. The ability to recognise and react to changes in trends in customer needs and tastes in sufficient time is a significant factor that will determine Aston Martin's future success in ensuring a competitive and compelling product range and in strengthening the Group's position in the high luxury market.

The automotive industry is in a period of flux due to a shift in market drivers and changing consumer needs. Rising urban populations and the advent of the post-millennial generation are driving a rapid pace of technological innovation including low emission powertrains, connectivity and autonomous driving. Developing new technologies demands substantial investment. If Aston Martin's new products are not received favourably by consumers, car sales, market share and profitability will suffer. If the Group is required to cut capital expenditures due to insufficient car sales and profitability or for any other reason, the ability to continue the program of developing the next generation of cars and keep pace with product and technological innovations would diminish, which could reduce demand for the Group's products and negatively impact the business, brand and operational results.

Aston Martin is engaged in strategic partnerships that enable new technologies to be developed and implemented cost effectively. The Group is also focused on talent recruitment, retention and development, both at headquarters and in the regional offices, to sustain the ability to analyse and recognise market trends and develop competitive products that meet increasingly high technological standards and that respond to changing customer needs.

Strategic report
for the year ended 31 December 2017 (Continued)

Principal risks and uncertainties (Continued)

Brand reputation
The Aston Martin brand is widely recognised for its beautiful, enduring design and attention to detail. Due to an established heritage of prestige, luxury, quality and beauty, the Aston Martin brand requires minimal financial investment and advertisement.

The brand could be damaged, or the strength of the brand weakened, by: a failure to continue to produce cars that are competitive in terms of performance, aesthetics and quality, and that meet customers' needs and tastes; failure to keep up with new technologies; consumer preference against high performance sports cars or high emission cars; specific quality issues or recalls; dealers prioritising promotion of other manufacturers' cars over Aston Martin cars; counterfeit cars and parts affecting performance; quality perceptions; and changing consumer fashions.

The increase in the number of cars that the Group plans to produce in the future pursuant to the growth strategy, compared to the number of cars that Aston Martin has historically manufactured, could also reduce the exclusivity of Aston Martin cars and weaken the brand.

The brand may also be diluted by non-automotive Aston Martin branded products and services that may also be produced illegally by counterfeiters. The sale of such products and services at low prices, high volumes or low quality could have a negative effect on the Aston Martin brand. These risks are of particular importance in new and growth markets for the Group, where the brand is less established and the incidence of counterfeiting is higher than in established markets. If the brand is damaged or weakened, demand for the products may be significantly and negatively affected and could require the Group to devote greater resources to marketing the brand, which could have a material adverse effect on the business and operational results.

The Company continues to invest in marketing to build brand awareness across the world and in market intelligence to ensure that new products incorporate market and customer requirements. Robust product development, manufacturing, quality and supplier management processes and standards are in place to limit the risk of product quality issues and recalls. In 2017, the AM Brands Limited business - which grants the licences for non-automotive branded products and services - was acquired by the Group, which will support close control of licensing projects and partners.

Supply chain management
Aston Martin depends on a substantial number of suppliers to ensure uninterrupted production of the Group's high-quality sports cars. Failure of suppliers to deliver components, systems and materials in a timely manner could disrupt operations and adversely affect the 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 suppliers to mitigate the risk of disruption. In addition, teams of skilled sourcing and supplier quality improvement personnel ensure that the business is able to respond quickly to potential issues.

Regulatory requirements
Aston Martin is subject to comprehensive and constantly evolving laws, regulations and policies throughout the world. The extent of the legal and regulatory requirements affecting the Group's business, operations and costs of compliance is expected to continue to increase in the future. In Europe and the United States, for example, significant governmental regulation is driven by environmental (including climate change), fuel economy, vehicle safety and noise emission concerns.

Evolving regulatory requirements could significantly affect the Group's product development plans and may limit the number and types of cars that Aston Martin sells and where they are sold, which may affect revenue. Governmental regulations may increase the costs incurred to design, develop and produce new products and may affect the product portfolio. Regulation may also result in a change in the character or performance characteristics of the cars, which may render them less appealing to customers.

The Group's 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 the ability to develop compliant products.

Corporate social responsibility

The focus of Aston Martin's Second Century Plan is to become 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 Sustainability Strategy for the business, which sets out the Group's objectives in four key areas: Environmental Sustainability; Community and Stakeholder Engagement; Health and Wellbeing; and Sustainable Supply Chain. Performance against these objectives is recorded in the Group's Sustainability Report published annually alongside its Annual Report.

The Group believes that a commitment to sustainability will drive long-term shareholder value and ensure that Aston Martin develops into a sustainable luxury business.

Environmental sustainability
Aston Martin has an established environmental policy to ensure the business operates responsibly. 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.

The Group strives for continuous improvement in its environmental performance and the elimination of pollution and waste at source in line with the corporate objectives, using recognised environmental best-practice wherever possible.

The Group's 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 exceed requirements wherever possible
- Commit to ongoing reductions in energy and resource consumption in the manufacture and operation of Aston Martin vehicles, and an ongoing reduction in the Group's carbon footprint
- Set measurable targets for managing the Group's environmental performance, to ensure strict control over the environmental aspects of all products, processes and facilities
- Minimise the environmental 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 the Group's environmental policy internally and externally, working with employees, suppliers and partners to promote improved environmental performance and encourage feedback

Performance during the period against the Group's key performance indicators is outlined below:
- Water consumption of 35,247 cubic metres (2016 : 32,445 cubic metres) due to increase in headcount and production volume
- Electricity consumption of 22,884.7 mWh (2016 : 19,602.7 mWh) due to increase in production volume and number of operational sites
- Gas consumption of 26,402.9 mWh (2016 : 25,233.3 mWh) due to increase in production volume and number of operational sites
- Total waste generated of 1,278 tonnes (2016 : 927 tonnes) due to increase in production volume and headcount
- 100% of all waste produced was diverted from landfill (2016 : 99.5%)

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 reducing carbon dioxide emissions across the Aston Martin fleet.

Strategic report

for the year ended 31 December 2017 (Continued)

Corporate social responsibility (Continued)

Community and stakeholder engagement

Aston Martin is committed to the communities in which it operates. Identification of stakeholders, the issues that may affect them and how the Group communicates with them is fundamental to Aston Martin's Sustainability Strategy.

The passion and commitment of Aston Martin's people is a key to successful delivery of the Second Century Plan and the Group is dedicated to investing in both its current and future employees through apprentice and graduate programmes. Aston Martin also supports local schools, colleges and businesses to inspire the next generation. Dr. Andrew Palmer, Chief Executive Officer, is a strong advocate for learning and skills development and has been asked to lead a review of productivity and skills development for the West Midlands region by the regional Mayor.

The Group actively contributes to charities, and has committed to supporting two charities per year that fit with Aston Martin's ethos, heritage and brand. In addition, a further charity is selected annually by employees. In 2017, the Group's chosen charities consisted of The Prince's Trust, the Royal Air Force Benevolent Fund and The Guide Dogs for the Blind Association. Beyond direct corporate giving, Aston Martin continues to support its employees and local communities through sponsorship of sports teams, events and charity fundraising.

Health and wellbeing

The health and wellbeing of employees is central to operating an effective and successful business. The Group also relies on the health and stability of the communities in which it operates. Aston Martin recognises its responsibility and the opportunity to make a positive contribution, and is actively engaged with local areas to foster a sense of partnership with the Group.

Aston Martin aims to be an employer of choice, by continuing to motivate and engage with employees across all areas and levels through regular communications, training and up-skilling opportunities and competitive benefit packages.

The Group continues to educate employees on the corporate approach and the specific requirements with regard to human rights in business operations. In 2017, no human rights violations within the Group were reported, nor were any relevant reports received regarding the supply network.

The health and safety of its workforce, visitors and the local community is of paramount importance to Aston Martin. The Group aims to be a centre of excellence and for the Aston Martin Health and Safety Management System to be held as an example to the rest of the automotive industry. The Group's record over the past few years (as set out below) stands as a benchmark for others, though Aston Martin strives for continuous improvement. This is achieved by sharing best practice and awareness across the business. Further improvements in 2017 against the key performance indicators are reported below:

- Awarded a sixth 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 99.84% (2016 : 99.65%) - Aston Martin achieved the highest score in any sector anywhere in the world for the third consecutive year
- International Safety Award achieved for ninth consecutive year
- 1,010 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 United Kingdom'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

Michael F Marecki

M Marecki (Company Secretary)
Date: 22 February 2018

Directors' report
for the year ended 31 December 2017

The directors present their annual report and Group financial statements for the year ended 31 December 2017.
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 2017 (2016 : £Nil).

Research and development and product strategy

Product strategy

Aston Martin's product strategy aims to deliver inspiring customer-focused luxury vehicles across three pillars - Sports Cars, SUVs and Sedans - enhanced with rare and exclusive special models. The plan targets the introduction of one new core model every year, alongside a continued pipeline of high-value limited-edition special models. New models are targeted to the changing needs of the global HNWI customer base. In order to ensure the product pipeline remains competitive and relevant, the Group is committed to maintaining investment in the continued renewal of the product portfolio.

Research and development

Competition in the high luxury sector, increasingly stringent legislative standards, and disruption from new technologies demands focus on a responsive product strategy and associated research and development in advanced technologies.

Aston Martin has reduced the carbon dioxide ("CO2") output of the European fleet by over 34% since 2000 from 470 g/km to 309 g/km through the introduction of improved materials and technologies, including a lightweight bonded aluminium body structure, more efficient engines and transmissions and the use of composite and carbon fibre panels and other lightweight components. Further reductions to 285 g/km are targeted by 2021. As an example of the Group's commitment to ongoing improvements, the CO2 emissions of the DB9 reduced by 23% over the lifecycle of the product, while power output increased by 20%. Similarly, since the launch of the V8 Vantage model in 2005, CO2 emissions have been reduced by over 27% alongside a power increase of 13%. This knowledge has been applied to development of the DB11, successor to the DB9. The V12-engined derivative is 18% more efficient than its predecessor. During 2017, the V8-derivative of DB11 was introduced - the first application of the bespoke 4.0-litre twin turbo AMG V8 engine from the strategic partnership with Daimler. The V8-engined DB11 achieves a further reduction in CO2 of 13% compared to the V12-engined derivative.

RapidE, confirmed for production in 2019, will be Aston Martin's first full Battery Electric Vehicle. The development of RapidE has advanced Aston Martin's capabilities and expertise in the electric vehicle segment, an important area of future technology in the automotive sector.

In August, Dr. Joerg Ross was appointed Chief Engineer of Powertrain. Dr. Ross will be responsible for the development of Aston Martin's engines, transmissions and electrification, reporting to Vice President and Chief Technical Officer, Max Szwaj. Joerg has spent more than twenty five years in the automotive industry and joins Aston Martin from Maserati where he served as Head of Advanced Powertrain. Also during 2017, Simone Rizzuto was appointed Chief Engineer of Vehicle Dynamics. Mr. Rizzuto was previously responsible for vehicle performance testing and integration at Maserati and Alfa Romeo.

Alongside the strengthening of in-house technical capability, partnerships and technical collaborations remain central to accessing cutting-edge technology and development of knowledge and new capabilities. Current technology partnerships include Daimler (V8 engines and electrical and electronic architecture), Williams Advanced Engineering (BEV systems and components) and Red Bull Racing (aerodynamics and mid-engine architecture).

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 2017 is as follows:

	Male	Female
Directors	10	0
Other Key Employees	56	10
Other Employees	1,639	282
Total	1,705	292

Of the total 1,997 Full Time Equivalent employees and directors, 76 are based in our overseas companies with a gender diversity split of 50 male and 26 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 2017, 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 2017 (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 £150m facility (2016 : £125m facility) at 31 December 2017 is £147.0m (2016 : £120.9m). 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 run to August 2018 and negotiations have commenced to renew both facilities with the expectation of a positive outcome to the negotiations.

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 2017 is £25.5m (31 December 2016 : £26.8m). The utilisation of these facilities at 31 December 2017 is £Nil (31 December 2016 : £ 5.2m).

In May 2017 the group entered into a one year back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi to the value of £13.6m were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2017 to £13.7m and is shown in the total of cash and cash equivalents. The overdraft of £(13.5)m, including accrued interest, is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

At 31 December 2017 the Group had cash and cash equivalents of £167.9m (2016 : £101.7m).

On 18 April 2017, the group issued $400m 6.5% Senior Secured Notes and £230m 5.75% Senior Secured Notes both of which mature in April 2022. Attached to these Senior Secured Notes is an £80m revolving credit facility which was undrawn at 31 December 2017. In December 2017 the Group issued a further £55m of 5.75% Senior Secured Notes which also mature in April 2022. The amounts outstanding on all the borrowings are shown in note 18 to the accounts.

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

The Senior Secured Notes and the Senior Subordinated PIK notes which were due to be repaid in July 2018 were repaid in April 2017. Both of these were subject to fixed interest rates.
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 2017 were £Nil (2016 : £5.2m). 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 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.

On 18 April 2017, the Group issued $400m 6.5% Senior Secured Notes and £230m 5.75% Senior Secured Notes both of which mature in April 2022. In December 2017 the Group issued a further £55m of 5.75% Senior Secured Notes which also mature in April 2022. The interest rates on these borrowings are fixed.

In May 2017 the Group entered into a one year back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi to the value of £13.6m were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The interest rate payable on the overdraft facility is 3 month LIBOR plus 1% plus. The interest rate receivable on the restricted funds in China is 2.1%.

The Group has borrowed 200 million Japanese Yen (£1.3m) to finance the construction of a brand centre in Tokyo. The amount is repayable in January 2020 and the interest rate is fixed at 5% per annum.

As the interest rates on all substantial long term borrowings, such as the Senior Secured Notes and the Preference Shares, is fixed the Group is not exposed to any significant interest rate cash flow risk.

Directors' report
for the year ended 31 December 2017 (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.

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 7.

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 F Marecki

Michael Marecki
Company Secretary

Date: 22 February 2018

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

1 Our opinion is unmodified

We have audited the financial statements of Aston Martin Holdings (UK) Limited ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Parent Company Balance Sheet, Consolidated and Parent Company Statement of Changes In Equity, Consolidated Cash Flow Statement, and the related notes, including the accounting policies in note 2.

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 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Overview	
Materiality: group financial statements as a whole	£3.0 million (2016: £5.0 million) 4% of Group profit before tax (2016: 0.85% of Group Revenue)
Audit scope coverage	92% (2016: 90%) of Group Revenue and 95% (2016: 98%) of Group profit before tax
Risks of material misstatement	
Recurring risks:	-Valuation of capitalised development costs -Revenue recognition around the year end and bill and hold transactions -Valuation of defined benefit scheme obligation -Recoverability of parent company's investment in subsidiaries

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Valuation of capitalised development costs (£511 million; 2016: £347 million with in-year capitalisation of £213 million; 2016: £116 million) *Refer to pages 21 and 22 (accounting policy) and page 30 (financial disclosures).*	**Forecast-based valuation** The value of development costs is supported by the future profitability of the vehicle platforms to which they are attributed. An impairment assessment is carried out annually and when there is an indicator of impairment. The valuation assessment uses a net present value of forecast cash flows for each vehicle to which the capitalised costs relate. **Accounting treatment** Accuracy of costs capitalised must be assessed through ensuring compliance with the criteria of relevant accounting standards.	**Our procedures included:** - **Our sector experience:** Assessing through consideration of our business understanding and broader audit procedures whether any trigger events have arisen which would indicate a possible impairment. - **Benchmarking assumptions:** Challenging the Group's valuation assumptions by comparing to externally derived data in relation to key inputs such as projected economic growth, discount rates and competition in the luxury car market. - **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation. - **Accounting analysis:** Assessing the Group's policy for the capitalisation of development costs against criteria in relevant accounting standards to assess whether the costs have been correctly capitalised. - **Testing application:** We select a sample of capitalised costs and agree to supporting documentation such as time recording records and purchase invoices to obtain confirmation that the cost is properly recorded.

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

2 Key audit matters: our assessment of risks of material misstatement (Continued)

	The risk	Our response
Recognition of revenue around the year end and bill and hold transactions (£876 million; 2016: £593 million) Refer to page 21 (accounting policy) and page 26 financial disclosures	**2017/2018 sales** There may be pressure on management to increase revenue as this is a key performance indicator of the Group and could be subject to internal and external targets which increases the risk of fraudulently recording fictitious revenues. Vehicles may be sold on a 'bill and hold' basis whereby revenue is recognised before delivery to the customer.	**Our procedures included:** - **Tests of details:** Testing, on a sample basis, whether specific revenue transactions around the year end have been recognised in the appropriate period by assessing whether the significant risks and rewards of ownership have passed, with reference to the nature of the products, the terms of sale within the associated contracts and the status of acceptance of the product. - **Tests of details:** Considering whether a sample of credit notes issued after the year end should reduce revenue in the period and challenging those that do not by obtaining evidence. - **Tests of details:** Where vehicles have been sold using a bill and hold agreement, inspecting the supporting documentation on a sample basis and agreeing that this is signed by the customer and appropriately sets out that the vehicle was ready for sale and that significant risks and rewards have passed. - **Tests of details:** Agreeing manual journals impacting the revenue financial statement caption to supporting documentation.
Valuation of defined benefit scheme obligation (£318 million; 2016: £324 million) Refer to page 24 (accounting policy) and page 41 financial disclosures	**Subjective valuation** The valuation of the UK post-retirement benefit obligation involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to scheme liabilities, inflation rates and mortality rates. Small changes in these assumptions would have a significant effect on the Group's financial position.	**Our procedures included:** - **Our pensions expertise:** With the support of our own actuarial specialists, challenging the key assumptions applied (discount rate, inflation rate and mortality). - **Benchmarking assumptions:** Comparing these key assumptions used against externally derived data. - **Assessing valuer's credentials:** Assessing the competency and independence of the actuary engaged by the Group. - **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the liabilities to these assumptions.
Recoverability of parent Company's investment in subsidiaries (£668 million; 2016: £668 million) Refer to pages 22 and 23 (accounting policy) and page 32 financial disclosures	**Forecast-based valuation** The carrying amount of the parent Company's investments in subsidiaries represents 100% (2016: 100%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	**Our procedures included:** - **Tests of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. - **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit team on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. - **Our sector experience:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit as shown in the draft financial statements of the current year.

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

3 Our application of materiality and an overview of the scope of our audit

Revenue	Profit before tax	Materiality
£876.0 million	**£86.7 million**	**£3.0 million**
(2016: £593.5 million)	(2016: £162.8 million loss)	(2016: £5.0 million)

£0.15m	£2.25m	£3.0m
Misstatements reported to the audit committee	Procedures designed to detect individual errors	Materiality for the financial statements as a whole
(2016: £0.25m)	(2016: £3.75m)	(2016: £5.0m)

Materiality for the group financial statements as a whole was set at £3.0m (2016: £5.0 million), determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's gain on the transition of the pension scheme to a CARE benefit as disclosed in note 5 and costs incurred in relation to the issue of the bonds as disclosed in note 18, of £76 million of which it represents 4%. For the prior year, 0.84% of Group Revenue was used.

Materiality for the parent Company financial statements as a whole was set at £2.4 million (2016: £4.0 million), determined with reference to a benchmark of company total assets- of which it represents 0.29% (2016: 0.48%).

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £150,000 (2016: £250,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Full scope audits were performed over 5 (2016: 4) of the Group's 11 reporting components. In 2016 we also performed specified risk-focused audit procedures over revenue at 1 further component which was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for 92% (2016: 90%) of Group Revenue and 95% of the total profits and losses that made up Group Profit Before Tax (2016: 98%). Component materiality was set at £2.4 million for each of the in scope components.

Based on Revenue, 91% (2016: 93%) of testing, including audit of the parent Company, was completed by the UK Group Team and 9% (2016: 7%) was completed by KPMG China Component Auditors.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team visited China, met with the component auditor and performed a review of their audit documentation related to key audit matters and other areas of interest.

The Group team performed procedures on the items excluded from normalised Group profit before tax.

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the strategic report and the directors' report

The directors are responsible for the other information presented in the strategic report and the directors' report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 10, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

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 for the opinions we have formed.

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 : 22 FEBRUARY 2018

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	3	**875,993**	593,450
Cost of sales		**(496,184)**	(371,903)
Gross profit		**379,809**	221,547
Selling and distribution expenses		**(59,983)**	(41,858)
Administrative and other expenses		**(171,044)**	(212,008)
Operating profit / (loss)	4	**148,782**	(32,319)
Analysed as :			
Past service pension benefit	5	**24,274**	-
Impairment of intangible and tangible assets	5	**-**	(48,738)
Underlying operating profit *		**124,508**	16,419
Operating profit / (loss)		**148,782**	(32,319)
Finance income	7	**35,599**	2,584
Finance expense	8	**(97,649)**	(133,042)
Net financing expense		**(62,050)**	(130,458)
Analysed as :			
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes	8	**(10,535)**	-
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes	8	**(2,377)**	-
Underlying net financing expense **		**(49,138)**	(130,458)
Net financing expense		**(62,050)**	(130,458)
Profit / (loss) before tax		**86,732**	(162,777)
Income tax (charge) / credit	9	**(7,730)**	15,204
Profit / (loss) for the year		**79,002**	(147,573)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability	21	**2,923**	(65,975)
Related income tax	9	**(497)**	11,216
		2,426	(54,759)
Items that are or may be reclassified to profit or loss			
Foreign exchange translation differences		**(677)**	1,493
Other comprehensive income for the period, net of income tax		**1,749**	(53,266)
Total comprehensive income for the period		**80,751**	(200,839)
Profit / (loss) attributable to:			
Owners of the group		**76,371**	(147,902)
Non-controlling interests		**2,631**	329
		79,002	(147,573)
Total comprehensive income / (expense) for the period attributable to:			
Owners of the group		**78,120**	(201,168)
Non-controlling interests		**2,631**	329
		80,751	(200,839)

* underlying operating profit represents operating profit excluding non-recurring items.

** underlying net financing expense represents financing expense 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 20 to 46 form an integral part of the financial statements.

Consolidated statement of changes in equity

Group	Share Capital	Share Premium and Share Warrants	Capital Reserve and non-controlling interest	Translation Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	3	387,280	99,063	2,336	(416,022)	72,660
Total comprehensive income for the period						
Profit	-	-	2,631	-	76,371	79,002
Other comprehensive income						
Foreign currency translation differences	-	-	-	(677)	-	(677)
Remeasurement of defined benefit liability (note 21)	-	-	-	-	2,923	2,923
Income tax on other comprehensive income (note 9)	-	-	-	-	(497)	(497)
Total other comprehensive income	-	-	-	(677)	2,426	1,749
Total comprehensive income for the period	-	-	2,631	(677)	78,797	80,751
Transactions with owners, recorded directly in equity						
Equity adjustment	-	(5,585)	-	-	-	(5,585)
Total transactions with owners	-	(5,585)	-	-	-	(5,585)
At 31 December 2017	3	381,695	101,694	1,659	(337,225)	147,826

The equity adjustment of £5,585,000 represents a part repayment to Prestige Motor Holdings S.A., which is controlled by Investindustrial V L.P., of the £150,000,000 equity received in 2013 in order to reflect the value of the shares acquired at that date, which has been adjusted based on the deficit of the defined benefit pension scheme over the four year period to June 2017.

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £7,630,000 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	Share Premium and Share Warrants	Capital Reserve and non-controlling interest	Translation Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'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.

Company statement of changes in equity

Company	Share Capital £'000	Share Premium and Share Warrants £'000	Capital Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2017	3	387,280	92,964	-	(126,446)	353,801
Total comprehensive income for the period						
Loss	-	-	-	-	(47,213)	(47,213)
Total comprehensive expense for the period	-	-	-	-	(47,213)	(47,213)
Transactions with owners, recorded directly in equity						
Equity adjustment	-	(5,585)	-	-	-	(5,585)
Total transactions with owners	-	(5,585)	-	-	-	(5,585)
At 31 December 2017	3	381,695	92,964	-	(173,659)	301,003

The equity adjustment of £5,585,000 represents a part repayment to Prestige Motor Holdings S.A., which is controlled by Investindustrial V L.P., of the £150,000,000 equity received in 2013 in order to reflect the value of the shares acquired at that date, which has been adjusted based on the deficit of the defined benefit pension scheme over the four year period to June 2017.

Company	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 expense for the period						
Loss	-	-	-	-	(73,593)	(73,593)
Total comprehensive expense for the period	-	-	-	-	(73,593)	(73,593)
Transactions with owners, recorded directly in equity						
Capital increase	-	9,419	-	-	-	9,419
Total transactions with owners	-	9,419	-	-	-	9,419
At 31 December 2016	3	387,280	92,964	-	(126,446)	353,801

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

Statements of financial position
at 31 December 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Non-current assets					
Intangible assets	10	**930,705**	706,947	-	-
Property, plant and equipment	12	**243,885**	196,321	-	-
Investments in subsidiary undertakings	13	-	-	**667,982**	667,982
Other receivables	15	**2,077**	2,309	-	-
Other financial assets	18	-	88	-	-
Deferred tax asset	9	**37,091**	32,124	-	-
		1,213,758	937,789	**667,982**	667,982
Current assets					
Inventories	14	**127,785**	117,245	-	-
Trade and other receivables	15	**115,666**	112,757	**147,911**	231,438
Other financial assets	18	**1,381**	272	-	-
Cash and cash equivalents	16	**167,851**	101,718	**1**	1
		412,683	331,992	**147,912**	231,439
Total assets		**1,626,441**	1,269,781	**815,894**	899,421
Current liabilities					
Borrowings	18	**13,481**	5,153	-	-
Trade and other payables	17	**480,863**	340,893	**259,049**	151,234
Income tax payable		**2,677**	680	-	-
Other financial liabilities	18	**3,112**	18,646	-	-
Provisions	20	**12,016**	7,631	-	-
		512,149	373,003	**259,049**	151,234
Non-current liabilities					
Borrowings	18	**827,453**	696,065	**255,842**	394,386
Trade and other payables	17	**17,623**	-	-	-
Other financial liabilities	18	-	9,611	-	-
Employee benefits	21	**46,847**	69,769	-	-
Provisions	20	**13,931**	6,070	-	-
Deferred tax liabilities	9	**60,612**	42,603	-	-
		966,466	824,118	**255,842**	394,386
Total liabilities		**1,478,615**	1,197,121	**514,891**	545,620
Net assets		**147,826**	72,660	**301,003**	353,801
Capital and reserves					
Share capital	22	**3**	3	**3**	3
Share premium	23	**363,233**	368,818	**363,233**	368,818
Share warrants	23	**18,462**	18,462	**18,462**	18,462
Capital reserve	23	**94,064**	94,064	**92,964**	92,964
Translation reserve	23	**1,659**	2,336	-	-
Retained earnings		**(337,225)**	(416,022)	**(173,659)**	(126,446)
Equity attributable to owners of the group		**140,196**	67,661	**301,003**	353,801
Non-controlling interests		**7,630**	4,999	-	-
Total shareholders' equity		**147,826**	72,660	**301,003**	353,801

Notes on pages 20 to 46 form an integral part of the financial statements.

The financial statements on pages 15 to 46 were approved by the board of directors on 22 February 2018 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 2017

	Notes	Group 2017 £'000	Group 2016 £'000
Operating activities			
Profit / (loss) for the year		**79,002**	(147,573)
Adjustments to reconcile profit / (loss) for the year to net cash inflow from operating activities			
Tax on continuing operations	9	**7,730**	(15,204)
Net finance costs		**35,719**	122,306
Other non cash movements		**(748)**	1,035
(Gains) / losses on sale of property, plant and equipment	4	**(140)**	22
Depreciation and impairment of property, plant and equipment	4,12	**27,441**	38,314
Amortisation and impairment of intangible assets	4,10	**54,726**	94,858
Difference between pension contributions paid and amounts recognised in income statement		**(19,999)**	(1,153)
Increase in inventories		**(10,540)**	(36,882)
Increase in trade and other receivables		**(7,782)**	(39,126)
Increase in trade and other payables		**166,613**	150,333
Movement in provisions		**12,493**	(1,289)
Cash generated from operations		**344,515**	165,641
Income taxes paid		**(677)**	(1,082)
Net cash inflow from operating activities		**343,838**	164,559
Cash flows from investing activities			
Interest received	7	**3,085**	2,224
Proceeds on the disposal of property, plant and equipment		**200**	395
Payment to acquire subsidiary undertaking	13	**(50,022)**	-
Payments to acquire property, plant and equipment	12	**(74,994)**	(68,280)
Payments to acquire intangible assets	10	**(219,131)**	(124,508)
Net cash used in investing activities		**(340,862)**	(190,169)
Cash flows from financing activities			
Interest paid		**(49,815)**	(32,612)
Adjustment to equity share issue	23	**(5,585)**	-
Movement in existing borrowings	18,24	**(474,325)**	(13,787)
New Borrowings	18,24	**606,150**	100,000
Transaction fees on new borrowings	24	**(12,134)**	-
Net cash inflow from financing activities		**64,291**	53,601
Net increase in cash and cash equivalents	24	**67,267**	27,991
Cash and cash equivalents at the beginning of the year	16,24	**101,718**	65,562
Effect of exchange rates on cash and cash equivalents	24	**(1,134)**	8,165
Cash and cash equivalents at the end of the year	16,24	**167,851**	101,718

Notes on pages 20 to 46 form an integral part of the financial statements.

Notes to the financial statements for the year ended 31 December 2017

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, Redeemable cumulative preference shares, a revolving credit facility, facilities to finance inventory, a back-to-back loan and a wholesale vehicle financing facility. On 18 April 2017, the group issued $400,000,000 6.5% Senior Secured Notes and £230,000,000 5.75% Senior Secured Notes both of which mature in April 2022. Attached to these Senior Secured Notes is an £80,000,000 revolving credit facility which was undrawn at 31 December 2017. In December 2017 the Group issued a further £55,000,000 of 5.75% Senior Secured Notes which also mature in April 2022. The amounts outstanding on all the borrowings are shown in note 18 to the accounts.
The Senior Secured Notes and the Senior Subordinated PIK notes which were due to be repaid in July 2018 were repaid in April 2017.

The Directors have prepared trading and cash flow forecasts for the period to 2021 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 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 2017 (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 2017 (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:

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

Property, plant and equipment

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

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

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

Tooling is amortised over the life of the project.

Assets in the course of construction are included in their respective category, but are not depreciated until completion of the construction.
No depreciation is provided on freehold land.

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

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

Investments in subsidiaries

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

Notes to the financial statements for the year ended 31 December 2017 (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 2017 (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 2017 (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 2017. 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.

The effect of adopting IFRS 9 will be to report the exchange movement on the $400m 6.5% Senior Secured Notes and the gains or losses on financial instruments recognised at fair value entered into from 1 January 2018, within other comprehensive income or expense and capital and reserves as opposed to within net financing expense in the income statement. 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.

The Group has carried out a detailed impact assessment of the provisions of IFRS 15 covering such areas as:

- incentives	- warranty	- barter arrangements
- deposits	- bill and hold	- residual value guarantees
- servicing	- restoration work	- separate performance obligations

and has concluded and the only area where the accounting will be affected is for deposits held for in excess of one year. The potential impact has been estimated as increasing finance expense by between £2.0m and £2.5m in 2017 and by between £4.5m and £5.5m in 2018.

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 Group currently plans to adopt IFRS 16 initially on 1 January 2019.

The actual impact of adopting IFRS 16 on the Group's consolidated financial statements in 2019 is not known as judgements are required in identifying and accounting for leases. The Group is continuing to assess the impact of IFRS 16 and cannot reasonably estimate the impact on the consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows after adoption on 1 January 2019.

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption, when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period. The Group has not yet determined which adoption method it will use.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

3 Revenue

Group

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Analysis by category		
Sale of vehicles	**810,102**	528,974
Sale of parts	**55,966**	53,605
Servicing of vehicles	**9,925**	10,871
	875,993	593,450

4 Operating profit / (loss)

Group

The Group operating profit / (loss) is stated after charging / (crediting):

		2017 £'000	2016 £'000
Depreciation of property, plant and equipment (note 12)		**27,441**	38,314
Amortisation of intangible assets (note 10)		**54,726**	94,858
Provision for the impairment of trade receivables (note 15)		**19**	(176)
(Gain) / loss on sale of property, plant and equipment		**(140)**	22
Net foreign currency differences		**3,830**	4,091
Cost of inventories recognised as an expense		**435,900**	287,987
Write-down of inventories to net realisable value		**1,874**	1,453
Operating lease payments (gross)			
	- Land and buildings	**5,282**	2,898
	- Plant and machinery	**1,559**	1,842
Operating sublease receipts	- Land and buildings	**(307)**	-
Auditor's remuneration:			
	- Audit of these financial statements	**15**	15
	- Audit of financial statements of subsidiaries pursuant to legislation	**192**	150
	- Other services relating to taxation	**433**	266
	- All other services	**622**	373
Research and development expenditure recognised as an expense		**11,095**	10,858

Research and development expenditure is further analysed as follows:

	2017 £'000	2016 £'000
Total research and development expenditure	**226,332**	127,335
Capitalised research and development expenditure (note 10)	**(215,237)**	(116,477)
Research and development expenditure recognised as an expense	**11,095**	10,858

5 Non-recurring items

		2017 £'000	2016 £'000
Non-recurring operating expenses:			
Past service pension benefit	(a)	**24,274**	-
Impairment of intangible and tangible assets	(b)	**-**	(48,738)
Non-recurring items before tax		**24,274**	(48,738)
Tax on non-recurring items		**-**	-
Non-recurring items after tax		**24,274**	(48,738)

(a) On 1 January 2018 the benefits provided by the defined benefit pension scheme changed from being based on final salary to benefits based on career average revalued earnings (CARE) which resulted in a past service pension benefit.

(b) 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.

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

Notes to the financial statements for the year ended 31 December 2017 (Continued)

6 Staff costs and directors' emoluments

Group

(a) Staff costs	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	93,804	77,297
Social security costs	9,952	8,141
Expenses related to post-employment defined benefit plan	12,359	9,042
Contributions to defined contribution plans	3,676	2,437
	119,791	96,917

During the year the Company had no employees or staff costs (2016 : none).

The average monthly number of employees during the years ended 31 December 2017 and 31 December 2016 were:

By activity	2017	2016
Production	827	687
Selling and distribution	227	197
Administration	699	611
	1,753	1,495

(b) Directors' emoluments and transactions

	2017 £'000	2016 £'000
Directors' emoluments	4,082	3,876

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

Highest paid director:

Aggregate emoluments	3,182	2,976

Compensation of key management personnel (including directors)

	2017 £'000	2016 £'000
Short-term employee benefits	7,518	7,701
Post-employment benefits	373	544
	7,891	8,245

Compensation for loss of office payments included above amounted to £Nil (2016 : £246,638).

All of the directors benefited from qualifying third party indemnity provisions.

7 Finance income

Group

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Bank deposit and other interest income	3,085	2,224
Net gain on financial instruments recognised at fair value through profit or loss	7,608	360
Net foreign exchange gain	24,906	-
Total finance income	35,599	2,584

8 Finance expense

Group

	2017 £'000	2016 £'000
Bank loans and overdrafts	45,108	49,571
Net interest expense on the net defined benefit liability	1,756	3
Interest on preference shares classified as financial liabilities	37,873	29,124
Net loss on financial instruments recognised at fair value through profit or loss	-	26,737
Net foreign exchange loss	-	27,607
Finance expense before non-recurring finance expense	84,737	133,042
Non-recurring finance expense:		
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes	10,535	-
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes	2,377	-
Total finance expense	97,649	133,042

Notes to the financial statements for the year ended 31 December 2017 (Continued)

9 Tax expense on continuing operations
Group

	2017 £'000	2016 £'000
Current tax expense		
UK corporation tax on profits	**(3,124)**	(93)
Overseas tax	**(1,374)**	(643)
Prior period movement	**(40)**	(21)
Total current income tax	**(4,538)**	(757)
Deferred tax expense		
Origination and reversal of temporary differences	**(17,201)**	13,840
Effect of change in tax laws	**-**	2,145
Prior period movement	**14,009**	(24)
Total deferred tax	**(3,192)**	15,961
Total tax (charge) / credit	**(7,730)**	15,204
Tax relating to items charged in other comprehensive income		
Deferred tax		
Actuarial gains / (losses) on defined benefit pension plan	**(497)**	11,216

(b) Reconciliation of the total tax charge

The tax (charge) / credit in the consolidated statement of comprehensive income for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016 : 20%). The differences are reconciled below:

		2017 £'000		2016 £'000
Profit / (loss) from operations before taxation		**86,732**		(162,777)
Profit / (loss) on operations before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (2016 : 20%)	**19.25%**	**16,696**	20%	(32,555)
Difference to current tax (charge) / credit due to effects of:				
Unrecognised tax losses		**-**		6,281
Expenses not deductible for tax purposes		**8,164**		7,919
Adjustments in respect of prior periods		**(13,969)**		45
Effect of change in tax laws		**(2,273)**		5,136
Pension movements taken to equity		**-**		(1,979)
Difference in overseas tax rates		**(892)**		382
Other		**4**		(433)
Total tax (charge) / credit		7,730		(15,204)

(c) Factors affecting future tax charges

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

Notes to the financial statements for the year ended 31 December 2017 (Continued)

9 Tax expense on continuing operations (Continued)

(d) Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £'000	Assets 2016 £'000	Liabilities 2017 £'000	Liabilities 2016 £'000
Property, plant and equipment	-	(285)	8,786	-
Intangible assets	-	-	51,826	42,603
Employee benefits	(7,964)	(11,861)	-	-
Provisions	(1,434)	(1,744)	-	-
Losses	(27,693)	(18,234)	-	-
Tax (assets) / liabilities	(37,091)	(32,124)	60,612	42,603
Set off of tax liabilities / (assets)	37,091	32,124	(37,091)	(32,124)

Movement in deferred tax in 2017

	1 January 2017 £'000	Recognised in income £'000	Recognised in equity £'000	Acquisition of subsidiary £'000	31 December 2017 £'000
Property, plant and equipment	(285)	9,071	-	-	8,786
Intangible assets	42,603	(130)	-	9,353	51,826
Employee benefits	(11,861)	3,400	497	-	(7,964)
Provisions	(1,744)	310	-	-	(1,434)
Losses	(18,234)	(9,459)	-	-	(27,693)
	10,479	3,192	497	9,353	23,521

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

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

	2017 £'000	2016 £'000
Tax losses	18,937	33,039

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 2017 (Continued)

10 Intangible assets

Group

Cost	Brands £'000	Technology £'000	Dealer Network and Other £'000	Deferred Development Cost £'000	Goodwill £'000	Total £'000
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**
Balance at 1 January 2017	242,600	21,202	59,238	616,526	85,436	**1,025,002**
Additions	-	-	5,894	213,237	-	**219,131**
Transfer in	55,016	-	6,250	-	-	**61,266**
Disposals	-	-	(1,500)	-	-	**(1,500)**
Balance at 31 December 2017	297,616	21,202	69,882	829,763	85,436	**1,303,899**
Amortisation						
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**
Balance at 1 January 2017	-	471	47,917	269,203	464	**318,055**
Amortisation for the year	-	1,884	3,567	49,143	132	**54,726**
Transfer in	-	-	1,913	-	-	**1,913**
Disposals	-	-	(1,500)	-	-	**(1,500)**
Balance at 31 December 2017	-	2,355	51,897	318,346	596	**373,194**
Carrying Amounts						
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**
At 1 January 2017	242,600	20,731	11,321	347,323	84,972	**706,947**
At 31 December 2017	297,616	18,847	17,985	511,417	84,840	**930,705**

The transfer in relates to the acquisition of AM Brands Limited. The right of use of a trade mark "Aston Martin" for non-automotive activities at the date of acquisition was £6,250,000 with accumulated amortisation of £1,913,000. In addition, there was a fair value adjustment on acquisition of £55,016,000. See note 13 for further details.

The automotive Brand identified above and valued through the acquisition of Aston Martin Lagonda Group Limited at £242,600,000 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.

The non-automotive Brand identified above and valued through the acquisition of AM Brands Limited in December 2017 has been valued at £55,016,000.

Dealer Network and Other intangible assets of £17,985,000 (2016 : £11,321,000) include £7,248,000 (2016 : £8,018,000) relating to the dealer network, £Nil relating to Chinese distribution rights (2016 : £308,000), £4,316,000 relating to software development (2016 : £2,735,000), £4,337,000 relating to the right of use of a trade mark "Aston Martin" for non-automotive activities (2016 : £Nil) and £2,084,000 relating to other items (2016 : £260,000).

Goodwill of £84,840,000 (2016 : £84,972,000) relates to the following. £84,131,000 (2016 : £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. £126,000 (2016 : £215,000) results from the acquisition of AMWS Limited, the parent company of Aston Martin Works Limited in 2014. £583,000 (2016 : £626,000) results from a transfer in when Aston Martin Works Limited became part of the Group in 2014.

Amortisation in the year ended 31 December 2017 relates to the amortisation of the Goodwill on the acquisition of AMWS limited of £89,000 (2016 : £89,000) and amortisation of the Goodwill within Aston Martin Works Limited of £43,000 (2016 :£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 12.3%. 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 6.0% in order for the assets to become impaired
- the exchange rate would need to increase to $1.94/£ (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 2017 (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 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**
Balance at 1 January 2017	68,452	413,842	701	**482,995**
Additions	30	74,898	66	**74,994**
Disposals	-	-	(60)	**(60)**
Effect of movements in exchange rates	137	(22)	6	**121**
Balance at 31 December 2017	68,619	488,718	713	**558,050**
Depreciation				
Balance at 1 January 2016	18,140	229,846	97	**248,083**
Charge for the year	2,334	35,951	29	**38,314**
Effect of movements in exchange rates	122	141	14	**277**
Balance at 31 December 2016	20,596	265,938	140	**286,674**
Balance at 1 January 2017	20,596	265,938	140	**286,674**
Charge for the year	2,330	25,097	14	**27,441**
Effect of movements in exchange rates	41	3	6	**50**
Balance at 31 December 2017	22,967	291,038	160	**314,165**
Carrying amounts				
At 1 January 2016	49,827	115,751	736	**166,314**
At 31 December 2016	47,856	147,904	561	**196,321**
At 1 January 2017	47,856	147,904	561	**196,321**
At 31 December 2017	45,652	197,680	553	**243,885**

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 Senior Secured Notes.

Assets in the course of construction at a cost of £Nil (2016 : £Nil) are included within land and buildings. Assets in the course of construction at a cost of £52,875,000 (2016 : £55,539,000) are included within plant and machinery.

Capital expenditure contracts to the value of £58,549,000 have been placed but not provided for as at 31 December 2017 (2016 : £57,184,000).

There was no property, plant and equipment in the Company (2016 : £Nil).

Notes to the financial statements for the year ended 31 December 2017 (Continued)

13 Investments

Investments in subsidiary undertakings
Company

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of Business
Aston Martin Capital Holdings Limited * ◊	Ordinary	100%	Financing company holding the Senior Secured Notes
Aston Martin Investments Limited *	Ordinary	100%	Holding Company
Aston Martin Capital Limited ** ◊	Ordinary	100%	Dormant Company - formerly the financing company that held the previous Senior Secured Notes that were repaid in 2017
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
AM Brands Limited **	Ordinary	100%	Grants licences to third parties for the use of the Aston Martin brand for non-automotive products worldwide
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

In December 2017 the group acquired 100% of the voting shares of AM Brands Limited, a company incorporated in Jersey, for a consideration of £57,770,000 settled in cash.

The book values of the identifiable assets and liabilities and their fair value to the Group at the date of acquisition were as follows:

	Book value £'000	Provisional fair value adjustments £'000	Fair value to group £'000
Intangible assets	4,337	55,016	59,353
Trade and other receivables	828	-	828
Cash at bank	7,748	-	7,748
Trade and other payables	(806)	-	(806)
Deferred tax	-	(9,353)	(9,353)
Net assets	12,107	45,663	57,770
Cash consideration			57,770
Cash acquired			(7,748)
Net cash outflow from acquisition			50,022

	Shares in subsidiary undertakings £'000
Cost and carrying value	
1 January 2017	667,982
Additions	-
31 December 2017	667,982

Notes to the financial statements for the year ended 31 December 2017 (Continued)

14 Inventories
Group

	2017 £'000	2016 £'000
Service parts, spares and production stock	**49,486**	50,345
Work in progress	**17,498**	18,363
Finished cars and parts for resale	**60,801**	48,537
	127,785	117,245

Finished cars and parts for resale includes Group owned service vehicles at a net realisable value of £24,958,000 (31 December 2016 : £19,886,000). 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 (2016 : £Nil).

15 Trade and other receivables
Group and Company

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Amounts included in current assets				
Trade receivables	**71,973**	90,979	-	-
Owed by Group undertakings (see note 27)	-	-	**147,911**	231,083
Owed by related parties (see note 27)	-	466	-	-
Other receivables including taxation	**22,718**	16,833	-	-
Prepayments	**20,975**	4,479	-	355
	115,666	112,757	**147,911**	231,438
Amounts included in non-current assets				
Other receivables	**2,077**	2,309	-	-

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 £150,000,000 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 2017 is £147,022,000 (2016 : £120,948,000).

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Sterling	**59,487**	46,385	**147,911**	231,438
Chinese Renminbi	**4,640**	14,921	-	-
Euro	**7,535**	9,698	-	-
US Dollar	**21,949**	32,229	-	-
Other	**3,156**	7,354	-	-
	96,767	110,587	**147,911**	231,438

Provision for impairment of receivables

Trade receivables with a value of £344,000 were impaired in the Group at 31 December 2017 (31 December 2016 : £162,000). Management review trade receivables on an individual account basis and make provision where recoverability is doubtful.

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
At 1 January	**162**	428	-	-
Charge / (credit) for the year	**19**	(176)	-	-
Utilised	**(80)**	(119)	-	-
Transfer in on the acquisition of AM Brands Limited (note 13)	**238**	-	-	-
Effect of movements in exchange rates	**5**	29	-	-
At 31 December	**344**	162	-	-

As at 31 December 2017, trade receivables of £19,542,000 were overdue but not impaired (31 December 2016 : £14,397,000).
The ageing analysis of these trade receivables is as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Up to 3 months overdue	**8,586**	10,872	-	-
3 to 6 months overdue	**5,824**	2,301	-	-
Over 6 months overdue	**5,132**	1,224	-	-
Total	**19,542**	14,397	-	-

There were no impairments in the Company in either year.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

16 Cash and cash equivalents
Group and Company

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash at bank and in hand	167,851	101,718	1	1

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

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Sterling	64,976	31,682	1	1
Chinese Renminbi	52,086	29,316	-	-
Euro	4,930	22,202	-	-
US Dollar	38,354	13,484	-	-
Other	7,505	5,034	-	-
	167,851	101,718	1	1

In May 2017 the group entered into a one year back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi to the value of £13,638,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2017 to £13,666,000 and is shown in the total of cash and cash equivalents above.

17 Trade and other payables

Current trade and other payables - Group and Company

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade payables	54,834	93,137	-	-
Due to Group undertakings (see note 27)	-	-	257,949	150,215
Due to related parties (see note 27)	626	1,690	-	-
Accruals and other payables	425,403	246,066	1,100	1,019
	480,863	340,893	259,049	151,234

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.

Non - Current trade and other payables - Group and Company

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Accruals and other payables	17,623	-	-	-

Notes to the financial statements for the year ended 31 December 2017 (Continued)

18 Financial Instruments

Group and Company

The Group's principal financial instruments comprise Senior Secured Notes, Preference Shares, a Revolving Credit Facility, inventory financing facilities, a back-to-back loan, 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 2017 were £nil (2016 : £5,153,000). 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. 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.

In May 2017 the group entered into a one year back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi to the value of £13,638,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2017 to £13,666,000 and is shown in the total of cash and cash equivalents. The overdraft of £13,481,000, including accrued interest, is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

Borrowings

The following table analyses borrowings:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Current				
Bank loans and overdrafts	**13,481**	5,153	-	-
Non current				
Senior Secured Notes	**570,333**	301,679	-	-
Senior Subordinated PIK Notes	-	176,417	-	176,417
Unsecured Loan	**1,278**	-	-	-
Preference Shares	**255,842**	217,969	**255,842**	217,969
Total non current borrowings	**827,453**	696,065	**255,842**	394,386
Total borrowings	**840,934**	701,218	**255,842**	394,386

In June 2011, the Group issued £304,000,000 9.25% Senior Secured Notes repayable in July 2018. These notes were repaid in April 2017 when the Group issued $400,000,000 6.5% Senior Secured Notes and £230,000,000 5.75% Senior Secured Notes, both of which mature in April 2022. In December 2017 the Group issued a further £55,000,000 of 5.75% Senior Secured Notes which also mature in April 2022.

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 an £80,000,000 Revolving Credit Facility (31 December 2016 - £40,000,000) which was undrawn at 31 December 2017 and 31 December 2016. 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 2017 were £nil (year ended 31 December 2016 : £5,153,000).

In March 2014 the Group issued $165,000,000 (£99,620,000) of 10.25% Senior Subordinated PIK Notes which were repayable in July 2018. These notes were repaid in April 2017.

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.

In February 2017 the Group obtained a 5% unsecured loan of Yen 200,000,000 (£1,278,000) repayable in January 2020 to finance the construction of a brand centre in Tokyo.

In May 2017 the group entered into a one year back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi to the value of £13,638,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2017 to £13,666,000 and is shown in the total of cash and cash equivalents. The overdraft of £13,481,000, including accrued interest, is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

Borrowing costs of £12,134,000 (2016 : £Nil) have been capitalised during the year ended 31 December 2017 which relate to the $400,000,000 of 6.5% Senior Secured Notes and £285,000,000 of 5.75% Senior Secured Notes raised in the year.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

18 Financial Instruments (Continued)

Interest rate risks - sensitivity

The Senior Secured Notes and the Senior Subordinated PIK notes which were due to be repaid in July 2018 were repaid in April 2017. Both of these were subject to fixed interest rates.

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 2017 were £Nil (2016 : £5,153,000). 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 both April 2015 and April 2016 the Group issued £100m of Preference Shares (£200,000,000 in total) which are redeemable in April 2025. The rate of interest on the Group's redeemable cumulative Preference Shares is 15% per annum.

On 18 April 2017, the group issued $400,000,000 6.5% Senior Secured Notes and £230,000,000 5.75% Senior Secured Notes both of which mature in April 2022. In December 2017 the Group issued a further £55,000,000 5.75% Senior Secured Notes which also mature in April 2022.

In May 2017 the group entered into a one year back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi to the value of £13,638,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The interest rate payable on the overdraft facility is 3 month LIBOR plus 1%. The interest rate receivable on the restricted funds in China is 2.1%.

The Group has borrowed 200,000,000 Japanese Yen (£1,278,000) to finance the construction of a brand centre in Tokyo. The amount is repayable in January 2020 and the interest rate is 5% per annum.

As the interest rates on all substantial long term borrowings, such as the Senior Secured Notes and the Preference Shares, is fixed the Group is not exposed to any significant interest rate cash flow risk.

Interest risk - sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax.

	(Increase)/ decrease in interest rate	Effect on profit after tax 2017 £'000	Effect on profit after tax 2016 £'000
3 month LIBOR	0.25 per cent	**27**	-

The Company does not have any external borrowings and there are no interest charges on balances with subsidiary undertakings.

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 2017 and 31 December 2016 were:

	Euros £'000	**US Dollars £'000**	**Chinese Renminbi £'000**	**Other £'000**	**Total £'000**
At 31 December 2017					
Financial assets					
Trade and other receivables	7,535	21,949	4,640	3,156	37,280
Foreign exchange contracts	-	574	-	807	1,381
Cash balances	4,930	38,354	52,086	7,505	102,875
	12,465	**60,877**	**56,726**	**11,468**	**141,536**
Financial liabilities					
Trade and other payables	(67,899)	(22,319)	(21,548)	(3,263)	(115,029)
Foreign exchange contracts	-	(2,978)	-	(134)	(3,112)
	(67,899)	**(25,297)**	**(21,548)**	**(3,397)**	**(118,141)**
Net balance sheet exposure	**(55,434)**	**35,580**	**35,178**	**8,071**	**23,395**

	Euros £'000	US Dollars £'000	Chinese Renminbi £'000	Other £'000	Total £'000
At 31 December 2016					
Financial assets					
Trade and other receivables	9,698	32,229	14,921	7,354	64,202
Foreign exchange contracts	-	-	-	360	360
Cash balances	22,202	13,484	29,316	5,034	70,036
	31,900	45,713	44,237	12,748	134,598
Financial liabilities					
Trade and other payables	(63,689)	(21,361)	(17,515)	(4,734)	(107,299)
Foreign exchange contracts	-	(25,981)	-	(2,276)	(28,257)
	(63,689)	(47,342)	(17,515)	(7,010)	(135,556)
Net balance sheet exposure	(31,789)	(1,629)	26,722	5,738	(958)

Notes to the financial statements for the year ended 31 December 2017 (Continued)

18 Financial Instruments (Continued)

The following significant exchange rates applied:

	Average Rate	Average Rate	**Reporting date spot rate**	Reporting date spot rate
	2017	2016	**2017**	2016
Euro	**1.1536**	1.2443	**1.1260**	1.1715
Chinese Renminbi	**8.7309**	9.1285	**8.7808**	8.5872
US Dollar	**1.2817**	1.3868	**1.3520**	1.2357

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 profit after tax (due to changes in the fair value of monetary assets and liabilities).

	(Increase)/ decrease in USD rate	**Effect on profit after tax 2017 £'000**	**Effect on profit after tax 2016 £'000**
US Dollar	Five per cent	**(7,367)**	(7,692)

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. The utilisation of this £150,000,000 facility (2016: £125,000,000 facility) at 31 December 2017 is £147,022,000 (2016 : £120,948,000) had been received against sales invoices. The wholesale finance scheme and the credit insurance supporting the facility run to August 2018 and negotiations have commenced to renew both facilities with the expectation of a positive outcome to the negotiations..

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 £25,500,000 (2016 : £26,800,000). The utilisation of these facilities at 31 December 2017 is £nil (2016 : £5,153,000).

In May 2017 the group entered into a one year back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi to the value of £13,638,000 were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued to £13,666,000 at 31 December 2017 and is shown in the total of cash and cash equivalents. The overdraft of £(13,481,000) is shown in Borrowings in Current Liabilities on the Statement of Financial Position. At 31 December 2017 the Group had cash and cash equivalents of £167,851,000 (2016: £101,718,000.

On 18 April 2017 the Group issued $400,000,000 6.5% Senior secured Notes and £230,000,000 5.75% Senior secured Notes both of which mature in April 2022. Attached to these Senior Secured Notes is an £80,000,000 revolving credit facility which was undrawn at 31 December 2017. In December 2017 the Group issued a further £55,000,000 of 5.75% Senior Secured Notes which also mature in April 2022.
On 23 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 redeemable cumulative preference shares are repayable in 2025.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 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	-	43	13,524	-	-	13,567
Senior Secured Notes	-	-	71,236	830,186	-	901,422
Unsecured Loan	-	16	50	1,385	-	1,451
Preference Shares	-	-	-	-	756,343	756,343
Trade and other payables	-	480,863	-	-	-	480,863
Derivative financial liabilities						
Forward exchange contracts	-	1,833	1,279	-	-	3,112
	-	482,755	86,089	831,571	756,343	2,156,758

Included in the table above in respect of the Group are interest bearing loans and borrowings at a carrying value of £840,934,000.

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**
	-	359,910	33,024	547,760	756,343	1,697,037

Included in the table above in respect of the Group are interest bearing loans and borrowings at a carrying value of £701,218,000.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

18 Financial Instruments (Continued)

Liquidity risk (Continued)

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2017 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						
Preference Shares	-	-	-	-	756,343	756,343
Trade and other payables	257,949	1,100	-	-	-	259,049
	257,949	1,100	-	-	756,343	1,015,392

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
	150,215	1,019	-	206,029	756,343	1,113,606

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 5.75% Sterling Senior Secured Notes and 6.25% US Dollar Senior Secured Notes, which were issued in 2017, are valued at amortised cost. The fair value of these Senior Secured Notes is determined by reference to the quoted price at 31 December. Both Senior Secured Notes are quoted on The International Stock Exchange Authority in St. Peter Port, Guernsey. On 31 December 2017 the fair value of the 5.75% Sterling Senior Secured Notes was £300,498,000 and the fair value of the 6.25% US Dollar Senior Secured Notes was £312,027,000. These notes replaced the 9.25% Sterling Senior Secured Notes that were redeemed in April 2017. On 31 December 2016, the fair value of the 9.25% Sterling Senior Secured Notes was £311,600,000. At 31 December 2017 the effective interest rate on the Senior Secured Notes is 6.73 % (2016 : 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 2017 (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 30 years.

Future gross minimum rentals payable under non-cancellable operating leases are as follows:

	2017 £'000	2016 £'000
Not later than one year	560	5,722
After one year but not more than five years	6,560	15,563
More than five years	109,568	17,781
	116,688	39,066

Rental payments to be received under sublease agreements are as follows:

	2017 £'000	2016 £'000
More than five years	(4,802)	-

Some of the leases contain contingent rents which are dependent on increases in the retail prices index.
There were no obligations under leases in the Company (2016 : £Nil)

20 Provisions for liabilities and charges

Group

	Warranty and Service Plans 2017 £'000
At the beginning of the year	13,701
Additions	25,915
Utilisation	(13,916)
Effect of movements in exchange rates	247
At the end of the year	25,947
Analysed as:	
Current	12,016
Non-current	13,931
	25,947

The warranty and service plans provision represents costs provided for in respect of the Group's warranty scheme. A provision of £25,947,000 (2016 : £13,701,000) 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 2017 (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 £3,676,000 (2016 : £2,437,000). Outstanding contributions at the year end were £2,000 (2016: £240,000).

Defined benefit scheme

The Group operates a defined benefit pension scheme whose benefits changed on 1 January 2018 from benefits based on final pensionable salary to benefits based on career average revalued earnings (CARE). The effect of this change in benefits in the year ended 31 December 2017 is a past service pension benefit of £24,274,000 which has been shown as a non-recurring credit in the consolidated statement of comprehensive income. 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 2017 or 31 December 2016. There have been no curtailment events in the years ended 31 December 2017 or 31 December 2016.

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 2018 are £9,719,000.

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 2016 and 31 December 2017 in accordance with IAS 19R. 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.

The principal assumptions used by the actuary were:

	31 December 2017	31 December 2016
Discount rate	**2.50%**	2.70%
Rate of increase in salaries (see below)	**3.20%**	3.40%
Rate of revaluation in deferment	**2.20%**	2.40%
Rate of increase in pensions in payment attracting LPI	**3.10%**	3.20%
Expected return on scheme assets	**2.50%**	2.70%
RPI Inflation assumption	**3.20%**	3.40%
CPI Inflation assumption	**2.20%**	2.40%

The salary escalation assumption applies after 2021. The salary assumption increase for 2016-2021 is 3% per annum (CPI plus 1%). The salary increase of 3.2% 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 2037 (2017 assumptions) or 2036 (2016 assumptions).

Projected life expectancy from age 65

	"Future" Currently aged 45 2017	**"Current" Currently aged 65 2017**	"Future" Currently aged 45 2016	"Current" Currently aged 65 2016
Male	**24.0**	**22.7**	24.4	22.8
Female	**27.2**	**25.7**	28.0	26.1

	Years
Duration of the liabilities in years as at 31 December 2017	**27**
Duration of the liabilities in years as at 31 December 2016	28

Notes to the financial statements for the year ended 31 December 2017 (Continued)

21 Pension obligations (Continued)

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

Asset Class	31 December 2017 Quoted £'000	31 December 2017 Unquoted £'000	31 December 2017 Total £'000	31 December 2016 Quoted £'000	31 December 2016 Unquoted £'000	31 December 2016 Total £'000
UK Equities	41,861	-	41,861	41,024	-	41,024
Overseas Equities	45,051	-	45,051	44,817	-	44,817
Property	-	26,956	26,956	-	22,084	22,084
Index linked gilts	57,293	-	57,293	55,927	-	55,927
Corporate bonds	-	55,358	55,358	-	52,318	52,318
Diversified alternatives	-	26,810	26,810	-	22,537	22,537
High yield bonds	-	13,102	13,102	-	10,945	10,945
Cash	1,255	-	1,255	1,326	-	1,326
Insurance policies	-	3,803	3,803	-	2,788	2,788
Total	145,460	126,029	271,489	143,094	110,672	253,766

	31 December 2017 £'000	31 December 2016 £'000
Total fair value of scheme assets	271,489	253,766
Present value of funded obligations	(318,336)	(323,535)
Liability recognised in the statement of financial position	(46,847)	(69,769)

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Amounts recognised in the income statement		
Amounts charged / (credited) to operating profit / (loss) :		
Current service cost	(12,359)	(9,042)
Past service cost	24,274	-
	11,915	(9,042)
Amounts charged to finance expense:		
Net interest income on the net defined liability	(1,756)	(3)
Total income / (expense) recognised in the Income Statement	10,159	(9,045)

Changes in present value of the defined benefit pensions obligations are analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
At the beginning of the year	(323,535)	(213,190)
Current service cost	(12,359)	(9,042)
Past service cost	24,274	-
Employee contributions	(35)	(32)
Interest cost	(8,604)	(8,342)
Experience gains / (losses)	6,715	(344)
Actuarial (losses) / gains arising from changes in financial assumptions	(8,570)	(97,205)
Disbursements	10,158	4,413
Actuarial (losses) / gains arising from changes in demographic assumptions	(6,380)	207
Obligation at the end of the year	(318,336)	(323,535)

Changes in the fair value of plan assets are analysed as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
At the beginning of the year	253,766	208,243
Interest on assets	6,848	8,339
Employer contributions	9,840	10,198
Contributions by employees	35	32
Return on scheme assets excluding interest income	11,158	31,367
Benefits paid	(10,158)	(4,413)
Fair value at the end of the year	271,489	253,766

	Year ended 31 December 2017	Year ended 31 December 2016
Actual return on scheme assets	18,006	39,706

Notes to the financial statements for the year ended 31 December 2017 (Continued)

21 Pension obligations (Continued)

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Analysis of amounts recognised in the statement of financial position :		
Liability at the beginning of the year	(69,769)	(4,947)
Net income / (expense) recognised in the statement of comprehensive income	10,159	(9,045)
Employer contributions	9,840	10,198
Actuarial gain / (loss) recognised in other comprehensive income	2,923	(65,975)
Liability recognised in the statement of financial position at the end of the year	(46,847)	(69,769)

	Year ended 31 December 2017	Year ended 31 December 2016
Analysis of amount taken to other comprehensive income :		
Return on assets greater than the discount rate	11,158	31,367
Experience gains / (losses) arising on funded obligations	6,715	(344)
Losses arising due to changes in financial assumptions underlying the present value of funded obligations	(8,570)	(97,205)
(losses) / gains arising due to changes in demographic assumptions	(6,380)	207
Amount recognised in other comprehensive income	2,923	(65,975)

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

	Change in assumption	Present value of benefit obligations At 31 December 2017 £'000	Present value of benefit obligations At 31 December 2016 £'000
Discount rate	Decrease by 0.25%	340,363	346,862
Rate of inflation *	Increase by 0.25%	334,452	340,537
Life expectancy increased by approximately 1 year	Increase by one year	331,303	335,825

* 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 0.2% per annum after 2020/21.
The projected unit method has been applied when calculating these defined benefit obligations.

Funding levels are monitored on a regular basis by the Trustee and the Group to ensure the security of member's benefits. The next triennial valuation as at 6 April 2017 is due to be completed by June 2018 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the Scheme.

	Year ended 31 December 2017	Year ended 31 December 2016
Expected future benefit payments	**£'000s**	£'000s
Year 1 (2018 / 2017)	2,417	2,478
Year 2 (2019 / 2018)	2,854	2,543
Year 3 (2020 / 2019)	2,851	2,868
Year 4 (2021 / 2020)	3,274	3,073
Year 5 (2022 / 2021)	4,017	3,393
Years 6 to 10 (2022 to 2026)	-	29,081
Years 6 to 10 (2023 to 2027)	30,119	-

Notes to the financial statements for the year ended 31 December 2017 (Continued)

21 Pension obligations (Continued)

History of scheme experience

	Year ended 31 December 2017	Year ended 31 December 2016
Present value of the scheme liabilities (£'000s)	**(318,336)**	(323,535)
Fair value of the scheme assets (£'000s)	**271,489**	253,766
Deficit in the scheme before taking into account the effect of Paragraph 64 of IAS19 (£'000s)	**(46,847)**	(69,769)
Experience gains on scheme assets (£'000s)	**11,158**	31,367
Percentage of scheme assets	**4.1%**	12.4%
Experience gains / (losses) on scheme liabilities (£'000s)	**6,715**	(344)
Percentage of the present value of the scheme liabilities	**2.1%**	(0.1)%
Total amount recognised in other comprehensive income (£'000s)	**2,923**	(65,975)
Percentage of the present value of the scheme liabilities	**0.9%**	(20.4)%

22 Share capital
Group and Company

Allotted, called up and fully paid	**2017 £'000**	**2016 £'000**
3,069,085 ordinary shares of £0.001 each (2016 : 3,069,085 ordinary shares of £0.001 each)	3	3
162,521 D shares of £0.001 each (2016 : 162,521)	-	-
	3	3

	2017 £'000	**2016 £'000**
Shares classified as liabilities	-	-
Shares classified as shareholders' funds	3	3
	3	3

In April 2014 a further 76,180 ordinary shares were issued to Prestige Motor Holdings S.A, which is controlled by Investindustrial V L.P., for a consideration of £3,750,000, as part of the share subscription agreement dated 5 December 2012.
In September 2014, 33,650 additional D shares were issued to Daimler AG for a consideration of £33.65, giving Aston Martin Holdings (UK) Limited and its subsidiaries access to certain technologies for use in its next generation of vehicles.

£5,585,000 was paid to Prestige Motor Holdings S.A. in 2017 due to 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 2017 (Continued)

23 Reserves

Share premium - The share premium of £363,233,000 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.

In August 2017 there was a part repayment of (£5,585,000) to Prestige Motor Holdings S.A., which is controlled by Investindustrial V L.P., of the £150,000,000 received in April 2013 in order to reflect the value of shares acquired at that date. The reduction is based on the deficit in the pension scheme over the four year period to June 2017.

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 2017

	1 January 2017 £'000	Cash flow £'000	Exchange differences £'000	Non-cash movements £'000	31 December 2017 £'000
Cash and cash equivalents	**101,718**	67,267	(1,134)	-	**167,851**
Bank loans and overdrafts	**(5,153)**	(8,490)	162	-	**(13,481)**
Senior Secured Notes	**(301,679)**	304,000	-	(2,321)	-
Senior Subordinated PIK notes	**(176,417)**	178,815	2,144	(4,542)	-
Senior Secured Notes 6.5% US Dollar	-	(319,872)	24,014	-	**(295,858)**
Senior Secured Notes 5.75% Pound Sterling	-	(272,866)	-	(1,609)	**(274,475)**
Unsecured Loan 5% Japanese Yen	-	(1,278)	-	-	**(1,278)**
Preference Shares	**(217,969)**	-	-	(37,873)	**(255,842)**
	(599,500)	**(52,424)**	**25,186**	**(46,345)**	**(673,083)**

Year ended 31 December 2016

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

Notes to the financial statements for the year ended 31 December 2017 (Continued)

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
	2017	**2017**	2016	2016
	Number of shares	**Number of shares**	Number of shares	Number of shares
1 January	**21,714**	**21,714**	21,714	21,714
Exercised during the year	-	-	-	-
31 December	**21,714**	**21,714**	21,714	21,714
Weighted average exercise price:				
1 January	**7230 p**	**0.1 p**	7230 p	0.1 p
Exercised during the year	-	-		-
31 December	**7230 p**	**0.1 p**	7230 p	0.1 p

The average weighted exercise price at 31 December 2017 was 3615p (31 December 2016 : 3615p)

The share options were issued in return for services in relation to the acquisition of Aston Martin Lagonda Group Limited during the period ended 31 December 2007. Therefore, the fair value of the options issued of £5,495,000 has been recognised in goodwill.

26 Capital commitments
Group

Capital expenditure contracts to the value of £58,549,000 (2016 : £57,184,000) have been placed but not provided for as at 31 December 2017.

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 2017**	**2,047**	**4,305**	**-**	**626**
Entities with significant influence over the Group	31 December 2016	1,446	2,651	466	1,690

Transactions with directors

During the year ended 31 December 2017 one car was sold to Dr Andrew Palmer for £110,000 excluding value added tax.
During the year ended 31 December 2016 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 2017**	**-**	**40,378**	**147,911**	**257,949**
Subsidiaries	31 December 2016	-	29,638	231,083	150,215

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.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

28 Immediate parent company

The Company has no immediate parent company.

The Company's shareholders and their interests in the ordinary share capital of the Company are as follows:

	At 31 December 2017	At 31 December 2016
Prestige Motor Holdings S.A.	37.7%	37.7%
PrimeWagon (Jersey) Limited	19.5%	19.5%
Asmar Limited	19.0%	19.0%
Adeem Automotive Manufacturing Company Limited	11.0%	11.0%
Daimler AG (non-voting)	4.9%	4.9%
Tejara Capital Limited	4.7%	4.7%
Stehwaz Automotive Jersey Limited	2.5%	2.5%
Dr. Ulrich Bez	0.7%	0.7%