Registered number: 10690132

PRODRIVE GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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PRODRIVE GROUP LIMITED

COMPANY INFORMATION

DIRECTORS	T M Colchester D P Richards
REGISTERED NUMBER	10690132
REGISTERED OFFICE	Prodrive Headquarters Chalker Way Banbury Oxfordshire OX16 4XD
INDEPENDENT AUDITOR	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

PRODRIVE GROUP LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The directors submit their strategic report together with the financial statements of the Company and of the Group for the year ended 31 December 2018.

BUSINESS REVIEW

The principal activities of the Company and its subsidiaries ("the Group") are the provision of advanced engineering, manufacturing and sub-assembly build services, the design and supply of race vehicles, the operation of motorsport programmes, the design of parts and assemblies and the design, supply and distribution of bespoke merchandise and accessory collections.

The Group provides its services to a wide range of industries, most prominently the automotive and motorsport sectors and operates on a global basis, with customers in Europe, North and South America, Asia and the Gulf.

The Group's key financial and other performance indicators for the year are as follows:

	2018	*2017*	**Change**
	£000	*£000*	**%**
Turnover	**48,937**	*51,048*	(4)
Operating profit	**2,304**	*3,138*	(27)
Total assets less current liabilities	**14,311**	*14,343*	(0)
Increase in net cash	**1,438**	*3,404*	(58)
	No.	*No.*	**Change**
Average number of employees	**326**	*292*	12

The Group retained profit for the year amounts to £2,547,000 *(2017: £2,900,000)*.

The directors do not propose a final dividend for the year *(2017: £Nil)*. A dividend in specie of £Nil (2017: £8,986,000) and interim dividend of £1,918,000 (2017: £1,629,000) have been paid during the year.

On a consolidated basis, Group turnover from continuing operations was £48,937,000 in 2018 *(2017: £51,048,000)*, a decrease of £2,111,000 year on year. The Group's consolidated continuing operating profit before tax in 2018 was £2,304,000, an decrease in profit of £834,000 from the 2017 comparative profit of £3,138,000.

The Group consists of a number of trading companies, operating in the areas of Motorsport, Advanced Technology and Merchandising, all of which are ongoing businesses.

BUSINESS REVIEW (continued)

The table below reflects the turnover and operating results of these trading areas before intercompany eliminations:

	2018 £000	*2017 £000*	Change %
Turnover			
Motorsport	**38,008**	*32,454*	17
Advanced Technology	**10,152**	*14,109*	(28)
Merchandise	**6,611**	*5,259*	26
Operating profit / (loss) before tax			
Motorsport	**3,491**	*3,604*	(3)
Advanced Technology	**(1,802)**	*366*	(592)
Merchandise	**1,319**	*1,019*	29

Motorsport

Turnover increased in 2018 reflecting the volume of racing and engineering development activity which took place during the year.

Prodrive operated two FIA World Championship programmes – the FIA World Endurance Championship with Aston Martin Racing with an all new Vantage GTE and the FIA World Rallycross championship with an all new Renault Megane RX, developed by Prodrive.

2018 also saw the launch of the all new Vantage GT3 and GT4 race cars which were designed and developed inhouse alongside the GTE car. Strong demand for these new Vantage race cars required an investment in build and sub-assembly facilities in the year to increase capacity.

Furthermore, investment in a brand new state of the art transient dyno and engine build facility was started in 2018, due for completion in Q2 2019, ready to support the growing volumes of Aston Martin race cars being run by our customers.

On the track the new Vantage GTE car achieved its first win in the FIA World Endurance Championship in Shanghai. This was only the fifth race since the car was launched and demonstrated the strong performance the car was able to achieve with relatively little ongoing development during the racing season.

Prodrive's continued success in motorsport is primarily due to the extensive experience, skills and resources it has developed over the last 34 years. This allows Prodrive to undertake the complete design, engineering and development process for almost any class of competition race or rally car.

Over the years Prodrive has achieved significant success in most forms of motorsport including 6 FIA World Rally titles, 4 FIA World Sportscar titles, 5 Le Mans titles and 4 British Touring Car titles.

Prodrive also offers a bespoke engineering and consultancy service to their customers and are able to design one-off engines to specific regulations or create high-performance niche engines for limited edition road cars.

BUSINESS REVIEW (continued)

Advanced Technology

Prodrive's Advanced Technology division experienced a reduction in turnover in the year to £5.8m resulting in an operating loss of £650,000.

The Advanced Technology division serves its customer base with high quality complex manufacturing solutions for low volume niche products including module assembly, prototype build and machined products. It also serves as a supplier of machining, assembly and manufacturing services to other companies in the Prodrive Group.

The division continues to be at the forefront of technical innovations, combining motorsport culture with robust, unique manufacturing processes and quality procedures to produce complex, low volume products. It also utilises its technical skills and facilities to develop and manufacture for a variety of customers around the world.

In 2018, Prodrive had a number of larger projects which were delayed by the customer and hence the level of turnover achieved in the year reduced. These timing delays should provide a strong start to 2019 and the order book for new projects is also very healthy as we start the year.

Merchandise

The turnover for the year increased for the fourth year in succession due to continued growth of existing licenses through working in close partnership with our brand partners. In addition, further licenses and supply contracts were contracted during the year which will provide an ever growing portfolio of blue chip customers and brands for the future.

Brand&'s strategy of growing its customer base outside of motorsport and automotive is also continuing and new licenses in other sectors have been secured in the year. In addition Brand& has continued to invest in its systems and infrastructure to offer a seamless B2B experience for brand customers to order products through. Further investment over the coming year will ensure we are offering new services in the e-commerce world as it develops.

Our clients use Brand& to maximise the potential in their brand, by developing bespoke clothing and accessory collections, primarily specialising in the automotive and sporting sectors where the Brand& has a long-established customer base. This extensive experience provides a deep understanding of the requirements of dealerships, retailers and other distribution channels. Brand& works with a number of iconic brands, offering an end-to-end service from design, production and quality control, through to supporting the customer's sales and marketing activity and distributing collections worldwide.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of directors and the executive management team meet on a regular basis to evaluate the performance of the Group together with associated business risks and uncertainties. These teams will continue to adapt the business strategy for the Group whilst monitoring both the individual markets in which the Group operates and the wider global economy. In line with these changing circumstances the Board takes appropriate actions to manage the organisational structure and cost base of the Group through its individual businesses to balance the need for annual performance against longer term strategic objectives.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

As part of the business strategy the Board looks to manage risk by focusing on the following key areas:

- Financial performance against budgets and forecasts
- Product differentiation and diversification
- Geographical market exposure
- Long term strategic contracts and partnerships, building this over time to create long-term value

The main financial risks facing the Group are broadly grouped as, competitive risk, liquidity risk and credit risk, legislative and supplier risk.

Competitive risk

The Group manages competitive risk by utilising high quality resources, which are able to deliver effective and dynamic solutions, often in compressed timescales, enabling the Group to produce competitive products at the highest level, thus promoting the brands of the manufacturers and companies it represents. The Group also provide products and services that have a high technical element, combined with a niche capability, allowing the Group to be able to cater for customers' specific requirements.

The Group employs experienced, innovative and highly skilled staff, to deliver appropriate solutions to meet customer requirements. The Group looks to attract and retain this valuable skill set by investing in retention strategies and being able to offer exciting, and varied projects to work on.

As part of Prodrive, the Aston Martin Racing team competes in the World Endurance Championship alongside brands such as Porsche and Ferrari. The profile and success of the championship is important for the successful promotion of the Aston Martin brand and therefore the success of the Company. The Company manages this competitive risk by employing a high quality engineering resource, which is able to deliver effective and dynamic motorsport solutions, enabling the Company to build competitive products which compete successfully at the highest level of motorsport, thus promoting the brands of the manufacturers and sponsors it represents.

The Company is exposed to further risk due to potential changes in leading manufacturer strategy. This is mitigated by ensuring long-term contracts are in place, as well as working closely with the Company's customers to build a strategic partnership. This is specifically relevant to Aston Martin Racing who are a key customer of the Company.

Outside of racing activities, the Company is growing its partnerships with other leading automotive customers which is helping to mitigate risk, as well as taking on additional consultancy projects.

The Company employs experienced, innovative and highly skilled engineers to deliver appropriate solutions to meet customer requirements. With the current strong demand for engineering skills in the automotive sector, the Company looks to attract and retain this valuable skill set by investing in retention.

Where the Group's services are provided to OEM vehicle manufacturers who can have a fluctuating level of demand depending on their product lifecycle, the risk is mitigated by the Group broadening its customer base to include several non-automotive customers.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity risk and credit risk

The Group aims to mitigate liquidity risk by managing cash generation from its operations and applies cash collection targets throughout the Companies. The Group seeks to manage cash flow risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitability.

In order to promote business, the Group offers credit periods for some customers at their request. Delays or defaults in customer payments could result in working capital shortages and reduction of the Companies profits. To mitigate this risk, the Group require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Legislative and supplier risk

Specifically, the merchandise that is produced by Brand& must meet the standards required in the markets that they are sold in, and failure to comply with this could materially affect the level of sales and/or increase costs. To mitigate this risk, the Company engage in contracts with suppliers which stipulate the standards they must meet for the final product they produce.

Overall the Group's products are sourced through reputable and well established suppliers. The Group works closely with each supplier to achieve the highest quality product and implements QC checks on products before use or despatch.

Whilst the financial risk of the supply chain is considered to be relatively low, the Group regularly reviews and assesses the suppliers from a quality and capability perspective.

FUTURE DEVELOPMENTS AND BUSINESS RISKS

The Group believes that whilst in general trading conditions remain competitive in many sectors, it is well placed to continue to grow its services across its portfolio of activities. Significant steps have been taken to continue to develop certain aspects of the Group's performance and to invest in staff, facilities and I.T. infrastructure.

Motorsport

Prodrive continues to build on the contracts it has with existing customers to ensure it achieves its racing and financial objectives.

Within the race programmes, Aston Martin Racing will again compete in the FIA World Endurance Championship and 24 Hours of Le Mans with the new Vantage GTE.

Continued investment in manufacturing facilities and engineering capability will support the growing activities of Aston Martin Racing.

Advanced Technology

The Advanced Technology division continues to serve its customer base with high quality engineering resource, building on its reputation in electrification, lightweighting, and complex electro-mechanical systems and actuation.

There are a number of projects already underway at the start of 2019 where Prodrive will be employing unique technical innovations whilst combining motorsport culture with robust, engineering and manufacturing processes to deliver outstanding solutions for clients.

FUTURE DEVELOPMENTS AND BUSINESS RISKS (continued)

Merchandising

Brand& will continue to develop new and existing licenses in 2019 and focus on delivering high quality bespoke clothing and accessory ranges for its prestigious customer base.

The aim is to build on the success of 2018 and expand the brands' worldwide distribution channels further through partnerships and targeted activation. It is also supporting these brands with helping them identify new opportunities in the licensing sector through on-going agency agreements and will invest further in its B2B website infrastructure to provide the foundation for further sales growth opportunities. This investment ensures the offering remains unique, innovative and delivers exceptional products.

This report was approved by the board and signed on its behalf.

D P Richards
Director

Date: 17 May 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,547,000 *(2017: £2,900,000)*.

A dividend in specie of £Nil *(2017: £8,986,000)* and interim dividend of £1,918,000 *(2017: £1,629,000)* have been declared during the year. The directors do not recommend the payment of a final dividend *(2017: £Nil)*.

DIRECTORS

The directors who served during the year were:

T M Colchester
D P Richards

FUTURE DEVELOPMENTS, RISKS AND KPI'S

Please refer to the Group Strategic Report on pages 1 to 6.

EMPLOYEES

An open style of communication operates throughout the Group. Staff communication occurs through a formal 'Team Brief' mechanism and structured Group-wide meetings geared to providing staff with a good understanding of the strategy and performance of the Group. Staff are encouraged to contribute their ideas and views on the operation and direction of the Group both informally and through topic based workshops.

EQUAL OPPORTUNITIES

The Group is committed to a policy of equal opportunity regardless of age, sex, sexual orientation, disability, marital status, race, colour or ethnic or national origin. Procedures and criteria in respect of recruitment, promotion, transfer and training are based on this policy of equal opportunity, and judgements as to suitability are made on the basis of the relevant merits and abilities of the individual.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company and the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

AUDITOR

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

D P Richards
Director

Date: 17 May 2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRODRIVE GROUP LIMITED

OPINION

We have audited the financial statements of Prodrive Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

USE OF OUR REPORT

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.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 17/5/19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Turnover	4	**48,937**	*51,048*
Cost of sales		**(36,169)**	*(38,524)*
Gross profit		**12,768**	*12,524*
Distribution costs		**(866)**	*(776)*
Administrative expenses		**(10,626)**	*(9,866)*
Other operating income	5	**1,028**	*1,256*
Operating profit	6	**2,304**	*3,138*
Share of loss of associated undertakings		**(533)**	*(1,205)*
Interest receivable and similar income	10	**128**	*161*
Interest payable and expenses	11	**(774)**	*(573)*
Profit before taxation		**1,125**	*1,521*
Tax on profit	12	**1,422**	*1,379*
Profit for the financial year		**2,547**	*2,900*
Profit for the year attributable to:			
Non-controlling interests		**438**	*661*
Owners of the parent Company		**2,109**	*2,239*
		2,547	*2,900*

There were no recognised gains and losses for 2018 or 2017 other than those included in the Consolidated Statement of Comprehensive Income.

The notes on pages 21 to 46 form part of these financial statements.

PRODRIVE GROUP LIMITED
REGISTERED NUMBER:10690132

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £000		*2017 £000*
Fixed assets					
Intangible assets	14		**202**		*292*
Tangible assets	15		**16,462**		*15,408*
Investments	16		**51**		*1*
Heritage assets	17		**1,788**		*1,488*
			18,503		*17,189*
Current assets					
Assets held for sale		**-**		*1,000*	
Stocks	18	**12,589**		*7,752*	
Debtors: amounts falling due after more than one year	19	**48**		-	
Debtors: amounts falling due within one year	19	**9,908**		*7,716*	
Cash at bank and in hand	20	**8,909**		*3,029*	
		31,454		*19,497*	
Creditors: amounts falling due within one year	21	**(35,646)**		*(22,343)*	
Net current liabilities			**(4,192)**		*(2,846)*
Total assets less current liabilities			**14,311**		*14,343*
Creditors: amounts falling due after more than one year	22		**(14,904)**		*(15,585)*
Net liabilities			**(593)**		*(1,242)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £000	*2017 £000*
Capital and reserves			
Share premium account	28	**1**	*1*
Revaluation reserve	28	**43**	*43*
Other reserves	28	**20**	*-*
Merger reserve	28	**(24,145)**	*(24,145)*
Profit and loss account	28	**25,601**	*25,243*
Equity attributable to owners of the parent Company		**1,520**	*1,142*
Non-controlling interests		**(2,113)**	*(2,384)*
		(593)	*(1,242)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

T M Colchester
Director

Date: 17 May 2019

The notes on pages 21 to 46 form part of these financial statements.

PRODRIVE GROUP LIMITED
REGISTERED NUMBER:10690132

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	*2017 £000*
Fixed assets			
Investments	16	**1**	*1*
Net assets		**1**	*1*
Capital and reserves			
Share premium account	28	**1**	*1*
		1	*1*

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the period was £1,918,000 *(2017: £1,629,000)*.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

T M Colchester
Director

Date: 17 May 2019

The notes on pages 21 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share premium account	Revaluation reserve	Other reserve	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2018	1	43	-	(24,145)	25,243	1,142	(2,384)	(1,242)
Comprehensive income for the year								
Profit for the year	-	-	-	-	2,109	2,109	438	2,547
Total comprehensive income for the year	-	-	-	-	2,109	2,109	438	2,547
Dividends: Equity capital	-	-	-	-	(1,918)	(1,918)	-	(1,918)
Reserves transfer	-	-	-	-	167	167	(167)	-
Share premium on issue of shares in subsidiary	-	-	20	-	-	20	-	20
Total transactions with owners	-	-	20	-	(1,751)	(1,731)	(167)	(1,898)
At 31 December 2018	1	43	20	(24,145)	25,601	1,520	(2,113)	(593)

The notes on pages 21 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share premium account	Revaluation reserve	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2017	1	43	(24,145)	33,619	9,518	(3,045)	6,473
Comprehensive income for the year							
Profit for the year	-	-	-	2,239	2,239	661	2,900
Total comprehensive income for the year	-	-	-	2,239	2,239	661	2,900
Dividends: Equity capital	-	-	-	(10,615)	(10,615)	-	(10,615)
Total transactions with owners	-	-	-	(10,615)	(10,615)	-	(10,615)
At 31 December 2017	1	43	(24,145)	25,243	1,142	(2,384)	(1,242)

The notes on pages 21 to 46 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share premium account	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	1	-	1
Comprehensive income for the year			
Profit for the year	-	1,918	1,918
Total comprehensive income for the year	-	1,918	1,918
Contributions by and distributions to owners			
Dividends: Equity capital	-	(1,918)	(1,918)
Total transactions with owners	-	(1,918)	(1,918)
At 31 December 2018	1	-	1

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share premium account	Profit and loss account	Total equity
	£000	£000	£000
Comprehensive income for the year			
Profit for the year	-	1,629	1,629
Total comprehensive income for the year	-	1,629	1,629
Contributions by and distributions to owners			
Dividends: Equity capital	-	(1,629)	(1,629)
Shares issued during the year	1	-	1
Total transactions with owners	1	(1,629)	(1,628)
At 31 December 2017	1	-	1

The notes on pages 21 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Profit for the financial year	**2,547**	*2,900*
Adjustments for:		
Amortisation of intangible assets	**100**	*97*
Depreciation of tangible assets	**822**	*584*
Loss on disposal of tangible assets	**-**	*111*
Interest paid	**774**	*573*
Interest received	**(128)**	*(161)*
Taxation charge	**(1,422)**	*(1,158)*
(Increase) in stocks	**(4,837)**	*(2,948)*
(Increase)/decrease in debtors	**(1,991)**	*3,689*
Increase in creditors	**9,036**	*5,196*
Increase/(decrease) in provisions	**-**	*(272)*
Corporation tax received	**1,196**	*1,158*
Net cash generated from operating activities	**6,097**	*9,769*
Cash flows from investing activities		
Purchase of intangible fixed assets	**(10)**	-
Purchase of tangible fixed assets	**(2,176)**	*(14,328)*
Purchase of unlisted investment	**(50)**	-
Interest received	**128**	*161*
Net cash utilised in investing activities	**(2,108)**	*(14,167)*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000	2017 £000
Cash flows from financing activities		
Inception of loans	**837**	*10,356*
Loan movements	**(1,032)**	*-*
Repayment of/new finance leases	**336**	*(352)*
Dividends paid	**(1,918)**	*(1,629)*
Interest paid	**(774)**	*(573)*
Net cash (used in)/from financing activities	**(2,551)**	*7,802*
Net increase in cash and cash equivalents	**1,438**	*3,404*
Cash and cash equivalents at beginning of year	**3,000**	*(404)*
Cash and cash equivalents at the end of year	**4,438**	*3,000*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**8,909**	*3,029*
Bank overdrafts	**(4,471)**	*(29)*
	4,438	*3,000*

The notes on pages 21 to 46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Prodrive Group Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Prodrive Headquarters, Chalker Way, Banbury, Oxfordshire, OX16 4XD. The registered number is 10690132.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the merger and purchase methods. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2015.

The Company accounts for group reorganisations under the principles of merger accounting, such as the acquisition of Prodrive Investments Limited and the Prodrive Group during the prior year. Under merger accounting it is assumed that the Group previously owned the subsidiaries acquired in the consolidated accounts.

2. ACCOUNTING POLICIES (continued)

2.3 Associates

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group.

2.4 Going concern

After reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.5 Revenue

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 as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. ACCOUNTING POLICIES (continued)

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.7 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Leased assets: the Group as lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

2.9 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. ACCOUNTING POLICIES (continued)

2.10 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.11 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.12 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

2. ACCOUNTING POLICIES (continued)

2.14 Taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.16 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	- 10% per annum

2. ACCOUNTING POLICIES (continued)

2.17 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Depreciation is provided on the following basis:

Long-term leasehold property	- 1% per annum
Plant and machinery	- 6% - 33% per annum
Motor vehicles	- 25% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.18 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares are stated at historic cost less impairment.

2.19 Heritage assets

Heritage assets are initially recognised at cost. After recognition, under the revaluation model, heritage assets shall be carried at a revalued amount, being the fair value at the date of revaluation less any subsequent impairment losses.

2.20 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on an average cost basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2. ACCOUNTING POLICIES (continued)

2.21 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.22 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.23 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.24 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

2. ACCOUNTING POLICIES (continued)

2.25 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.26 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Trade debtors

Trade debtors consist of amounts due from customers. An allowance for doubtful debts is maintained for estimated losses resulting from the inability of the Group's customers to make required payments. The allowance is based on the Group's regular assessment of the creditworthiness and financial condition of customers.

Revenue recognition on long term contracts

Revenue is recognised on contracts by reference to the stage of completion, which requires the directors to make an estimate of the amount of revenue and costs to recognise based on the proportion of costs incurred to date compared to the estimated total costs of the project.

Impairment of stock

Management estimation is required when establishing the level of provision to make against slow moving or obsolete stock items. The provision is based on management's experience from previous years and forecast sales/usage of the individual product lines.

Valuation of heritage assets

The nature of the assets is such that the directors have to use judgment in assessing the fair value of the assets at the year end. They take into consideration external valuations, together with their knowledge of the market place and previous experience of buying and selling such assets.

Product warranties

Management estimation is required to determine the appropriate level of provision required for products still under warranty.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Sale of goods	**16,142**	*30,469*
Rendering of services	**32,795**	*20,579*
	48,937	*51,048*

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	**31,854**	*34,819*
Rest of Europe	**11,871**	*9,433*
Rest of the world	**5,212**	*6,796*
	48,937	*51,048*

5. OTHER OPERATING INCOME

	2018 £000	2017 £000
Other operating income	**334**	*438*
Government grants receivable	**694**	*818*
	1,028	*1,256*

6. OPERATING PROFIT

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

	2018 £000	2017 £000
Depreciation of tangible fixed assets - owned	**615**	*373*
Depreciation of tangible fixed assets held under finance leases	**207**	*211*
Amortisation of intangible assets	**100**	*97*
Exchange differences	**(8)**	*(37)*
Operating lease rentals - land and buildings	**325**	*990*
Operating lease rentals - plant and machinery	**571**	*557*

7. AUDITOR'S REMUNERATION

	2018 £000	*2017 £000*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**40**	*40*
Fees payable to the Group's auditor and its associates in respect of:		
Accounts preparation	**6**	*4*
Taxation services	**59**	*42*
Corporate finance services	**25**	*-*
All other services	**20**	*20*
	110	*66*

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Wages and salaries	**13,921**	*12,389*	**-**	*-*
Social security costs	**1,620**	*1,344*	**-**	*-*
Cost of defined contribution scheme	**480**	*428*	**-**	*-*
	16,021	*14,161*	**-**	*-*

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2018 No.	*Group 2017 No.*	Company 2018 No.	*Company 2017 No.*
Engineering & technical	**248**	*226*	-	*-*
Management & administration	**70**	*58*	-	*-*
Directors	**8**	*8*	*2*	*2*
	326	*292*	*2*	*2*

9. DIRECTORS' REMUNERATION

	2018 £000	*2017 £000*
Directors' emoluments	**958**	*1,037*
Company contributions to defined contribution pension schemes	**121**	*133*
	1,079	*1,170*

During the year retirement benefits were accruing to 5 directors *(2017: 5)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £219,000 *(2017: £255,000)*.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £35,000 *(2017: £35,000)*.

10. INTEREST RECEIVABLE

	2018 £000	*2017 £000*
Other interest receivable	**128**	*161*

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £000	*2017 £000*
Bank interest payable	**329**	*78*
Other loan interest payable	**156**	*186*
Interest on shareholder loans	**240**	*240*
Finance leases and hire purchase contracts	**49**	*46*
Other interest payable	**-**	*23*
	774	*573*

12. TAXATION

	2018 £000	*2017 £000*
Corporation tax		
Current tax on profits for the year	**(216)**	-
Adjustments in respect of previous periods	**(1,196)**	*(1,379)*
Total current tax	**(1,412)**	*(1,379)*
Origination and reversal of timing differences	**(10)**	-
Taxation on loss on ordinary activities	**(1,422)**	*(1,379)*

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2017: lower than)* the standard rate of corporation tax in the UK of 19.00% *(2017: 19.25%)*. The differences are explained below:

	2018 £000	*2017 £000*
Profit on ordinary activities before tax	**1,125**	*1,521*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**214**	*293*
Effects of:		
Expenses not deductible for tax purposes	**667**	*443*
Impact of changes in tax rates	**185**	*(134)*
Non-taxable income	**(503)**	*(321)*
Deferred tax not recognised	**1,617**	*(281)*
Adjustments to tax charge in respect of prior periods - R&D	**(1,196)**	*(1,379)*
Additional deduction for R&D expenditure	**(2,190)**	-
R&D tax credit	**(216)**	-
Total tax charge for the year	**(1,422)**	*(1,379)*

12. TAXATION (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted in September 2016.

There are accumulated tax losses and tax credits carried forward which amounted to £61,000,000 *(2017: £52,600,000)*.

13. DIVIDENDS

	2018 £000	*2017* *£000*
Ordinary		
Dividend in specie	**-**	*8,986*
Equity dividend	**1,918**	*1,629*
	1,918	*10,615*

14. INTANGIBLE ASSETS

Group

	Software £000
COST	
At 1 January 2018	**389**
Additions	**10**
Transfer from tangible fixed assets	**594**
At 31 December 2018	**993**
AMORTISATION	
At 1 January 2018	**97**
Charge for the year	**100**
Transfer from tangible fixed assets	**594**
At 31 December 2018	**791**
NET BOOK VALUE	
At 31 December 2018	**202**
At 31 December 2017	*292*

15. TANGIBLE FIXED ASSETS

Group

	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Assets under construction £000	Total £000
COST					
At 1 January 2018	**13,588**	**6,623**	**1,389**	**-**	**21,600**
Additions	**-**	**851**	**175**	**850**	**1,876**
Disposals	**-**	**(15)**	**(241)**	**-**	**(256)**
Transfer to intangible fixed assets	**-**	**(594)**	**-**	**-**	**(594)**
At 31 December 2018	**13,588**	**6,865**	**1,323**	**850**	**22,626**
DEPRECIATION					
At 1 January 2018	**19**	**4,950**	**1,223**	**-**	**6,192**
Charge for the year	**108**	**631**	**83**	**-**	**822**
Disposals	**-**	**(15)**	**(241)**	**-**	**(256)**
Transfer to intangible fixed assets	**-**	**(594)**	**-**	**-**	**(594)**
At 31 December 2018	**127**	**4,972**	**1,065**	**-**	**6,164**
NET BOOK VALUE					
At 31 December 2018	**13,461**	**1,893**	**258**	**850**	**16,462**
At 31 December 2017	*13,569*	*1,673*	*166*	*-*	*15,408*

15. TANGIBLE FIXED ASSETS (continued)

The net book value of land and buildings may be further analysed as follows:

	2018 £000	*2017 £000*
Long leasehold	**13,461**	*13,569*

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £000	*2017 £000*
Plant and machinery	**698**	*652*

16. FIXED ASSET INVESTMENTS

Group

	Unlisted investments £000
COST	
At 1 January 2018	**1**
Additions	**50**
At 31 December 2018	**51**
NET BOOK VALUE	
At 31 December 2018	**51**
At 31 December 2017	*1*

During the year to 31 December 2018 the Group has made an investment of £50,000 for 10% of the share capital of Identinet Ltd.

The Group also has an investment of £1,000 for 3.4% of the shares of Aston Club Racing Ltd.

16. FIXED ASSET INVESTMENTS (continued)

Company

	Investments in subsidiary companies £000
COST	
At 1 January 2018	**1**
At 31 December 2018	**1**
NET BOOK VALUE	
At 31 December 2018	**1**
At 31 December 2017	*1*

DIRECT SUBSIDIARY UNDERTAKING

The following was a direct subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
Prodrive Investments Limited	Non-trading.	Ordinary	100%

16. FIXED ASSET INVESTMENTS (continued)

INDIRECT SUBSIDIARY UNDERTAKINGS

Prodrive Investments Limited owns 76.14% of Prodrive (Holdings) Limited which the following were subsidiary undertakings of:

Name	Principal activity	Class of shares	Holding
Brandand Limited	Provision of bespoke brand licensing and direct supply programmes.	Ordinary	100%
Prodrive Automotive Technology (Europe) Limited	Provision of high quality manufacturing assembly services.	Ordinary	100%
Prodrive Engineering Limited	Provision of high quality engineering services.	Ordinary	100%
Prodrive Advanced Technologies Limited	Non-trading.	Ordinary	100%
Prodrive Motorsport Limited	Management and running of motorsport programmes including motor car rallying, racing and engineering.	Ordinary	100%
Aston Martin Racing Limited	Non-trading.	Ordinary	100%
Rally 2011 Limited	Non-trading.	Ordinary	100%
Hybraero Limited	Non-trading.	Ordinary	50%
Prodrive Ventures Limited	Investment company.	Ordinary	80%

Prodrive (Holdings) Limited also directly owns 45% of the shares of Prodrive Composites Limited and indirectly owns 37.5% of the shares of The Hummingbird Bicycle Company Limited, 10% of the shares of Identinet Ltd and 3.4% of the shares of Aston Club Racing Ltd.

17. HERITAGE ASSETS

	2018 £000
VALUATION	
At 1 January 2018	**2,088**
Additions	**300**
At 31 December 2018	**2,388**
IMPAIRMENT	
At 1 January and 31 December 2018	**600**
NET BOOK VALUE	
At 31 December 2018	**1,788**
At 31 December 2017	*1,488*

The Company holds a number of classic motor vehicles as heritage assets. They are held at their fair value, as assessed by the directors and external valuers based on the previous experience and knowledge of the market place.

18. STOCKS

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Raw materials and consumables	**7,345**	*4,137*	**-**	-
Work in progress (goods to be sold)	**4,114**	*2,279*	**-**	-
Finished goods and goods for resale	**1,130**	*1,336*	**-**	-
	12,589	*7,752*	**-**	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £15,230,000 *(2017: £11,374,000).*

An impairment charge of £114,000 (2017: release of £*58,000)* was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

19. DEBTORS

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Due after more than one year				
Due from associated undertakings	**48**	-	**-**	-

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Due within one year				
Trade debtors	**7,129**	*3,982*	**-**	-
Amounts owed by associated undertakings	**370**	*273*	**-**	-
Amounts owed by related parties	**-**	*1*	**-**	-
Other debtors	**191**	*101*	**-**	-
Called up share capital not paid	**22**	-	**-**	-
Prepayments and accrued income	**2,157**	*3,359*	**-**	-
Deferred taxation	**10**	-	**-**	-
Invoice discounting facility	**29**	-	**-**	-
	9,908	*7,716*	**-**	-

An impairment loss of £26,000 *(2017: £366,000)* was recognised against trade debtors.

Included in amounts owed by associated undertakings is a share of loss of associated undertakings of £1,301,000 *(2017: £984,000)*.

20. CASH AND CASH EQUIVALENTS

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Cash at bank and in hand	**8,909**	*3,029*	**-**	-
Less: bank overdrafts	**(4,471)**	*(29)*	**-**	-
	4,438	*3,000*	**-**	-

21. CREDITORS: Amounts falling due within one year

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Bank overdrafts	**4,471**	*29*	**-**	*-*
Bank loans (note 23)	**2,087**	*1,143*	**-**	*-*
Other loans (note 23)	**148**	*264*	**-**	*-*
Payments received on account	**16,391**	*7,237*	**-**	*-*
Trade creditors	**4,562**	*3,913*	**-**	*-*
Invoice discounting facility	**132**	*471*	**-**	*-*
Amounts owed to associated undertakings	**49**	*-*	**-**	*-*
Other taxation and social security	**764**	*1,032*	**-**	*-*
Obligations under finance lease and hire purchase contracts (note 24)	**270**	*279*	**-**	*-*
Other creditors	**193**	*300*	**-**	*-*
Accruals and deferred income	**6,579**	*7,675*	**-**	*-*
	35,646	*22,343*	**-**	*-*

The bank overdraft is secured against the assets of the Group through a fixed and floating charge.

Deferred grant income of £96,000 (2017: £nil) is included in payments on account.

The invoice discounting facility is secured against trade debtors.

22. CREDITORS: Amounts falling due after more than one year

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Shareholder loans (note 23)	**3,200**	*3,200*	**-**	*-*
Bank loans (note 23)	**9,049**	*10,885*	**-**	*-*
Other loans (note 23)	**2,274**	*1,463*	**-**	*-*
Obligations under finance leases and hire purchase contracts (note 24)	**381**	*37*	**-**	*-*
	14,904	*15,585*	**-**	*-*

23. LOANS

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Amounts falling due within one year				
Bank loans	**2,087**	*1,143*	**-**	*-*
Other loans	**148**	*264*	**-**	*-*
	2,235	*1,407*	**-**	*-*
Amounts falling due 1-2 years				
Bank loans	**607**	*1,836*	**-**	*-*
Other loans	**1,767**	*-*	**-**	*-*
Shareholder loans	**3,200**	*3,200*	**-**	*-*
	5,574	*5,036*	**-**	*-*
Amounts falling due 2-5 years				
Bank loans	**1,820**	*1,820*	**-**	*-*
Other loans	**507**	*1,463*	**-**	*-*
	2,327	*3,283*	**-**	*-*
Amounts falling due after more than 5 years				
Bank loans	**6,623**	*7,229*	**-**	*-*
	6,623	*7,229*	**-**	*-*
	16,759	*16,955*	**-**	*-*

Bank loans are secured through a fixed and floating charge over the assets of the Group and fixed and floating charge cross guarantee over subsidiary undertakings assets. Interest is charged on bank loans at 2% over the Bank of England base rate per annum.

During the year to 31 December 2018 the Group has entered into a new other loan agreement for £837,000. This is repayable in 36 equal payments. The remainder of the other loans fall due on 30 June 2020 and attract interest at 10% per annum.

Shareholder loans are secured by fixed and floating charges over all the property and undertakings of the Company. During the year the terms of the shareholder loans were renegotiated and all of the amounts now fall due on 31 December 2020. Interest is charged on shareholder loans at 7.5% per annum.

24. HIRE PURCHASE AND FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Within one year	**270**	*280*	**-**	-
Between 1-2 years	**280**	*37*	**-**	-
Between 2-5 years	**101**	-	**-**	-
	651	*317*	**-**	-

Obligations under finance lease and hire purchase contracts are secured against the assets to which they relate.

25. FINANCIAL INSTRUMENTS

	Group 2018 £000	*Group 2017 £000*	Company 2018 £000	*Company 2017 £000*
Financial assets				
Cash and cash equivalents	**4,438**	*3,030*	**-**	-
Financial assets measured at amortised cost	**8,237**	*7,576*	**-**	-
	12,675	*10,606*	**-**	-
Financial liabilities				
Financial liabilities measured at amortised cost	**(32,350)**	*(27,382)*	**-**	-

Cash and cash equivalents comprise cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed by associates and other debtors.

Financial liabilities measured at amortised cost comprise of bank overdraft, bank loans, other loans, trade creditors, amounts owed by associates, other taxation and social security, obligations under finance lease and hire purchase contracts, other creditors and accruals.

26. DEFERRED TAXATION

Group

	2018 £000
Credited to profit or loss	**10**
At end of year	**10**

	Group 2018 £000
Accelerated capital allowances	**10**
	10

27. SHARE CAPITAL

	2018 £	*2017* *£*
Allotted, called up and fully paid		
7,000 *(2017 - 7,000)* Ordinary shares of £0.01 each	**70**	*70*
3,000 *(2017 - 3,000)* B Ordinary shares of £0.01 each	**30**	*30*
	100	*100*

The Ordinary shares have attached to them full voting, dividend and capital distribution rights.

The B Ordinary shares have attached to them full dividend and capital distribution rights only.

28. RESERVES

Share premium account

Includes premiums received on issue of share capital.

Revaluation reserve

During 2015, the Group revalued its Heritage Assets creating a revaluation reserve of £43,000.

Other reserve

Includes premiums received on issue of share capital in subsidiary undertakings.

Merger reserve

The merger reserve is a non-distributable reserve created by the exercise of s612 merger relief for the amount in excess of the nominal value of shares issued for acquisitions.

Profit and loss account

Includes all current and prior periods retained profits and losses.

29. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions totalling £79,000 *(2017: £63,000)* were payable to the fund at the reporting date and are included in creditors.

30. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £000	*Group 2017 £000*	**Company 2018 £000**	*Company 2017 £000*
Not later than 1 year	**625**	*775*	**-**	-
Later than 1 year and not later than 5 years	**144**	*244*	**-**	-
	769	*1,019*	**-**	-

31. RELATED PARTY TRANSACTIONS

During the year the Group entered into transactions, in the ordinary course of the business, with other related parties, which are related parties by virtue of common shareholders who exercise significant influence over the entities.

During the year ended 31 December 2018 the Group made purchases of £984,000 *(2017: £830,000)* from, sales of £68,000 *(2017: £97,000)* to, and loans of £125,000 *(2017: £750,000)* to, Prodrive Composites Limited a related party by virtue of it being an associated undertaking of the Prodrive Group. The loans attract interest at 10% per annum. At 31 December 2018, the amount owed by Prodrive Composites Limited was £356,000 (2017: £175,000) and amounts owed to Prodrive Composites Limited was £41,000 *(2017: £nil)*.

During the year ended 31 December 2018 the Group made sales of £137,000 *(2017: £100,000)* to, and loans of £96,000 *(2017: £102,000)* to The Hummingbird Bicycle Company Limited, which is also an associated undertaking of the Prodrive Group. At 31 December 2018, the amount owed by The Hummingbird Bicycle Company Limited was £62,000 *(2017: £98,000)* and amounts owed to The Hummingbird Bicycle Company Limited was £8,000 (2017: £nil).

During the year ended 31 December 2018 the Group made sales of £32,000 *(2017: £9,000)* to, purchases of £526,000 *(2017: £503,000)* from, and interest payments of £Nil *(2017: £2,179,000)* to Hundred Percent Management Limited, a company controlled by a director (D P Richards). At 31 December 2018 the amount owed by Hundred Percent Management Limited were £nil *(2017: £1,000)*.

During the year ended 31 December 2018 the loans previously owed to D P Richards were reassigned to Richards Family Holdings Limited. The loan balance at 31 December 2018 was £3,200,000 (2017: £3,200,000) which is repayable on 31 December 2020 and attracts interest at 7.5%.

32. CONTROLLING PARTY

The ultimate controlling party of Prodrive Group Limited is D P Richards by virtue of a majority holding in Prodrive Group Limited.