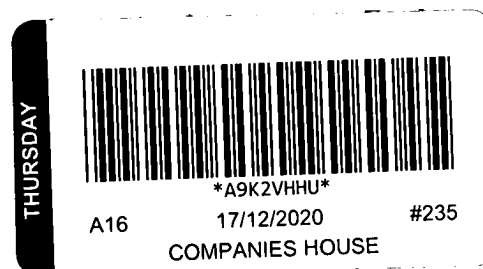


**Aston Martin Lagonda Limited**  
**FINANCIAL STATEMENTS**  
**for the year ended 31 December 2019**



**Company Number: 01199255**

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## **Directors and Advisors**

### **Directors**

Marek Reichman

Paul Hancock (appointed 30 April 2020)

Ken Gregor (appointed 25 June 2020)

Tobias Moers (appointed 25 August 2020)

Keith Stanton (appointed 30 May 2020 and resigned 8 December 2020)

Dr Andy Palmer (resigned 30 May 2020)

Mark Wilson (resigned 30 April 2020)

### **Secretary**

Michael Marecki

Banbury Road

Gaydon

Warwick

England

CV35 0DB

### **Registered Office**

Banbury Road

Gaydon

Warwick

England

CV35 0DB

### **Registered Auditors**

Ernst & Young LLP

1 Colmore Square

Birmingham

England

B4 6HQ

## Strategic Report

### Principal Activities

The principal activities of the Company are the design, development, manufacture and marketing of vehicles including consulting services; as well as the sale of parts and automotive brand activities all under the name of Aston Martin Lagonda. The Company principally sells vehicles through a dealer network.

### Results and Financial Position

The results for the Company show a pre-tax loss of £150.2m (2018 *restated*: profit of £8.5m), revenue of £864.4m (2018 *restated*: £946.8m) and net assets of £136.9m (2018 *restated*: £275.6m).

### Business Review and Future Outlook

The Second Century Plan, to which the Company was committed since 2015, ultimately proved to be ambitious and was not able to withstand the demanding scale of investment required including committed new manufacturing facilities, and the unexpectedly large downside risk of underperformance that the Company experienced in 2019. This has required decisions of the Board in relation to the business plan.

Additional debt of \$190m was raised by a fellow subsidiary of the Group in April 2019 to maintain liquidity of the Aston Martin Lagonda Global Holdings plc group ("Group"), of which the Company is a subsidiary and the primary operating entity, however trading performance weakened further.

Trading through quarter 3 continued to be weak, putting further pressure on liquidity and so the Group Board authorised the drawing of further debt by a fellow subsidiary of the Group. This resulted in the raising of US\$150m of Senior Secured Notes announced in September 2019, with a potential to raise an additional US\$100m of Delayed Draw Notes. As a result, the Board called for a fundamental operational, financial and strategic review of the business.

With Group debt at heightened levels and cost of new debt onerous, the Board agreed a sizeable capital raise by the Company's ultimate parent, Aston Martin Lagonda Global Holdings plc, in order to continue operations. Trading continued to underperform through the peak December delivery period. Despite the financial condition of the Company, the brand and the excellence of its cars attracted significant interest from high quality strategic and financial investors.

A thorough process was conducted which resulted in the unanimous decision of the Group Board to announce on 31 January 2020 a proposed strategic investment of £182m by a consortium and an underwritten Rights Issue supported by major shareholders of £318m to raise combined gross proceeds of £500m.

A reset business plan was also announced with a focus on (i) adjusting production to prioritise demand over supply, thereby building a stronger order book and regaining price positioning, (ii) delaying investment in electric vehicles to no earlier than 2025 and to delay the mid-engine model roll out starting with the Valhalla, (iii) focusing on the successful launch of DBX, the relaunch of Vantage and deliveries of the Valkyrie whilst (iv) reducing operating costs and capital expenditure and giving priority to improving the Company's cashflow.

Executing the reset business plan means for 2020 to be the year in which the Company's strategy is being reset to enable it to operate as a true luxury company. This process, which involves reducing core wholesales to rebalance supply to demand and has a negative impact on results through the reset period, is necessary for the long-term performance of the Group and the Company.

To further strengthen the liquidity of the Group, and to strengthen its ability to execute the reset business plan, in June 2020 the Company's ultimate parent completed an equity placing and retail raising gross proceeds of £152 million.

## Strategic Report (continued)

### Business Review and Future Outlook (continued)

In addition to this, in July 2020 a fellow subsidiary of the Group raised additional funds through the issuance of \$68m of Delayed Draw Notes alongside a £20.0m Coronavirus Large Business Interruption Loan (CLBILS) primarily for utilisation by the Company.

Subsequent to the year end, the Group has successfully arranged a new fully committed and comprehensive financing package (the "New Financing") which comprises £125m of new equity shares, £259 million equivalent of new bonds which mature in 2026, £840 million equivalent of new bonds which mature in 2025 and a refinanced revolving credit facility of £87m maturing in 2025. Proceeds raised from the new equity shares and bonds will be used to redeem the Group's existing and outstanding Senior Secured Notes alongside repayment of the CLBILS loan. This comprehensive New Financing builds further on the £688m new equity that the Yew Tree Consortium and other investors injected into the Group in the first half of 2020 and provides for an improved capital structure and strong funding profile to support the Group in achieving its strategic ambitions over the medium to long term.

The uncertainty surrounding the duration and impact of Covid-19 on the global economy continues with trading remaining challenging in many markets, with the pace of emergence from lockdown and consumer recovery varying significantly. There is continued risk of prolonged second lockdown periods which would impact future trading of the Company and the Group.

### Key performance indicators

The board monitors progress on the overall Company strategy and the individual strategic elements by reference to a number of KPIs. Performance during the period is set out in the table below:

	2019	2018 <i>restated*</i>	Definition, method of calculation and analysis
<b>Movement in revenue (%)</b>	(8.7%)	23.2%	<i>Year on year revenue growth expressed as a percentage. Revenue has reduced due to the pressures experienced in 2019 on the volume of vehicles sold.</i>
<b>Operating (loss)/profit (£m)</b>	(73.6)	54.8	<i>Profit or loss before net finance expense and tax including adjusting items. This loss generated reflects a 9% decrease in vehicle sold, alongside increased depreciation, amortisation and marketing costs. Moreover a £19m credit loss provision was recognised relating to the sale of legacy Intellectual Property in 2018.</i>

\* Further detail on the restatement of the comparative period is disclosed in note 1.

### Principal Decisions

As a subsidiary of the Group, the Company supports the principal decisions made at a Group level. Principal decisions made throughout 2019, the impact on the long-term sustainable success of the Group and the stakeholder considerations of these decisions are included in the Group's Annual Report and Accounts. Copies of the Group's 2019 Annual Report can be obtained from Companies House. Or downloaded from: <https://www.astonmartinlagonda.com/investors/annual-report>.

### Stakeholder engagement

The company and its directors recognise that our business and our behaviours impact our customers, people, investors and other stakeholders. They believe that stakeholder engagement is a key element of delivering a sustainable business and that activity is undertaken across the business and at different levels of the organisation.

All references to committees, the Board and executive team relate to the Group's committees, Board and executive team which make decisions on behalf of the Company and its subsidiaries.

## Strategic Report (continued)

### Stakeholder engagement (continued)

#### *Customers and enthusiasts*

Focusing on the needs of customers and the strength of the brand is critical to the success of the business. Customers and brand enthusiasts experience an emotional connection with the brand as product design, performance and quality ensure a unique luxury experience. The strong connection between customers and the products has enabled the Company to build a strong and loyal customer base. Enthusiasts also help raise the profile and status of the brand.

##### *Type of engagement*

- Brand building through customer engagement and luxury experiences with motorsport focus
- Ongoing customer relationship management with targeted and responsive after-sales service
- Sponsorship and special events such as new product launches, one-on-one regional and dealer marketing events, factory tours and luxury lifestyle/sports events.
- Local owners' clubs often run events which are supported by the Company.

##### *What matters to them?*

- Car design and performance, quality and safety of products, environmental commitment, brand strength, after-sales service and cost of ownership.

##### *How the Directors engage*

The Company's sales performance, market share and customer engagement matters are discussed as part of regular Board updates. The Board carried out a detailed strategic, operational and financial review of the business with customers a key consideration in these deliberations.

#### *Employees*

Employees define who the business is and what it does. A key component of its success is to inspire and foster a culture of passion, collaboration, accountability, opportunity and creativity. Performance depends on mutual respect, diversity, attractive working conditions and the professional fulfilment of employees.

##### *Type of engagement*

- Annual workforce engagement survey
- Aston Martin Way Programme
- President and Group CEO 'All-hands' meetings and Executive Committee updates
- Employee Engagement Group (EEG) comprising elected employees from across the Group who share views, ideas and concerns raised by our people
- Chair of the Remuneration Committee, appointed as 'designated NED' and attended an EEG meeting
- Apprenticeship programme
- Employee volunteering
- Trade union representative participation

##### *What matters to them?*

- Engagement, personal development and career opportunities, feeling valued, reward and benefits, diversity and inclusion, environment and social responsibility and safety

##### *How the Directors engage*

The Directors receives regular updates from the President and Group Chief Executive Officer on employee/culture matters impacting the workforce (including employee safety, headcount and attrition). The VP and Chief People Officer reports to the Group Board and the Remuneration Committee on the Aston Martin Way programme, workforce engagement survey, feedback and other workforce-related matters. Given the circumstances of the Company during the year, particular focus for Board discussions has been on the impact of these events on the workforce.

## Strategic Report (continued)

### Stakeholder engagement (continued)

#### *Employees (continued)*

In her capacity as 'designated NED', the Chair of the Remuneration Committee engaged directly with the Company's employees. As part of this process, she attended an EEG meeting in 2019 and shared feedback with the Board. A full programme of engagement activities is being developed for the designated NED and for the wider Board, reflecting the Directors' appetite for a constructive two-way dialogue with our people, especially in light of the challenges of 2019 and the ongoing changes across the Group.

The Board also receives regular reports from the Director of Internal Audit and Risk Management, VP and Chief People Officer and Company Secretary to ensure that the Company has appropriate policies and procedures in place in relation to matters impacting its workforce including to ensure regulatory compliance.

#### *Investors*

The company and its directors acknowledge that the investors of this company are the immediate and ultimate parent holding companies, however as this company represents a significant part of the group, views of investors into the group are taken into account below.

Continued access to capital is vital to the long-term performance of our business. The Board is committed to maintaining good communications with existing and potential shareholders. We seek to ensure that our investors and investment analysts have a strong understanding of our strategy, performance, ambition and culture and that we understand their priorities and areas of key focus.

##### *Type of engagement*

- Dedicated Investor Relations team
- Focussed investor relations programme comprising investor roadshows; attendance at conferences, results presentations and meetings.
- Annual report and AGM and associated engagement
- Chair and Remuneration Committee Chair engagement with institutional investors on governance and remuneration matters
- Company-hosted Investor activities

##### *What matters to them?*

- Delivery of the Company's strategy, financial performance including cash generation (reduced leverage) and margin expansion, governance and transparency, sustainability, confidence in Company's leadership and stability and predictability with no surprises

##### *How the Directors engage*

The Board receives regular reports from the Director of Investor Relations on investor and analyst feedback.

An Investor Day was held in June at St Athan which provided an opportunity for investors to engage directly with members of the Executive Team and Board and to tour our new St Athan facilities and be introduced to the DBX.

A combination of the President and Group Chief Executive Officer and the EVP and Chief Financial Officer and Investor Relations team held over 450 meetings with 363 individual investors and analysts during the year. The Chair engaged with institutional shareholders to discuss the Company's performance and Board governance matters and communicated their views to the Board. The Chair and the Chair of the Remuneration Committee also had extensive dialogue with investors on remuneration issues.

## Strategic Report (continued)

### Stakeholder engagement (continued)

#### *Investors (continued)*

Given the circumstances of the Group leading to the announcement of the proposed placing to strategic investors and rights issue, significant engagement took place with major shareholders in relation to these capital raise plans.

#### *Sustainability interest and Local communities*

The Company engages with non-governmental organisations and charities that have an interest or potential impact on the business to ensure that they understand the business model and short-term and long-term objectives. The Company is committed to building positive relationships with the communities in which it operates and focuses on supporting communities and groups local and relevant to operations.

##### *Type of engagement*

- Maintenance of accreditations by ISO and Bureau Veritas
- Responses to individual information requests and questionnaires
- The establishment of shared commitments with suppliers
- Dedicated community investment team
- Sponsorship and employee volunteering on boards, committees, councils and charities
- Participation in external events and conferences
- Engagement with local councils on community matters

##### *What matters to them?*

- Trust and ethics, safety performance, sustainability and non-financial performance including environmental impact of products, career opportunities for members of the local community and local operational impact

##### *How the Directors engage*

The President and Group Chief Executive Officer and other Executives meet with relevant community groups and engage with certain community programmes.

The Directors are updated on these activities through the President and Group CEO's Report and updates from the Director of Government and External Affairs as well as its consideration of the report on these matters in the Annual Report and the Group's Sustainability Report.

#### *Dealer Network*

The Company's third party dealership structure enables it to maintain control over brand positioning and luxury customer service, while limiting the capital investment in the network. The dealer network is the direct contact point for the brand to customers. Supported by the regional sales teams, it is designed to achieve geographically diversified sales, to facilitate growth in key markets and to further establish the brand.

##### *Type of engagement*

- Improved programme rolled out in 2019 to educate, develop and monitor dealers and key staff at dealers on new model ranges, brand positioning and required service standards
- Improved system of customers sales, leads and engagement reporting to track dealer performance
- Brand building through customer engagement and luxury experiences with motorsport focus
- Selective, brand accretive partnerships
- Ongoing customer relationship management with targeted and responsive after-sales service

##### *What matters to them?*

- Car design and performance, quality and safety of products, customer satisfaction and brand strength and Company support



## **Strategic Report (continued)**

### **Stakeholder engagement (continued)**

#### ***Dealer Network (continued)***

##### *How the Directors engage*

The performance of the dealership network is regularly discussed at Board meetings as part of the President and Group Chief Executive Officer's Report. Focus of Board discussions this year has been on actions to strengthen the network, improve dealer training and systems that track dealer performance, and to support dealers for the launch of DBX. A number of Board members have visited dealers globally as part of their induction programme as well as meeting them at the launch of St Athan. Feedback and insights were shared with the Board.

#### ***Governing bodies, Regulators and Industry bodies***

The Company engages with national governments, national/transnational agencies, key politicians and regulators to ensure that it can help shape policy (where appropriate) and to successfully conduct business and comply with the regulations to which it's subject to. The company is a member of industry bodies and trade organisations that represent the sector and Group interests.

##### *Type of engagement*

- The Investor Relations, Legal, Company Secretary, Finance, Internal Audit and Risk Management and Government Affairs teams focus on regulatory compliance and engagement matters within their areas of expertise
- Relationship management, both parliament and government, and responses to consultations
- Participation in industry bodies and government and industry working groups
- Conferences and speaking opportunities
- Participation in working groups
- Direct interaction with Board members

##### *What matters to them?*

- Trust and ethics, safety performance, appropriate governance and regulatory compliance, industry support for policies, sustainability performance, development of effective and regulations, policies and standards, sharing of best practice and identification of industry-wide issues and benchmarking

##### *How the Directors engage*

The Directors are informed about engagement with Government and regulatory bodies through regular updates from the President and Group Chief Executive Officer, the EVP and Chief Financial Officer, the VP and General Counsel, the Company Secretary, Director of Investor Relations and Director of Government and External Affairs. Matters relating to risk and internal control, audit, finance and tax matters are discussed with the Audit and Risk Committee.

#### ***Suppliers and Other partnerships***

Suppliers are fundamental to the business model and the Company engages suppliers for raw materials such as aluminium and leather, as well as components and facilities. Sourcing certain products externally enables the Company to balance in-house R&D investment to include high-quality parts and components in cars. The quality and efficiency of suppliers directly impacts on the quality and delivery of cars on time and to specification.

## Strategic Report (continued)

### Stakeholder engagement (continued)

#### ***Suppliers and Other partnerships (continued)***

Carefully chosen partnerships provide the company with a source of technical expertise as well as enabling the creation of products and experiences which bring the brand into complementary and innovative spaces.

##### *Type of engagement*

- Engagement with procurement, engineering and quality teams who select suppliers, develop parts quality, cost and delivery plans
- Dedicated Supplier Quality Development team manages supplier quality and performance
- Risk Management Centre actions operational responses to supplier issues
- Global and regional supplier conferences based around new model introduction requirements with subsequent supplier site visits to monitor progress
- Collaborations with partners on products, designs, engineering and experiences.

##### *What matters to them?*

- Responsible procurement, trust, ethics and open dialogue, operational improvement, competitiveness, maintaining strong relationships/partnerships, building capability and expertise, technological advances including digital solutions, financial performance, brand strength, design and technical expertise and creativity

##### *How the Directors engage*

Suppliers' interests, performance and key risks are considered as part of the Board's discussions on supply and manufacturing strategy and when reviewing specific projects, business continuity plans and updates on key partnership activities.

During the year the Directors received an in-depth report from the VP and Chief Supply Chain and Procurement Officer and VP and Chief Quality Officer on the organisation and key operational focus of the Procurement and Quality functions, which work closely together. This included how supply issues/risks are monitored and addressed and how quality impacts the end-to-end customer journey.

Reports were also received from the Director of Government and External Affairs on the Company's preparedness for the UK's plans to leave the EU and Government engagement on this. The Board also received an update on progress with the Aston Martin Valkyrie.

Given the difficult trading environment for the Company, and the associated liquidity pressures, a particular focus of Board discussions during the year was on possible impacts on the Company's suppliers and other key partners and steps being taken to support these relationships.

## Directors' Report

The directors present the Financial Statements for the year ended 31 December 2019.

### Dividends

No dividends were paid in the year (2018: £nil).

### Financial risk management

The Company'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 Company has a risk management programme in place that is described below.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises principally from the Company's receivables. The Company operates using a wholesale finance facility supported by a credit insurance policy to minimise the Company's exposure to credit risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### *Market risk*

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

#### *Interest rate cash flow risk*

Interest risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have such financial instruments and accordingly, is not exposed to such risk.

### Directors

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

### 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 Company'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 Company's auditor is aware of that information.

### Auditors

Aston Martin Lagonda Global Holdings plc, the ultimate parent company, concluded an audit tender resulting in a change in the Company's auditor to Ernst & Young LLP in July 2019.

## Directors' Report (continued)

### Events since the balance sheet date – COVID-19

In light of COVID-19, the directors have considered whether any adjustments are required to the amounts reported in these financial statements. As at 31 December 2019, no global pandemic had been declared and there were no confirmed cases of COVID-19 in the UK. Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11th March 2020 and the UK government announced social distancing measures on 16th March 2020 followed by a "lockdown" on 23rd March 2020.

As at the balance sheet date, the Company has seen a material impact on their ability to trade profitably, such that there remains a risk that the pandemic may result in the need to impair assets in the future. As at the balance sheet date there was no disruption to the Company and there still remains headroom on the value of tangible and intangible fixed assets and investments held and there are no current issues on the recoverability of assets. The directors consider it to be a non-adjusting post-balance sheet event and have concluded that no adjustments are therefore required to these financial statements.

Subsequent to the year end, the Group has successfully arranged a new fully committed and comprehensive financing package (the "New Financing") which comprises £125m of new equity shares, £259 million equivalent of new bonds which mature in 2026, £840 million equivalent of new bonds which mature in 2025 and a refinanced revolving credit facility of £87m maturing in 2025. Proceeds raised from the new equity shares and bonds will be used to redeem the Group's existing and outstanding Senior Secured Notes alongside repayment of the CLBILS loan. This comprehensive New Financing builds further on the £688m new equity that the Yew Tree Consortium and other investors injected into the Group in the first half of 2020 and provides for an improved capital structure and strong funding profile to support the Group in achieving its strategic ambitions over the medium to long term.

### Going concern

At the date of approval of the accounts, the UK is experiencing economic and social uncertainty surrounding COVID-19. As such, in assessing the Company's ability to adopt the going concern basis in preparation of the financial statements, the directors have considered the financial impact COVID-19 may have on the Company. After the balance sheet date, the group has arranged New Financing that ensures the Company will be well funded for the medium to long term and have adequate resources to continue in operational existence for the foreseeable future.

As part of this assessment, the directors have noted the Company is in a net asset position with no issues noted on recoverability of assets and that there remains headroom on the value of tangible and intangible fixed assets and investments held. In addition to this, the Company's ultimate parent, Aston Martin Lagonda Global Holdings plc, has agreed to provide financial support for at least 12 months from the date of approval of these financial statements.

As such, the financial statements have been prepared on the going concern basis. Further detail of the going concern assessment is given in note 1 of the financial statements.

### By order of the Board,



M F Marecki  
Company Secretary  
14 December 2020

Aston Martin  
Banbury Road  
Gaydon  
Warwick  
CV35 0DB

Company Number: 01199255

## **Statement of Directors' responsibilities in respect of the Strategic report, 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 Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 company and of the profit or loss of the company for that period. In preparing these 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Aston Martin Lagonda Limited**

We have audited the Financial Statements of Aston Martin Lagonda Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the related notes 1 to 26, 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 FRS 101 "Reduced Disclosure Framework 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 company's affairs as at 31 December 2019 and of its loss 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 below. We are independent of the company 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.

### **Emphasis of matter – Effects of COVID-19**

We draw attention to Note 1 and Note 26 of the financial statements, which describe the director's considerations of the economic impact the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

### **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 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 other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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.

## **Independent auditor's report to the members of Aston Martin Lagonda Limited (continued)**

### **Other information (continued)**

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 the 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 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 strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 11, 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 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 company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report to the members of Aston Martin Lagonda Limited (continued)**

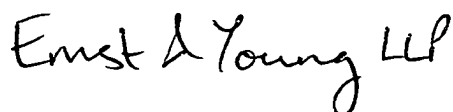
### **Auditor's responsibilities for the audit of the Financial Statements**

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 <https://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.



Simon O'Neill (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

16 December 2020



## Statement of Comprehensive Income for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 <i>restated*</i> £m
<b>Revenue</b>	2	<b>864.4</b>	946.8
Cost of sales		(622.7)	(596.3)
<b>Gross profit</b>		<b>241.7</b>	350.5
Selling and distribution expenses		(57.7)	(56.8)
Administrative and other operating expenses		(214.2)	(205.7)
Other (expense)/income	4	(19.0)	20.0
Income from shares in subsidiary undertakings		19.1	3.0
<b>Adjusted operating (loss)/profit</b>		<b>(30.1)</b>	111.0
Adjusting administrative and other expense items**	5	(43.5)	(56.2)
<b>Operating (loss)/profit</b>		<b>(73.6)</b>	54.8
Finance income	7	4.1	3.2
Finance expense	8	(74.1)	(49.5)
<b>Adjusted operating (loss)/profit before tax</b>		<b>(143.6)</b>	8.5
Adjusting finance expense items**	5	(6.6)	-
<b>(Loss)/profit before tax</b>		<b>(150.2)</b>	8.5
Income tax charge	9	(4.7)	(6.4)
<b>Adjusting (loss)/profit for the year</b>		<b>(154.9)</b>	2.1
Adjusting income tax credit	9	9.1	5.4
<b>(Loss)/profit for the year</b>		<b>(145.8)</b>	7.5
<b>Other Comprehensive Income</b>			
<b>Items that will never be reclassified to the Income Statement</b>			
Remeasurement of defined benefit liability	20	(1.4)	5.4
Taxation on items that will never be reclassified to the Income Statement	9	0.2	(0.9)
<b>Items that are or may be reclassified to the Income Statement</b>			
Fair value adjustment - cash flow hedges		(3.7)	(9.6)
Amounts reclassified to the Income Statement – cash flow hedges		10.5	1.0
<b>Other comprehensive income/(loss) for the year</b>		<b>5.6</b>	(4.1)
<b>Total comprehensive (loss)/income for the year</b>		<b>(140.2)</b>	3.4

\* Further detail on the restatement of the comparative period is disclosed in note 1.

\*\* Adjusting items are defined in note 1 with further detail disclosed in note 5.

There is no difference between the loss before taxation and the retained (loss)/profit for the period stated above, and their historical cost equivalents.

The notes on pages 19 to 57 form part of the Financial Statements.

## Statement of Changes in Equity

	Share Capital £m	Share Premium £m	Capital Reserve £m	Hedge Reserves £m	Retained Earnings £m	Total Equity £m
<b>At 1 January 2019 <i>restated</i>*</b>	<b>77.6</b>	<b>0.4</b>	<b>1.1</b>	<b>(8.6)</b>	<b>205.1</b>	<b>275.6</b>
Adjustment on adoption of IFRS 16 (note 13)	–	–	–	–	(2.2)	(2.2)
<b>At 1 January 2019 <i>adjusted</i></b>	<b>77.6</b>	<b>0.4</b>	<b>1.1</b>	<b>(8.6)</b>	<b>202.9</b>	<b>273.4</b>
<b>Total comprehensive income for the year</b>						
Loss for the year	–	–	–	–	(145.8)	(145.8)
<b>Other comprehensive income</b>						
Fair value movement - cash flow hedges	–	–	–	(3.7)	–	(3.7)
Amounts reclassified to the Income Statement – cash flow hedges	–	–	–	10.5	–	10.5
Remeasurement of defined benefit liability (note 20)	–	–	–	–	(1.4)	(1.4)
Tax on other comprehensive income (note 9)	–	–	–	–	0.2	0.2
<b>Total other comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6.8</b>	<b>(1.2)</b>	<b>5.6</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6.8</b>	<b>(147.0)</b>	<b>(140.2)</b>
<b>Transactions with owners, recorded directly in equity</b>						
Credit for the year under equity settled share-based payments (note 22)	–	–	–	–	3.7	3.7
Tax on items credited to equity	–	–	–	–	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3.7</b>	<b>3.7</b>
<b>At 31 December 2019</b>	<b>77.6</b>	<b>0.4</b>	<b>1.1</b>	<b>(1.8)</b>	<b>59.6</b>	<b>136.9</b>

\* Further detail on the restatement of the comparative period is disclosed in note 1.

## Statement of Changes in Equity (continued)

	Share Capital £m	Share Premium £m	Capital Reserve £m	Hedge Reserves £m	Retained Earnings £m	Total Equity £m
<b>At 1 January 2018 <i>restated</i>*</b>	<b>77.6</b>	<b>0.4</b>	<b>1.1</b>	<b>–</b>	<b>155.6</b>	<b>234.7</b>
<b>Total comprehensive income for the year</b>						
Profit for the year <i>restated</i> *	–	–	–	–	7.5	7.5
<b>Other comprehensive income</b>						
Fair value movement - cash flow hedges	–	–	–	(9.6)	–	(9.6)
Amounts reclassified to the Income Statement – cash flow hedges	–	–	–	1.0	–	1.0
Remeasurement of defined benefit liability	–	–	–	–	5.4	5.4
Tax on other comprehensive income	–	–	–	–	(0.9)	(0.9)
<b>Total other comprehensive (loss)/income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(8.6)</b>	<b>4.5</b>	<b>(4.1)</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(8.6)</b>	<b>12.0</b>	<b>3.4</b>
<b>Transactions with owners, recorded directly in equity</b>						
Credit for the year under equity settled share-based payments	–	–	–	–	24.1	24.1
Tax on items credited to equity	–	–	–	–	13.4	13.4
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>37.5</b>	<b>37.5</b>
<b>At 31 December 2018 <i>restated</i>*</b>	<b>77.6</b>	<b>0.4</b>	<b>1.1</b>	<b>(8.6)</b>	<b>205.1</b>	<b>275.6</b>

\* Further detail on the restatement of the comparative period is disclosed in note 1.

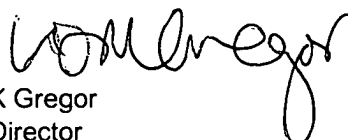
## Statement of Financial Position as at 31 December 2019

		As at 31 December 2019 £m	As at 31 December 2018 <i>restated*</i> £m	As at 1 January 2018 <i>restated*</i> £m
	Notes			
<b>Non-current assets</b>				
Intangible assets	10	786.8	676.1	534.4
Property, plant and equipment	12	339.1	301.4	231.2
Right-of-use lease assets	13	70.8	-	-
Investment in subsidiary undertakings	14	10.0	11.9	11.8
Trade and other receivables	16	1.8	1.8	2.1
Other financial assets	18	0.2	-	-
Deferred tax asset	9	41.1	29.5	17.1
		<b>1,249.8</b>	<b>1,020.7</b>	<b>796.6</b>
<b>Current assets</b>				
Inventories	15	175.1	145.5	112.4
Trade and other receivables	16	306.8	325.3	167.4
Other financial assets	18	0.2	-	1.4
Cash and cash equivalents		29.1	54.1	79.6
		<b>511.2</b>	<b>524.9</b>	<b>360.8</b>
<b>Total assets</b>		<b>1,761.0</b>	<b>1,545.6</b>	<b>1,157.4</b>
<b>Current liabilities</b>				
Borrowings	17	44.0	27.9	13.5
Trade and other payables	17	1,393.8	1,116.8	820.3
Other financial liabilities	18	6.3	4.3	3.1
Lease liabilities	13	12.6	-	-
Provisions	19	8.7	6.7	8.4
		<b>1,465.4</b>	<b>1,155.7</b>	<b>845.3</b>
<b>Non-current liabilities</b>				
Borrowings	17	9.2	12.4	-
Trade and other payables	17	9.4	49.8	17.6
Other financial liabilities	18	2.6	4.4	-
Lease liabilities	13	89.8	-	-
Provisions	19	10.4	9.0	13.0
Employee benefits	20	36.8	38.7	46.8
Deferred tax liabilities	9	0.5	-	-
		<b>158.7</b>	<b>114.3</b>	<b>77.4</b>
<b>Total liabilities</b>		<b>1,624.1</b>	<b>1,270.0</b>	<b>922.7</b>
<b>Net assets</b>		<b>136.9</b>	<b>275.6</b>	<b>234.7</b>
<b>Capital and reserves</b>				
Share capital	21	77.6	77.6	77.6
Share premium		0.4	0.4	0.4
Capital reserves		1.1	1.1	1.1
Hedge reserves		(1.8)	(8.6)	-
Retained earnings		59.6	205.1	155.6
<b>Total shareholders' funds</b>		<b>136.9</b>	<b>275.6</b>	<b>234.7</b>

\* Further detail on the restatement of the comparative period is disclosed in note 1.

The notes on pages 19 to 57 form part of the Financial Statements.

The Financial Statements were approved by the board of directors on 16 December 2020 and were signed on its behalf by:

  
K Gregor  
Director

Company number: 01199255

## Notes to the Financial Statements for the year ended 31 December 2019

### 1. Principal accounting policies

Aston Martin Lagonda Limited (the "Company") is a company incorporated and domiciled in the UK. The Company is exempt by virtue of s.400 of the Companies Act 2006 from the requirement to prepare group Financial Statements. These Financial Statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent undertaking, Aston Martin Lagonda Global Holdings plc, includes the Company in its consolidated Financial Statements. The consolidated Financial Statements of Aston Martin Lagonda Global Holdings plc are prepared in accordance with International Financial Reporting Standards and are available to the public and can be obtained from Companies House.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 issued in July 2015 and effective immediately have been applied.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these Financial Statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures.

- Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Certain disclosures required by IFRS 15 Revenue with contracts with customers; and
- Certain disclosures required by IFRS 16

As the consolidated Financial Statements of Aston Martin Lagonda Global Holdings plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next Financial Statements. The Financial Statements have been prepared under the historical cost convention. The Financial Statements are presented in millions to one decimal place, in Sterling which is the Company's functional currency. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements. In these Financial Statements the Company has made no changes to its existing accounting policies apart from the adoption of new IFRS standards as described.

### Going concern

The Group has successfully arranged a new fully committed and comprehensive financing package (the "New Financing") which comprises £125m of new equity shares, £259 million equivalent of new bonds which mature in 2026, £840 million equivalent of new bonds which mature in 2025 and a refinanced revolving credit facility of £87m maturing in 2025. Proceeds raised from the new equity shares and bonds will be used to redeem the Group's existing and outstanding Senior Secured Notes alongside repayment of the CLBILS loan. This comprehensive New Financing builds further on the £688m new equity that the Yew Tree Consortium and other investors injected into the Group in the first half of 2020 and provides for an improved capital structure and strong funding profile to support the Group in achieving its strategic ambitions over the medium to long term.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Going concern (continued)

In preparing this going concern statement, the Directors have developed trading and cash flow forecasts for the period from the date of approval of these Financial Statements through 30 June 2022 as the existing revolving credit facility, CLBILS loan and Senior Secured Notes mature in this period. These forecasts show that the Company, as the primary operating entity of the Aston Martin Lagonda Global Holding plc group ("the Group"), has sufficient financial resources including support from the Group, to meet its obligations as they fall due for the period of at least 12 months from the date of these Financial Statements.

The forecasts reflect our strategy of rebalancing supply and demand and the decisive actions taken to improve cost efficiency, in alignment with reduced sports car production levels. The forecasts make assumptions in respect of future market conditions and, in particular, wholesale volumes, average selling price, the launch of new models including the Aston Martin Valkyrie and the potential impact of Covid-19 on sales. 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. In addition, the availability of funds provided through the vehicle wholesale finance facility changes as the availability of credit insurance and sales volumes vary, in total and seasonally. Key Covid-19 assumptions within the forecasts include a reduction in production and wholesale volumes. The forecasts consider these factors to the extent which the directors consider them to represent their best estimate of the future based on the information that is available to them at the time of approval of these financial statements.

The directors have considered a severe but plausible downside scenario that includes considering the impact of a 30% reduction in DBX volumes, a further 4 week period of factory closure due to Covid-19 restrictions, operating costs higher than the base plan and additional cash requirements linked with the end of the Brexit transition period.

The Group plans to make continued investment for growth in the period and, accordingly, funds generated through operations are expected to be reinvested in the business mainly through new model development and other capital expenditure. To a certain extent such expenditure is discretionary and, in the event of risks occurring which could have a particularly severe effect on the Group, as identified in the severe but plausible downside scenario, actions such as constraining capital spending, working capital improvements, reduction in marketing expenditure and continuation of the strict and immediate expense control would be taken to safeguard the Group's financial position.

Whilst the Group remains in a strong financial position, the Directors have determined that additional liquidity and moreover an evident extension in maturity of its bond funding and revolving credit facility will be required to support the Group in achieving its medium to long term ambitions and allow it to navigate a severe but plausible downside scenario that the directors have modelled. The New Financing serves to achieve these aims, it ensures the Company will be well funded for the medium to long term and have adequate resources to continue in operational existence for the foreseeable future.

After making enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As part of this assessment, the directors have noted the Company is in a net asset position with no issues noted on recoverability of assets and that there remains headroom on the value of tangible and intangible fixed assets and investments held. In addition to this, the Company's ultimate parent, Aston Martin Lagonda Global Holdings plc, has agreed to provide financial support for at least 12 months from the date of approval of these financial statements. For these reasons the Directors continue to adopt the going concern basis in preparing the financial statements.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Revenue recognition

Revenue is recognised when the Company satisfies its performance obligation to supply a product or service to the customer. Revenue is measured at the fair value of the consideration receivable, deducting dealer incentives, 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 control of the vehicle is passed to the dealer or individual, thus evidencing the satisfaction of the associated performance obligation under that contract. Control is passed when the buyer can direct the use of and obtain substantially all of the benefits of the vehicle which is typically at the point of despatch. When despatch is deferred at the formal request of the buyer and a written request to hold the vehicle until a specified delivery date has been received, revenue is recognised when the vehicle is ready for despatch and the Company can no longer use or direct the vehicle to an alternative buyer.

The Company estimates the consideration to which it will be entitled in exchange for satisfaction of the performance obligation as part of the sale of a vehicle. Dealer incentives relating to the sale of the vehicles are provided for at the time of the sale.

Warranties are issued on new vehicles sold with no separate purchase option available to the customer and, on this basis, are accounted for in accordance with IAS 37. Service packages sold as part of the supply of a vehicle are accounted for as a separate performance obligation with the revenue deferred, based on the term of the package, at the original point of sale. The deferred revenue is released to the Income Statement over the shorter of, the period that the service package covers or the number of vehicle services that the end user is entitled to.

Where a sale of a vehicle(s) includes multiple performance obligations, the Company determines the allocation of the total transaction price by reference to their relative standalone selling prices.

##### *Sales of parts*

Revenue from the sale of parts is recognised upon transfer of control to the customer, generally when the parts are released to the carrier responsible for transporting them.

##### *Brands and motorsport*

Revenue from brands and motorsport is recognised when the performance obligations, principally use of the Aston Martin brand name or supply of a motorsport vehicle, are satisfied. Revenue is recognised either at a point in time or over a period of time according to the terms of the contract.

#### Customer advanced payments

The Company receives advance cash payments from customers to secure their allocation of a vehicle produced in limited quantities, typically with a lead time of greater than 12 months. The value of the deposit, both contractually refundable or non-refundable, is held as a contract liability in the Statement of Financial Position. Upon satisfaction of the performance obligation, the liability is released to revenue in the Income statement. If the deposit is returned to the customer prior to satisfaction of the performance obligation, the contract liability is derecognised.

Where a significant financing component exists, the contract liability is increased over the same period of time as the contract liability is held to account for the time value of money. A corresponding charge is recognised in the Income Statement within finance expenses. Upon satisfaction of the linked performance obligation, the liability is released to revenue.

The Company applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component.

## **Notes to the Financial Statements for the year ended 31 December 2019 (continued)**

### **1. Principal accounting policies (continued)**

#### **Other (expense) / income**

Other expenses and income relates to transactions undertaken as part of recurring business operations, but where the quantum or nature is concluded material enough to be presented separately on the face of the Income Statement. Credit losses or related costs associated with transactions originally recorded in Other Income are classified on a consistent basis.

#### **Finance income**

Finance income comprises interest receivable on invested funds calculated using the effective interest rate method, interest income and currency gains arising on foreign currency denominated borrowings (not designated under a hedge relationship) that are recognised in the Income Statement.

#### **Finance expense**

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, interest expense on the net defined benefit pension liability, losses on financial instruments that are recognised at fair value through the Income Statement and foreign exchange losses on foreign currency denominated financial liabilities.

Interest incurred on lease liabilities accounted for under IFRS 16 and interest charged in relation to significant financing components on customer advance payments are both recognised within finance expenses.

#### **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 rate of exchange ruling at the reporting date. All differences are taken to the Income Statement except for the translational differences on monetary items that form part of designated hedge relationships.

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.

#### **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 as part of the Company's normal identifiable operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes in line with the Company's identifiable normal operating cycle. These liabilities are expected to be settled as part of the Company's normal course of business. All other liabilities are classified as non-current liabilities.

#### **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 of goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Fair value adjustments are considered to be provisional at the first-year end date after the acquisition to allow the maximum time to elapse for management to make a reliable estimate.



## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Intangible assets (continued)

##### *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 stated at cost less accumulated depreciation.

##### *Development costs*

Expenditure on internally developed intangible assets, excluding development costs, is taken to the Income Statement in the year in which it is incurred. Clearly defined and identifiable development costs are capitalised under IAS 38 – Intangible Assets after the following criteria has been met:

- the project's technical feasibility and commercial viability, based on an estimate of future cashflows, can be demonstrated when the project has reached a defined milestone according to the Company's established product development model;
- technical and financial resources are available for the project;
- an intention to complete the project has 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 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.

##### *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 when the asset is available for use. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

	Years
Purchased intellectual property	5
Development costs	1 to 10
Technology	10
Software and other	3 to 10

The useful lives and residual values of capitalised development costs are determined at the time of capitalisation and are reviewed annually for appropriateness and recoverability. Amortisation of special vehicle development costs are spread evenly across the limited quantity of vehicles produced and charged to the Income Statement at the point of sale for each vehicle.

#### 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 including directly attributable costs to make the asset capable of operation. 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 and fittings	3 to 30
Tooling	1 to 15
Motor vehicles	5 to 9

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Property, plant and equipment (continued)

Tooling is depreciated over the life of the project. Assets in the course of construction are included in their respective category but are not depreciated until available for use. 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. Any gain or loss arising on the derecognition of the asset is included in the Income Statement in the period of derecognition.

#### Government grants

Government grants are recognised in the Income Statement, either on a systematic basis when the Company recognises the related costs that the grants are intended to compensate for, or immediately if the costs have already been incurred. Government grants are recognised when there is reasonable assurance that the Company will comply with the relevant conditions and the grant will be received. Government grants related to assets are deducted from the cost of the asset and amortised over the useful life of the asset.

#### Right-of-use assets and lease liabilities (post 1 January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Transition disclosures and elections are disclosed in note 13.

##### *Leases under which the Company acts as lessee*

The Company is a party to lease contracts for buildings, plant and machinery and IT equipment. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets useful life. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an estimate of the Company's incremental borrowing rate at that point in time.

The Company estimates the incremental borrowing rate by taking a credit risk adjusted risk-free rate in addition to making other specific adjustments to account for certain characteristics in the lease such as geography, type of asset and security pledged. Lease payments included in the measurement of the lease liability comprise either fixed lease payments or lease payments subject to periodic fixed increases. The lease liability is measured at amortised cost using the effective interest rate method. Lease payments are allocated between principal and interest cost with the interest costs charged to the Income Statement over the lease period.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Right-of-use assets and lease liabilities (post 1 January 2019) (continued)

The liability is remeasured when there is an increase/decrease in future lease payments arising from a change in an index or rate specified.

##### *Short-term leases and leases of low-value assets*

The Company does not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of less than twelve months and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis in the Income Statement over the lease term.

#### Operating lease payments (pre 1 January 2019)

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.

#### Investments

Investments in subsidiaries are stated at cost less provisions for impairment.

#### Impairment of assets

The Company 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 Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset, or cash-generating unit's, fair value less costs to sell and its value-in-use. 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 the Income Statement.

For intangible assets, property, plant and equipment, and right-of-use lease assets that have a finite life, the recoverable amount is estimated 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 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 in prior periods. A reversal of an impairment loss is recognised in the Income Statement as income immediately.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. 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. Inventories held under financing arrangements are recognised when control is transferred to the Company.

## **Notes to the Financial Statements for the year ended 31 December 2019 (continued)**

### **1. Principal accounting policies (continued)**

#### **Cash and cash equivalents**

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks, cash in hand and short-term deposits with an original maturity of three months or less, subject to insignificant changes in value and readily convertible to known amounts.

#### **Derivative financial instruments**

Derivative financial assets and liabilities are recognised on the Statement of Financial Position at fair value when the Company becomes a party to the contractual provisions of the instrument. The Company uses derivative instruments to manage its exposure to foreign exchange risk arising from operating activities. Movements in the fair value of foreign exchange derivatives not qualifying for hedge accounting are recognised in finance income or expense. The accounting policy on derivatives that are designated as hedging instruments in hedging relationships is detailed in the hedge accounting policies. 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.

Other than derivative financial instruments held at fair value all financial liabilities are held at amortised cost.

#### **Trade and other receivables**

Trade and other receivables are carried at the lower of their original invoiced value and recoverable amount. A trade receivable loss allowance is measured at an amount equal to the lifetime expected credit loss at initial recognition and throughout the life of the receivable. Receivables are not discounted as the time value of money is not considered to be material.

#### **Trade and other payables**

Trade and other payables are recognised and carried at their original invoiced value. Trade payables are not discounted to consider the time value of money as the impact is immaterial.

Refundable and non-refundable customer deposits are held as contract liabilities within current trade and other payables.

Inventory sale and repurchase arrangements, which are in substance financing transactions, are included in other payables. The difference between the sale and repurchase value is accounted for as part of the effective interest calculation. The effective interest is charged to the Income Statement over the period from sale to repayment.

#### **Hedge Accounting**

The Company uses derivative financial instruments, in the form of forward currency contracts, to hedge the foreign currency risk of sales of finished vehicles and external purchases of component parts. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cashflows is either attributable to a particular risk associated with a recognised asset or liability, or a highly probably forecast transaction, or the foreign currency risk of an unrecognised firm commitment.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Hedge Accounting (continued)

At the inception of the hedge relationship, the Company formally designates and documents the hedge relationship and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess hedge effectiveness. A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes resulting from that economic relationship; and
- The theoretical hedge ratio of the hedging relationship is the same as practically occurs.

#### *Derivative financial instruments*

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement. The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in Other Comprehensive Income and accumulated in a separate component of equity under cost of hedging reserve.

#### *Subsequent accounting*

The amounts accumulated in both the cash flow hedge reserve and the cost of hedging reserve are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the Hedge Reserve is removed and included in the initial cost of the hedge item. For any other cash flow hedges, the amount accumulated in the Hedge Reserve is reclassified to the Income Statement as a reclassification adjustment in the same period or periods during which the hedged cashflow affects profit or loss.

If hedge accounting is discontinued, the amount that has been accumulated in the Hedge Reserve must remain in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the Income Statement as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in the Hedge Reserve is accounted for depending on the nature of the underlying transaction.

#### **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 the Income Statement as a finance expense over the period of the borrowings on an effective interest basis.

#### **Pensions**

The Company operates a defined contribution pension plan under which the Company 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.

## **Notes to the Financial Statements for the year ended 31 December 2019 (continued)**

### **1. Principal accounting policies (continued)**

#### **Pensions (continued)**

The Company operates a defined benefit pension plan, which is contracted out of the state scheme. The Company'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 Company, 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.

When the calculation results in a deficit for the Company, the recognised liability is adjusted for the discounted value of future deficit reduction contributions in excess of the calculated deficit.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, the interest on plan assets, and the effect of the asset ceiling or minimum funding requirements, are recognised immediately in Other Comprehensive Income. The Company determines the net interest expense (income) on the net defined benefit asset or liability, considering 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 the Income Statement.

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 the Income Statement. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### **Share-based payment transactions**

The fair value of equity-classified share-based awards with both market and non-market-based performance conditions is recognised as an expense within administrative and other expenses in the Income Statement, with a corresponding increase in equity over the period that the employees become unconditionally entitled to the shares.

The amount recognised as an expense is adjusted to reflect both non-market-based conditions, such as continued employment and profit related metrics, in addition to market-based conditions driven by an estimation of the quantum of awards expected to vest at the date of grant.

#### **Warranty provision**

The Company provides product warranties on all new vehicle sales. Provisions are recognised when vehicles are sold or when new warranty programs are initiated. Based on historical warranty claim experience, assumptions are made on the type and extent of future warranty claims including non-contractual warranty claims as well as on possible recall campaigns. These assessments are based on the frequency and extent of vehicle faults and defects in the past. In addition, the estimates include assumptions on the potential repair costs per vehicle and the effects of possible time or mileage limits. The provisions are regularly adjusted to reflect new information.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### 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 the Income Statement except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income whereby the tax treatment follows that of the underlying item.

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 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 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. Deferred tax assets and liabilities are disclosed on a net basis where a right of offset exists.

#### Adjusting items

An adjusting item is disclosed separately in the Statement of Comprehensive Income where the quantum, nature or volatility of such items would otherwise distort the underlying trading performance of the Company as they are not expected to repeat in future periods.

Details in respect of adjusting items recognised in the current and prior year are set out in note 5 in the Financial Statements.

#### Critical accounting assumptions and key sources of estimation uncertainty estimates

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 Company's accounting policies, which are described in this note, management has made estimates. Other than in respect of the impairment of finite life intangible assets and measurement of defined benefit pension assets and obligations, variations in the remaining estimates are not considered to give rise to a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company consider it appropriate to identify the nature of the estimates used in preparing the Financial Statements and the main sources of estimation uncertainty are:

- impairment of finite life intangible assets; and
- the measurement of defined benefit pension assets and obligations;

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Critical accounting assumptions and key sources of estimation uncertainty estimates (continued)

##### *Impairment of finite life intangible assets*

For intangible assets that have a finite life, the recoverable amount is estimated when there is an indication that the asset is impaired. This requires an estimation of the value-in-use derived from the estimation of future cash flows utilising a suitable discount rate (see note 11). The result of the calculation of the value-in-use is sensitive to the assumptions made and is a subjective estimate.

##### *Measurement of pension assets and obligations*

There are a range of assumptions that could be made, and the measurement of defined benefit pension assets and obligations is very sensitive to these. Note 20 provides information on these assumptions and the inherent sensitivities.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, mortality rates, the expected return on assets and suitable discount rates (see note 20).

#### New accounting standards

In 2019 the following standard were endorsed by the EU and became effective and adopted by the Company:

- IFRS 16 Leases - see note 13 for further detail including transition disclosures and elections taken.
- Interpretation 23 Uncertainty over Income Tax Treatments - The interpretation addresses the accounting for income taxes when tax treatment involve uncertainty that affects the application of IAS 12 Income Taxes.

The Company assessed any uncertainties over income tax treatments. Since the Company operates in a multinational environment, it evaluated whether the Interpretation had an impact on its Financial Statements. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The subsidiaries' filings in different tax jurisdictions may lead to challenges from the local tax authorities related to transfer pricing.

This interpretation has not had a material impact on the Company's reported financial performance or position.

#### Prior Year restatement

The following restatements have been made in the Financial Statements and, where the notes included provide additional analysis, the comparative values have been restated on a consistent basis:

- i) Following a review of the nature of the service plan liability, it has been reclassified from non-current provisions into current and non-current trade and other payables and additional disclosures as a contract liability have been presented within note 17. The provision balance presented within these Financial Statements relates solely to expected future warranty costs provided for at the point of revenue recognised on a new vehicle sale.



## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Prior Year restatement (continued)

ii) The nature of certain trade and other payables have been revisited resulting in the reclassification of lease incentives from current trade and other payables to non-current trade and other payables, as a large portion of the balance relates to periods greater than 12 months in the future. From 1 January 2019 lease incentives have been accounted for under IFRS 16 and offset against the right-of-use assets.

iii) Following a review of a sister company's accounting policy on the timing of recognition of customer and retail incentive support (variable marketing expense (VME)), associated with supporting lease and other incentive programs in the US., the sister company has restated its prior year results.

Due to the transfer pricing arrangements with the sister company, this restatement resulted in a restatement of the revenue of Aston Martin Lagonda Limited, with a corresponding impact on the foreign exchange expense and taxation. This is a non-cash adjustment and has no impact on the timing of the Company's historic or forecast cash flows. The Statement of Financial Position of the Company as at 1 January 2018 and 31 December 2018, and the Statement of Comprehensive Income for the year ended 31 December 2018, have been restated to correct this.

iv) Income received from shares in subsidiary undertakings for the year ended 31 December 2018 has been reclassified in the Statement of Changes in Equity from "Transactions with owners, recorded directly in equity" to "Total Comprehensive Income" with no impact on the taxation charge for the year. There is no impact on the Statement of Financial Position at 31 December 2018.

v) Following a review of the accounting for the inter-company loan agreement between Aston Martin Capital Holdings Limited and Aston Martin Lagonda Limited, Aston Martin Lagonda Limited has restated its prior year results in order to recognise the interest that will be paid under the loan agreement from Aston Martin Capital Holdings Limited. This interest had previously not been included in the amortised cost calculation for the loan payable. This is a non-cash adjustment and has no impact on the timing of the Company's historic cash flows. The Statement of Financial Position of the Company as at 1 January 2018 and 31 December 2018, and the Statement of Comprehensive Income for the year ended 31 December 2018, have been restated to correct this error.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Prior Year restatement (continued)

The impact on the Statement of Financial Position for the year ended 31 December 2018 due to these restatements is:

As at 31 December 2018	As disclosed 2018 Financial Statements £m	(i) £m	(ii) £m	(iii) £m	(v) £m	As restated 2018 Financial Statements £m
<i>Non-current assets</i>						
Deferred tax asset	28.9	–	–	0.6	–	29.5
<i>Current liabilities</i>						
Trade and other payables	(1,068.3)	(5.2)	30.3	(13.8)	(59.8)	(1,116.8)
<i>Non-current liabilities</i>						
Trade and other payables	(12.2)	(7.3)	(30.3)	–	–	(49.8)
Provisions	(21.5)	12.5	–	–	–	(9.0)
Net assets	348.6	–	–	(13.2)	(59.8)	275.6
<i>Capital and reserves</i>						
Retained Earnings	278.1	–	–	(13.2)	(59.8)	205.1

i) These transactions were not material at 1 January 2018 and therefore the restated Statement of Financial Position does not reflect this restatement.

ii) These transactions occurred in 2018 and therefore did not impact 1 January 2018.

iii and v) These transactions were material at 1 January 2018 and therefore the restated Statement of Financial Position reflects this restatement, on the next page shows the Statement of Financial Position on the 1 January 2018 before and after the restatement.

As at 1 January 2018 (£m)	As disclosed 1 January 2018 Financial Statements	(iii)	(v)	As Restated 1 January 2018 Financial Statements
<i>Non-current assets</i>				
Deferred tax asset	16.7	0.4	–	17.1
<i>Current liabilities</i>				
Trade and other payables	(787.1)	(10.4)	(22.8)	(820.3)
Net assets	267.5	(10.0)	(22.8)	234.7
<i>Capital and reserves</i>				
Retained Earnings	188.4	(10.0)	(22.8)	155.6

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 1. Principal accounting policies (continued)

#### Prior Year restatement (continued)

The impact of the restatements on the Statement of Comprehensive Income for the year ended 31 December 2018 is:

For the year ended 31 December 2018	As disclosed 2018 Financial Statements £m	(iii) £m	(iv) £m	(v) £m	As restated 2018 Financial Statements £m
Revenue	949.5	(2.7)	–	–	946.8
Gross Profit	353.2	(2.7)	–	–	350.5
Administrative and other operating expenses	(205.0)	(0.7)	–	–	(205.7)
Income from shares in subsidiary undertakings	–	–	3.0	–	3.0
Operating profit/(loss)	55.2	(3.4)	3.0	–	54.8
Finance expense	(12.5)	–	–	(37.0)	(49.5)
Profit/(loss) before tax	45.9	(3.4)	3.0	(37.0)	8.5
Income tax (credit)/charge	(6.6)	0.2	–	–	(6.4)
Profit/(loss) after tax	44.7	(3.2)	3.0	(37.0)	7.5

### 2. Revenue

	2019 £m	2018 <i>restated</i> £m
<b>Analysis by market</b>		
United Kingdom	226.5	261.8
The Americas	207.7	248.4
Rest of Europe, Middle East & Africa	269.7	232.4
Asia Pacific	160.5	204.2
	<b>864.4</b>	<b>946.8</b>
<b>Analysis by category</b>		
Sale of vehicles	777.1	881.6
Sale of parts	60.7	59.3
Brands and motorsport	26.6	5.9
	<b>864.4</b>	<b>946.8</b>

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 3. Expenses and auditor's remuneration

	2019 £m	2018 restated £m
<i>Included in the Profit &amp; loss account are the following items:</i>		
Depreciation and impairment of property, plant and equipment (note 12)	39.1	31.2
Depreciation absorbed into inventory under standard costing	(3.0)	-
Depreciation and impairment of right-of-use assets (note 13)	11.3	-
Amortisation and impairment of intangible assets (note 10)	108.4	63.7
Amortisation absorbed into inventory under standard costing	(3.2)	-
Loss on sale of property, plant and equipment	0.9	-
Depreciation, amortisation and impairment charges included in Administrative and other operating expenses	153.5	94.9
Increase in trade receivable loss allowance - Other Expenses (note 4)	19.0	-
Increase in trade receivable loss allowance - Administrative and other operating expenses (note 16)	1.1	1.1
Net foreign currency differences	4.0	4.6
Cost of inventories recognised as an expense	501.3	481.4
Impairment of inventories held (note 11)	2.3	-
Write-down of inventories to net realisable value	2.5	1.1
Expenditure related grant income*	(0.2)	-
Operating lease payments		
- Land and buildings	-	5.8
- Plant, machinery and IT equipment**	1.2	2.3
Research and development expenditure recognised as an expense	-	11.5
Auditor's remuneration***		
Audit of these Financial Statements	0.2	0.3
Other services relating to taxation	-	0.6
All other services	-	0.1

\* Government grant income has been offset against the qualifying employee expenditure within the Income Statement.

\*\* Election taken to not recognise right-of-use lease assets and equivalent lease liabilities for short-term and low-value leases.

\*\*\* The auditors remuneration for year ended 31 December 2018 relates to services provided by the Company's former incumbent auditors.

### 4. Other (expense)/income

	2019 £m	2018 £m
Sale of intellectual property	-	20.0
Loss allowance recognised - sale of intellectual property	(19.0)	-
	(19.0)	20.0

Other income from the ordinary course of business of £20.0m was recognised from the sale of certain legacy intellectual property during the year ended 31 December 2018. During the year ended 31 December 2019 the recoverability of the outstanding receivable was assessed as doubtful resulting in a loss allowance of £19.0m recognised as a charge to the Income Statement.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 5. Adjusting items

	2019 £m	2018 £m
<i>Adjusting operating expenses:</i>		
Impairment of assets:		
Development costs (note 10)	(27.7)	–
Plant, machinery, fixtures and fittings (note 12)	(4.7)	–
Tooling (note 12)	(3.7)	–
Inventory	(2.3)	–
Right-of-use lease assets (note 13)	(1.0)	–
	<u>(39.4)</u>	<u>–</u>
Investment impairment (note 14)	(1.9)	–
Restructuring costs	(2.8)	–
Initial Public Offering costs (Staff incentives)	0.6	(56.1)
	<u>(43.5)</u>	<u>(56.1)</u>
<i>Adjusting finance expenses:</i>		
Movement on derivatives not qualifying for hedge accounting (note 8)	(6.6)	–
Total adjusting items before tax	<u>(50.1)</u>	<u>(56.1)</u>
Tax credit on adjusting items	9.1	5.4
Adjusting items after tax	<u>(41.0)</u>	<u>(50.7)</u>

- The Lagonda brand is expected to be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending further review. An assessment of the carrying value of Rapide E assets, and assets carried across from Rapide as part of the Company's carry-over-carry-across ("COCA") principle, has resulted in an impairment charge of £39.4m – see note 11 for further details.
- On 18 December 2019 AML Italy S.r.l was liquidated and ceased to be a subsidiary of the Company as of this date, an impairment charge was recognised associated with this of £1.9m (2018: £nil).
- In 2019 the Company incurred employee redundancy costs of £2.8m (31 December 2018: £nil) as part of the first phase of a restructuring plan that is expected to conclude in 2020.
- During the year ended 31 December 2018 staff incentive and other costs were incurred as part of the Initial Public Offering ("IPO"). These costs included accrued staff incentives due for payment in 2019. In the context of the continuing challenging trading conditions during 2019, the executive team no longer believed that it was appropriate to receive their 2018 IPO related bonus payments and, following further discussion with the Remuneration Committee, agreed to waive their unpaid bonus in full. This resulted in £4.2m being credited back to the Income Statement in 2019 as an adjusting item to remain consistent with the treatment of the initial accrual in 2018. The comparative disclosed includes £56.1m of Initial Public Offering related staff incentive costs.
- The Legacy LTIP share option charge for the year ended 31 December 2019 related to the IPO was £3.6m and is included in Staff incentives (2018: £24.1m).
- In the year-ended 31 December 2019 a charge of £6.6m was recognised in relation to fair value movements of derivative financial instruments held to hedge future foreign currency cashflows, but where the necessary criteria for hedge accounting had not been met. Once the criteria for hedge accounting had been met, all movements in the fair value of these derivative financial instruments are recorded either in Other Comprehensive Income or in arriving at adjusted operating loss in the Income Statement.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 6. Staff costs and Directors' emoluments

#### (a) Staff costs (including directors)

	2019 £m	2018 £m
Wages and salaries <sup>1</sup>	114.8	147.0
Social security costs <sup>1</sup>	12.3	30.4
Expenses related to post-employment defined benefit plan	6.9	8.1
Contributions to defined contribution plans	8.8	5.8
	<u>142.8</u>	<u>191.3</u>

1. The value presented for the year ended 31 December 2019 includes the release of accrued staff incentives totalling £4.2m offset by the legacy LTIP charge of £3.6m, both of which are presented as adjusting items – see note 5 for further detail. The comparative disclosed includes £56.1m of Initial Public Offering related staff incentive costs incurred during the year ended 31 December 2018 presented as an adjusting item.

The average monthly number of employees during the year were:

By activity	2019 Number	2018 Number
Production	1,070	1,024
Selling and distribution	211	181
Administration	1,093	968
	<u>2,374</u>	<u>2,173</u>

#### (b) Directors' emoluments and transactions

	2019 £m	2018 £m
Directors' emoluments	2.3	16.5
Company contributions to pension schemes	0.1	0.1
	<u>2.4</u>	<u>16.6</u>

All directors benefited from qualifying third-party indemnity provisions. There were no balances outstanding from directors at either year end.

Retirement benefits were accruing under the Aston Martin Lagonda Limited defined benefit pension scheme to 1 director (2018: 1 director). No compensation for loss of office payments were paid in either year ended 31 December 2019 or 31 December 2018.

#### (c) Highest paid director

	2019 £m	2018 £m
Emoluments	<u>1.4</u>	<u>7.4</u>

The highest paid director was not a member of the Aston Martin Lagonda Limited defined benefit pension scheme in either year.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 7. Finance income

	2019 £m	2018 £m
Bank deposit and other interest income	4.1	3.2
Total finance income	4.1	3.2

### 8. Finance expense

	2019 £m	2018 £m
Bank loans, overdrafts and secured notes	9.2	6.0
Amount payable to fellow subsidiaries of ultimate parent undertaking	51.8	37.0
Interest on lease liabilities (note 13)	4.0	–
Net interest expense on the net defined benefit liability (note 20)	1.1	1.0
Interest on contract liabilities held (note 17)	8.0	5.5
Finance expense before adjusting items	74.1	49.5
<i>Adjusting finance expense items:</i>		
Movements on derivatives not qualifying for hedge accounting (note 5)	6.6	–
Total finance expense	80.7	49.5

During the year ended 31 December 2019 no directly attributable borrowing costs relating to the construction of an asset, that has taken a substantial length of time to get ready for its intended use, have been capitalised (2018: £nil).

### 9. Taxation

#### (a) Analysis of charge in the year

	2019 £m	2018 <i>restated</i> £m
Current tax charge/(credit)		
UK corporation tax on (losses)/ profit	(2.1)	–
Withholding tax suffered on overseas dividends	0.7	–
Prior period movement	0.9	0.9
Total current income tax (credit)/charge	(0.5)	0.9
<i>Deferred tax credit</i>		
Origination and reversal of temporary differences	(6.7)	6.5
Loss surrendered without payment	3.4	–
Prior period movement	(0.6)	(6.4)
Total deferred tax credit	(3.9)	0.1
Total income tax (credit)/charge in the Income Statement	(4.4)	1.0
<i>Tax relating to items (credited)/charged to other comprehensive income</i>		
<i>Deferred tax</i>		
Actuarial movement on defined benefit pension plan	(0.2)	0.9
	(0.2)	0.9
<i>Tax relating to items charged in equity – deferred tax</i>		
Share based payments	–	(13.3)

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 9. Taxation (continued)

#### (b) Reconciliation of the total income tax charge/(credit)

The tax charge/(credit) in the Statement of Comprehensive Income for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are reconciled overleaf.

	2019 £m	2018 <i>restated</i> £m
(Loss) / profit from operations before taxation	(150.2)	8.5
Loss on operations before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	(28.5)	1.6
Difference to total income tax charge/(credit) due to effects of:		
Irrecoverable overseas withholding taxes	1.2	–
Non-taxable income from subsidiary undertakings	(3.6)	(0.5)
Effects of group relief	17.5	7.0
Expenses not deductible for tax purposes	0.9	0.5
Movement in unprovided deferred tax	2.2	–
Derecognition of deferred tax asset of interest deductible in future periods	4.0	–
Adjustments in respect of prior periods	0.3	(5.1)
Effect of lower rates applied to deferred tax	(0.2)	(0.9)
Other	1.8	(1.6)
Total income tax (credit)/charge	(4.4)	1.0

#### (c) Factors affecting future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. It was announced in the budget on 11 March 2020 that the government would not proceed with the reduction to 17% on 1 April 2020 and would maintain the corporation tax rate at 19%. This was substantively enacted on 17 March 2020.

#### (d) Deferred tax

Where the right to off-set exists, deferred tax assets and liabilities have been netted down.

	Assets 2019 £m	Assets 2018 <i>restated</i> £m	Liabilities 2019 £m	Liabilities 2018 <i>restated</i> £m
Property, plant and equipment	(56.1)	(51.5)	–	–
Intangible assets	–	–	65.1	59.4
Employee benefits	(6.3)	(6.6)	–	–
Provisions	(0.2)	–	–	0.4
Interest deductible in future periods	–	(7.6)	–	–
RDEC credit	(7.0)	–	–	–
Losses	(36.6)	(23.2)	–	–
Share based payments	–	(0.4)	–	–
Other	–	–	0.5	–
Deferred tax (assets)/liabilities	(106.2)	(89.3)	65.6	59.8
Set off of tax liabilities/(assets)	65.1	59.8	(65.1)	(59.8)
Total deferred tax (assets)/liabilities	(41.1)	(29.5)	0.5	–



## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 9. Taxation (continued)

#### (d) Deferred tax

	1 January 2019 <i>restated</i> £m	Recognised in Income and OCI £m	Recognised in Equity £m	Other movement £m	31 December 2019 £m
Movement in deferred tax 2019					
Property, plant and equipment	(51.5)	(4.6)	–	–	(56.1)
Intangible assets	59.4	5.7	–	–	65.1
Employee benefits	(6.6)	0.3	–	–	(6.3)
Provisions	0.4	(0.6)	–	–	(0.2)
Interest deductible in future periods	(7.6)	7.6	–	–	–
RDEC credit	–	–	–	(7.0)	(7.0)
Losses	(23.2)	(13.4)	–	–	(36.6)
Share based payments	(0.4)	0.4	–	–	–
Other	–	0.5	–	–	0.5
	<b>(29.5)</b>	<b>(4.1)</b>	<b>–</b>	<b>(7.0)</b>	<b>(40.6)</b>

	1 January 2018 <i>restated</i> £m	Recognised in Income and OCI <i>restated</i> £m	Recognised in Equity £m	Other movement £m	31 December 2018 <i>restated</i> £m
Movement in deferred tax 2018					
Property, plant and equipment	6.5	(58.0)	–	–	(51.5)
Intangible assets	–	59.4	–	–	59.4
Employee benefits	(8.0)	1.4	–	–	(6.6)
Provisions	(0.7)	1.1	–	–	0.4
Interest deductible in future periods	–	(7.6)	–	–	(7.6)
Losses	(14.9)	(8.3)	–	–	(23.2)
Share based payments	–	12.9	(13.3)	–	(0.4)
	<b>17.1</b>	<b>0.9</b>	<b>(13.3)</b>	<b>–</b>	<b>(29.5)</b>

Other movements reflect the reclassification of RDEC credits from Trade and other receivables to deferred tax. The Company believes that it is appropriate to recognise a Deferred Tax Asset in respect of historic tax losses due to the future forecast profitability of the Company as demonstrated by the reset business plan.

In addition to the deferred tax recognised above, the Company has a £5.8m (2018: £nil) unrecognised net deferred tax asset in respect of interest deductions deductible in future periods where the likelihood of recoverability is not considered to support recognition of the asset. The aggregate amount of temporary differences associated with investment in subsidiaries and branches, for which deferred tax liabilities have not been recognised is £32.5m for the year ended 31 December 2019 (31 December 2018: £34.5m).

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 10. Intangible assets

	Computer Software £m	Development costs £m	Technology £m	Tool sharing arrangement and Other £m	Total £m
<b>Cost</b>					
Balance at 1 January 2019	36.1	1,025.9	21.2	18.6	1,101.8
Additions	1.9	217.2	–	–	219.1
Disposal	–	–	–	(14.0)	(14.0)
<b>Balance at 31 December 2019</b>	<b>38.0</b>	<b>1,243.1</b>	<b>21.2</b>	<b>4.6</b>	<b>1,306.9</b>
<b>Amortisation</b>					
Balance at 1 January 2019	29.5	375.5	4.2	16.5	425.7
Charge for the year	3.8	74.8	1.9	0.2	80.7
Disposal	–	–	–	(14.0)	(14.0)
Impairment (note 11)	–	27.7	–	–	27.7
<b>Balance at 31 December 2019</b>	<b>33.3</b>	<b>478.0</b>	<b>6.1</b>	<b>2.7</b>	<b>520.1</b>
<b>Net book value</b>					
At 1 January 2019	6.6	650.4	17.0	2.1	676.1
<b>At 31 December 2019</b>	<b>4.7</b>	<b>765.1</b>	<b>15.1</b>	<b>1.9</b>	<b>786.8</b>

During the year-ended 31 December 2019 the Company received £3.3m of grants relating to qualifying development expenditure (2018: £8.2m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the carrying value of capitalised development costs.

Computer software relates to expenditure on computer software and internally generated computer software costs.

Development costs relate to expenditure on developing sports cars. Technology assets represent the rights to Daimler AG technology.

Tool sharing and other includes distribution rights and intellectual property. The distribution rights were fully amortised and disposed of during the year.

Amortisation charges are included within administrative and other costs in the Income Statement.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 11. Impairment

#### (a) Vehicle programme

The Company reviews the carrying amount of non-current assets with finite useful lives when events and circumstances indicate that an asset may be impaired. Impairment tests are performed by comparing the carrying amount and the recoverable amount of the cash-generating unit ("CGU"). The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value-in-use.

In assessing the 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.

At 31 December 2019 the ultimate parent of the Company, Aston Martin Lagonda Global Holdings plc, was engaged in early stage discussions with strategic investors in relation to building longer term relationships. The impact of this meant that the Company's current project lifecycles and the cadence of future model launches was under review.

On 31 January 2020, Aston Martin Lagonda Global Holdings plc announced its intention to strengthen the group's financial position in order to immediately improve liquidity and reduce leverage. A proposed placing of newly issued ordinary shares of Aston Martin Lagonda Global Holdings plc to a Consortium, and a subsequent underwritten rights issue, was proposed for completion following the publication of the Aston Martin Lagonda Global Holdings plc's 2019 Annual Report and Accounts. It was agreed, as part of the reset business plan, to control medium-term investment requirements of the Company in aid of providing greater financial stability and flexibility. The Lagonda brand is now expected to be relaunched no earlier than 2025 (previously 2022) and while development of Rapide E is substantially complete, the programme has been paused pending further review.

With the aforementioned indicators of impairment, a review of the carrying value of Rapide E assets and assets carried across from Rapide as part of the Company's carry-over-carry-across ("COCA") principle has been completed. As a result of this review an impairment charge has been recognised in full for the Rapide E assets:

	<b>2019</b>
	<b>£m</b>
Development costs (note 10)	27.7
Plant, machinery, fixtures and fittings (note 12)	4.7
Tooling (note 12)	3.7
Inventory	2.3
Right-of-use lease assets (note 13)	1.0
Total impairment charge recognised as adjusting in the Income Statement (note 5)	<u>39.4</u>

#### (b) Investment

On 18 December 2019 AML Italy S.r.l was liquidated and ceased to be a subsidiary of the Company as of this date resulting in the carrying value of the investment being impaired. For further details see note 14.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 12. Property, plant and equipment

	Freehold land and Buildings £m	Tooling £m	Plant, machinery, fixtures and fittings £m	Motor Vehicles £m	Total £m
<b>Cost</b>					
Balance at 1 January 2019 restated*	57.2	417.0	202.5	0.7	677.4
Additions	–	46.6	36.8	–	83.4
Reclassification	1.5	–	(1.5)	–	–
Transfer to right-of-use lease assets (note 13)	–	–	(3.3)	–	(3.3)
Disposals	–	(1.5)	–	–	(1.5)
<b>Balance at 31 December 2019</b>	<b>58.7</b>	<b>462.1</b>	<b>234.5</b>	<b>0.7</b>	<b>756.0</b>
<b>Depreciation</b>					
Balance at 1 January 2019 restated*	23.6	270.5	81.8	0.1	376.0
Charge for the year	1.8	21.2	10.1	–	33.1
Disposals	–	(0.6)	–	–	(0.6)
Impairment (note 11)	–	3.7	4.7	–	8.4
<b>Balance at 31 December 2019</b>	<b>25.4</b>	<b>294.8</b>	<b>96.6</b>	<b>0.1</b>	<b>416.9</b>
<b>Net book value</b>					
At 1 January 2019	33.6	146.5	120.7	0.6	301.4
<b>At 31 December 2019</b>	<b>33.3</b>	<b>167.3</b>	<b>137.9</b>	<b>0.6</b>	<b>339.1</b>

Assets in the course of construction at a cost of £126.1m (2018: £51.1m) are not depreciated until available for use and are included within tooling, plant and machinery. The gross value of freehold land and buildings includes freehold land of £6.1m (2018: £6.1m) which is not depreciated.

Capital commitments are disclosed in note 23. In 2019 the Company received £2.3m of government grants relating to qualifying tooling expenditure (2018: £2.6m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the tooling carrying value.

The bought forward cost and accumulated depreciation for plant, machinery, fixtures and fittings has been restated by £2.4m due to a prior year gross up. This has no impact on the balance sheet or net book value.

### 13. Leases

The Company holds lease contracts for buildings, plant and machinery and IT equipment.

The application of IFRS 16 required the Company to make estimates that affect the valuation of lease liabilities and right-of-use lease assets. These predominantly include determining the contracts that fall under IFRS 16, the contract term and the interest rate used for the discounting of future cash flows.

The lease term determined by the Company comprises a non-cancellable period, periods covered by an option to extend if the Company is reasonably certain to exercise the option and periods covered by an option to terminate if the Company is reasonably certain not to exercise that option. The same period is applied to determine the useful economic life and therefore the depreciation rate of the right-of-use lease assets.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 13. Leases (continued)

The modified retrospective transition approach was chosen under which, prior to reflecting the impact of lease incentives, deposits and dilapidation provisions, the Company evaluated its lease liability on transition using incremental borrowing rates assessed at the date of transition with a right-of-use assets of equal value.

The Company has elected, under IFRS 16, not to recognise right-of-use lease assets and lease liabilities for short-term and low value leases. It continues to recognise these lease costs on a straight-line basis over the lease term within Administrative and other operating expenses in the Income Statement.

The equity reserves of the Company at 1 January 2019 have been reduced by £2.2m to reflect the derecognition of legal and other costs associated with lease agreements previously expensed over the lease term. Whilst qualifying costs of this nature incurred would be included in the value of the associated right-of-use asset following adoption of IFRS 16, under the transition approach adopted this treatment is not followed.

	£m
<b>Operating lease commitment disclosed at 31 December 2018</b>	<b>115.9</b>
Exemption applied	(2.0)
Embedded leases	5.3
Lease incentives and other	43.2
<b>Gross lease liabilities at 1 January 2019</b>	<b>162.4</b>
Discounting	(52.6)
<b>Lease liabilities upon adoption of IFRS 16 at 1 January 2019</b>	<b>109.8</b>

Management have implemented new processes and procedures across the Company to ensure compliance with the new accounting standard.

#### a) Right-of-use lease assets

The Company is party to property leases with terms of 1 to 30 years, in addition to plant, machinery and IT equipment leases of between 1 to 5 years.

	Properties £m	Plant and machinery £m	IT equipment £m	Total £m
<b>Cost</b>				
Introduced on adoption of IFRS 16 at 1 January 2019	62.5	4.6	5.2	72.3
Additions	–	5.3	1.2	6.5
Transfer from tangible fixed assets (note 12)	–	3.3	–	3.3
<b>Balance at 31 December 2019</b>	<b>62.5</b>	<b>13.2</b>	<b>6.4</b>	<b>82.1</b>
<b>Depreciation</b>				
Introduced on adoption of IFRS 16 at 1 January 2019	–	–	–	–
Charge for the year	5.7	2.1	2.5	10.3
Impairment (note 11)	1.0	–	–	1.0
<b>Balance at 31 December 2019</b>	<b>6.7</b>	<b>2.1</b>	<b>2.5</b>	<b>11.3</b>
<b>Carrying value</b>				
Introduced on adoption of IFRS 16 at 1 January 2019	62.5	4.6	5.2	72.3
<b>At 31 December 2019</b>	<b>55.8</b>	<b>11.1</b>	<b>3.9</b>	<b>70.8</b>

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 13. Leases (continued)

#### b) Obligations under leases

Future gross minimum rentals payable accounted for under IAS 17 as at 31 December 2018 were:

	2018 £m
Not later than one year	0.2
After one year but not more than five years	10.6
More than five years	105.1
	<u>115.9</u>

The weighted average of the incremental borrowing rate applied to the lease liabilities recognised in the Statement of Financial Position at 1 January 2019 was 3.90%.

The maturity profile of discounted lease cash flows accounted for under IFRS 16 as at 31 December 2019 are:

	2019 £m
Less than one year	12.6
One to five year	20.6
More than five years	69.2
	<u>102.4</u>
Analysed as:	
Current	12.6
Non-current	89.8
	<u>102.4</u>

The total lease interest expense for the year ended 31 December 2019 was £4.0m. Total cash outflow for leases accounted for under IFRS 16 for the current year was £13.1m. Expenses charged to the Income Statement for short-term and low-value leases for the year-ended 31 December 2019 were £1.0m and £0.2m respectively. The portfolio of short-term leases at 31 December 2019 is representative of the expected annual short-term lease expense in future years.

### 14. Investments in subsidiary undertakings

	2019 £m	2018 £m
1 January	11.9	11.8
Additions	-	0.1
Impairment	(1.9)	-
Closing cost and net book value	<u>10.0</u>	<u>11.9</u>

On 18 December 2019 AML Italy S.r.l, a subsidiary of the Company, was liquidated resulting in an impairment charge of £1.9m being recognised in the year (2018: £nil).

**Notes to the Financial Statements for the year ended 31 December 2019  
(continued)**

**14. Investments in subsidiary undertakings (continued)**

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of Business
Aston Martin Lagonda Pension Trustees Limited	Ordinary	100%*	Trustee of the Aston Martin Lagonda Limited Pension Scheme
Aston Martin Lagonda of Europe GmbH >	Ordinary	100%*	Provision of engineering and sales and marketing services
Aston Martin 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 (tax resident in the United Kingdom)
- > incorporated in Germany
- < incorporated in Italy
- << incorporated in Japan
- >> incorporated in Singapore
- √ incorporated in the People's Republic of China
- \* Held directly by the Company
- \*\* Held indirectly by the Company

*Registered addresses*

Aston Martin Lagonda Pension Trustees Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda of Europe GmbH	Gottlieb-Daimler-Strasse 30, 53520 Meuspath, Germany
Aston Martin Italy S.r.l	Corso Magenta 84, Milano, Italy.
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd	Unit 2901, Raffles City Office Tower, No. 268 Xi Zang Middle Road, Huangpu District, Shanghai, China 200001
AM Nurburgring Racing Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Japan GK	1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107-0061, Japan
Aston Martin Lagonda – Asia Pacific PTE Limited	8 Marina View, # 41-05, Asia Square Tower 1, Singapore 018960
AMWS Limited	28 Esplanade, St Helier, Jersey, JE1 8SB
Aston Martin Works Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 15. Inventories

	2019	2018
	£m	£m
Parts for resale, service parts and production stock	68.8	84.2
Work in progress	27.9	12.4
Finished vehicles	78.4	48.9
	<u>175.1</u>	<u>145.5</u>

Finished vehicles includes Company owned service cars at a net realisable value of £23.4m (31 December 2018: £23.1m). During the year ended 31 December 2019 an inventory repurchase arrangement was entered for certain parts for resale, service parts and production stock. These inventories were sold and subsequently repurchased in November 2019, see note 17.

### 16. Trade and other receivables

	2019	2018
	£m	£m
<i>Amounts included in current assets</i>		
Trade receivables	97.6	147.4
Amounts owed by group undertakings	139.2	143.4
Other receivables	38.0	16.6
Prepayments	32.0	17.9
	<u>306.8</u>	<u>325.3</u>
<i>Amounts included in non-current assets</i>		
Trade and other receivables	1.8	1.8
	<u>1.8</u>	<u>1.8</u>

Trade and other receivables are non-interest bearing and generally have terms of less than 60 days. Due to short maturities, the fair value of trade and other receivables approximates to their book value.

#### **Provision for impairment of receivables**

Trade receivables and amounts owed by group undertakings with a value of £21.4m were provided for by the Company at 31 December 2019 (2018: £1.3m). Management review trade receivables and amounts owed by group undertakings on an individual basis and make a provision where recoverability is doubtful.

#### **Wholesale finance facility**

All financed vehicle sales are made directly to third-party Aston Martin franchised dealers with a large proportion financed through a £150m wholesale finance facility (2018: £200m facility) with Standard Chartered Bank plc supported by a credit insurance policy. The utilisation of the facility at 31 December 2019 is £99.6m (2018: £159.1m) and, due to the off-balance sheet treatment, is not recorded in trade receivables in the Company's Statement of Financial Position.

Vehicles financed through this facility have a maximum term of 45 days from invoice date to be funded under the facility to allow for any timing delays in despatching a vehicle and processing. Under the trade finance facility, Standard Chartered Bank plc advance to the Company the sales value of vehicles which have been despatched upon receipt of certain documentation. Standard Chartered Bank plc have substantially all of the risks associated with the wholesale financing scheme and hence they bear substantially all of the credit risk associated with dealers purchasing vehicles through the wholesale finance scheme. Taking into consideration the Company's exposure to variability in cash flows both before and after the transfer, the financing arrangement is treated as off-balance sheet.

The Company incurs a finance charge on vehicles financed through the scheme based on each currency LIBOR at the commencement of each invoice funded.



## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 17. Borrowings and trade and other liabilities

	2019	2018
	£m	restated £m
<b>Amounts included in current liabilities</b>		
Bank loans and overdrafts	44.0	27.9
Trade payables	133.7	137.5
Amounts owed to group undertakings	786.9	516.1
Deferred income – service packages and other	6.8	5.2
Customer deposits and advances	284.4	246.3
Accruals and other payables	182.0	211.7
	<u>1,437.8</u>	<u>1,144.7</u>
<b>Amounts included in non-current liabilities</b>		
Borrowings	9.2	12.4
Deferred income – service packages	9.4	7.3
Trade and other payables	-	42.5
	<u>18.6</u>	<u>62.2</u>

Trade payables are non-interest bearing and it is the Company's policy to settle the liability within 90 days.

Deferred service package income is recognised as revenue in the Income Statement over the service package period.

#### **Bank loans and overdrafts**

In 2018 the Company entered into a fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility which matures on 31 March 2022. The loan is secured against the paint shop assets, with the final payment on 31 March 2022 including a capital payment of £6.3m accounted for as part of the effective interest rate over the term of the loan. At 31 December 2019 the amount included in current borrowings was £2.9m (31 December 2018: £2.7m). The non-current element was £9.2m at 31 December 2019 (31 December 2018: £12.4m).

The Company holds a series of one-year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to a value at the time of £36.7m (2018: £25.5m) have been 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 2019 to £36.3m (31 December 2018: £25.7m) and is shown in cash and cash equivalents. The overdraft of £36.7m (31 December 2018: £25.3m) is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

The Company has separate arrangements to finance in-transit finished vehicles and certain finished vehicle inventory. Total borrowings on these facilities at 31 December 2019 were £4.4m (2018: £nil).

#### **Inventory repurchase arrangement**

At 31 December 2019 a repurchase liability of £38.9m including accrued interest of £0.2m, has been recognised in accruals and other payables. In November 2019, £32.2m of parts for resale, service parts and production stock were sold for £38.7m (gross of indirect tax) and subsequently repurchased. Under the repurchase agreement, the Company will repay for £40.0m gross of indirect tax. As part of this arrangement legal title to the parts was surrendered however control remained with the Company. The terms of this repurchase arrangement require the liability to be fully settled in 2020.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 17. Borrowings and trade and other liabilities (continued)

#### **Customer deposits**

Customer deposits and advances are recognised in revenue when the performance obligation, principally the supply of a limited-edition vehicle or service of a vehicle, is met by the Company. As part of the normal operating cycle of special vehicle projects, for which these customer deposits primarily relate to, the Company expects to derecognise a significant proportion over the next 3 years with approximately £20m expected to be recognised in 2020.

In the year ended 31 December 2019, a finance expense of £8.0m (see note 8) was recognised as a significant financing component on contract liabilities held for greater than 12 months (2018: £5.5m). Upon satisfaction of the linked performance obligation, the liability is released to revenue so that the total amount taken to the Income Statement reflects the sales price the customer would have paid for the vehicle at that point in time.

The Company applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component. According to the individual terms of the special vehicle contract and the position of the customer in the staged deposit and vehicle specification process, some deposits are contractually refundable. At 31 December 2019 the Company held £53.9m of contractually refundable deposits (before the impact of significant financing components) (2018: £23.0m). The special vehicle programs are typically oversubscribed and, in the event that a customer requests reimbursement of their advanced payment, the newly created allocation is then given to an alternative customer whom is required to make an equivalent advanced payment.

#### **Amounts owed to group undertakings**

Included within the amounts owed to group undertakings are loans of £861m (31 December 2018: £604m) which are owed to Aston Martin Capital Holdings Limited in accordance with agreements between the two companies. The amount owed to Aston Martin Capital Holdings Limited arises due to the proceeds of Senior Secured Notes raised by Aston Martin Capital Holdings Limited being on-lent to Aston Martin Lagonda Limited.

The Senior Secured Notes held by Aston Martin Capital Holdings Limited are due for repayment in April 2022 but have early repayment options within them. The amounts owed are shown as current liabilities in Aston Martin Lagonda Limited as should Aston Martin Capital Holdings Limited choose to repay or refinance the Senior Secured Notes before April 2022 then it may call on the amount owed by Aston Martin Lagonda Limited to facilitate that.

Under the agreements the loan shall bear interest at the rate specified by Aston Martin Capital Holdings Limited. This interest will need to be paid by Aston Martin Limited to enable Aston Martin Capital Holdings Limited to pay the interest on the notes that the company has issued. Therefore, although no interest had been specified at 31 December 2019 the amortised cost for the loan payable should take into account the interest that it is known will ultimately be charged under the loan agreements. The previous periods have been restated to reflect the interest in the amortised cost of the loan payable.

The accounts of Aston Martin Capital Holdings Limited show that the entity has, to 31 December 2019, incurred interest of £106.3m (31 December 2018: £58.8m) on the Senior Secured Notes it has issued and on-lent the proceeds to Aston Martin Lagonda Limited. The interest payments that are owed by Aston Martin Capital Holdings Limited are settled on its behalf by Aston Martin Lagonda Limited and the balance on the amounts owed to group undertakings is adjusted by the amounts paid.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 17. Borrowings and trade and other liabilities (continued)

On 7 December 2020, Aston Martin Capital Holdings Limited exercised the early redemption clause in the Senior Secured Notes and repaid all amounts owed on the notes. The total amount paid to redeem the notes included £14.7m of accrued interest and £21.9m of redemption premium and £895.4m of nominal loan value. On the same date the intercompany loan was called in as owed by Aston Martin Lagonda Limited including a charge for interest of £170.4m in total (this includes amounts already accrued as at end of 31 December 2019 in amounts owed to group undertakings) and £21.9m for the redemption costs. On the same date Aston Martin Capital Holdings Limited issued \$1,085.5m of First Lien Senior Secured Loan notes and \$335m of Second Lien Senior Secured Loan Notes, the latter at a 2% discount. The notes are repayable in 2025 and 2026 respectively. These amounts have been lent to Aston Martin Lagonda Limited on 7 December 2020. Under the agreements the loan shall bear interest at the rate specified by Aston Martin Capital Holdings Limited. This interest will need to be paid by Aston Martin Limited to enable Aston Martin Capital Holdings Limited to pay the interest on the notes that the company has issued.

### 18. Other financial assets and liabilities

	2019 £m	2018 £m
<i>Amounts falling due after more than one year</i>		
Financial assets designated at fair value through hedge reserve/profit or loss	0.2	-
Financial liabilities designated at fair value through hedge reserve/profit or loss	(2.6)	(4.4)
Net financial liabilities designated at fair value through hedge reserve/profit or loss	(2.4)	(4.4)

	2019 £m	2018 £m
<i>Amounts falling due within one year</i>		
Financial assets designated at fair value through hedge reserve/profit or loss	0.2	-
Financial liabilities designated at fair value through hedge reserve/profit or loss	(6.3)	(4.3)
Net financial liabilities designated at fair value through hedge reserve/profit or loss	(6.1)	(4.3)

The Company uses forward currency contracts to partly manage the risk associated with fluctuations in exchange rates when converting foreign currencies to Sterling. At the reporting date these cash flow hedges are marked-to-market and any assets and liabilities are shown as other financial assets and liabilities in the Statement of Financial Position.

### 19. Provisions

	2019 £m	2018 restated £m
At the beginning of the year (Restated)	15.7	
Charge for the year	22.3	
Utilisation	(18.9)	
At the end of the year	19.1	
Analysed as:		
Current	8.7	6.7
Non-current	10.4	9.0
	19.1	15.7

The provision represents costs provided in respect of the Company's warranty scheme. The warranty provision is calculated based on the level of historic claims and is expected to be substantially utilised within the next three years.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 20. Pension obligations

#### *Defined contribution scheme*

The Company opened a defined contribution scheme in June 2011. The total expense relating to this scheme was £8.8m (2018: £5.7m). Outstanding contributions at the year-end were £0.8m (2018: £0.5m).

#### *Defined benefit scheme*

The Company operates a defined benefit pension scheme. During 2017 it was agreed and communicated to its members that the scheme's benefits would be amended from a final pensionable salary basis to a career average revalued earnings (CARE) basis with effect from 1 January 2018. The scheme was closed to new entrants on 31 May 2011. The benefits of the existing members were not affected by the closure of the scheme. The assets of the scheme are held separately from those of the Company.

In constructing the investment strategy for the scheme, the Trustees take due account of the liability profile of the scheme along with the level of disclosed surplus or deficit. The investment strategy is reviewed on a regular basis and, at a minimum, on a triennial basis to coincide with actuarial valuations. The primary objectives are to provide security for all beneficiaries and to achieve long term growth sufficient to finance any pension increases and ensure the residual cost is held at a reasonable level.

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. The Trustee is comprised of representatives of the Company and members of the scheme and an independent, professional Trustee has been appointed during the year.

The pension scheme exposes the Company 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 Company, 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 curtailment events in the years ended 31 December 2019 or 31 December 2018. 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. The latest actuarial valuation of the scheme had an effective date of 6 April 2017. 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 3.4% per annum and the post retirement return 2.25% per annum and that salary increases would average 3.0% per annum for the period to 31 March 2021 and 3.55% thereafter.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 20. Pension obligations (continued)

At the 6 April 2017 actuarial valuation, the actuarial value of the scheme assets was £265.4m, sufficient to cover 85% of the benefits which had accrued to members, after allowing for the expected future increases in earnings. Following this latest actuarial valuation of the scheme contributions increased from 22.5% to 23.7% for the Company 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 Company contribution is 30.2% or 34.7% depending on whether the member opted for benefits of 1/80 or 1/70 of pensionable salary.

The actuarial valuation on 6 April 2017 showed a deficit in the scheme of £48.6m. On 5 July 2018, the Company agreed to increase the recovery plan contributions from £2.8m per annum to £4.0m per annum through to 31 March 2020 and £7.1m thereafter through to 31 July 2025.

Estimated contributions for the year ending 31 December 2020 are £12.8m.

A full actuarial valuation was carried out at 6 April 2017 by a qualified independent actuary. This valuation has been updated by an independent qualified actuary to both 31 December 2018 and 31 December 2019 in accordance with IAS 19R. The next triennial valuation as at 6 April 2020 is due to be completed by June 2021 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Company will review the adequacy of the contributions being paid into the Scheme.

#### Assumptions

The principal assumptions used by the actuary were:

	31 December 2019	31 December 2018
Discount rate	2.20%	3.15%
Rate of increase in salaries	2.90%	3.20%
Rate of revaluation in deferment	1.90%	2.20%
Rate of increase in pensions in payment attracting LPI	2.85%	3.10%
Expected return on scheme assets	2.20%	3.15%
RPI Inflation assumption	2.90%	3.20%
CPI Inflation assumption	1.90%	2.20%

The Company'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 2039 (2019 assumptions) or 2038 (2018 assumptions).

#### Projected life expectancy from age 65

	Future Currently aged 45 2019	Current Currently aged 65 2019	Future Currently aged 45 2018	Current Currently aged 65 2018
Male	23.2	21.8	23.1	21.7
Female	25.5	23.9	25.4	23.8

	Years
Duration of the liabilities in years as at 31 December 2019	25
Duration of the liabilities in years as at 31 December 2018	25

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 20. Pension obligations (continued)

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

Asset Class	31 December 2019 Quoted £m	31 December 2019 Unquoted £m	31 December 2019 Total £m	31 December 2018 Quoted £m	31 December 2018 Unquoted £m	31 December 2018 Total £m
UK Equities	43.4	—	43.4	37.9	—	37.9
Overseas Equities	48.6	—	48.6	43.3	—	43.3
Property	—	28.5	28.5	—	27.8	27.8
Private debt	—	20.4	20.4	—	—	—
Index linked gilts	—	—	—	56.9	—	56.9
Liability driven investment	42.8	19.3	62.1	—	—	—
Corporate bonds	—	—	—	—	53.7	53.7
Absolute return bonds	—	73.9	73.9	—	—	—
Diversified alternatives	—	27.0	27.0	—	26.0	26.0
High yield bonds	—	—	—	—	12.6	12.6
Cash	2.5	—	2.5	6.5	—	6.5
Insurance policies	—	5.4	5.4	—	4.1	4.1
<b>Total</b>	<b>137.3</b>	<b>174.5</b>	<b>311.8</b>	<b>144.6</b>	<b>124.2</b>	<b>268.8</b>

The scheme assets and funded obligations at 31 December are summarised below:

	2019 £m	2018 £m
Total fair value of scheme assets	311.8	268.8
Present value of funded obligations	(333.4)	(275.2)
Funded status at the end of the year	(21.6)	(6.4)
Adjustment to reflect minimum funding requirements	(15.2)	(32.3)
<b>Liability recognised in the Statement of Financial Position</b>	<b>(36.8)</b>	<b>(38.7)</b>

The adjustment to reflect minimum funding requirements represents the excess of the present value of contractual future recovery plan contributions, discounted using the assumed scheme discount rate, over the funding status established through the actuarial valuation.

Amounts recognised in the Income Statement were as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
<b>Amounts charged to operating (loss)/profit:</b>		
Current service cost	(6.9)	(8.1)
Past service cost	—	(0.1)
	<b>(6.9)</b>	<b>(8.2)</b>
<b>Amounts charged to finance expense:</b>		
Net interest expense on the net defined benefit liability	—	(1.0)
Interest expense on the adjustment to reflect minimum funding requirements	(1.1)	—
<b>Total expense recognised in the Income Statement</b>	<b>(8.0)</b>	<b>(9.2)</b>

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 20. Pension obligations (continued)

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

	2019 £m	2018 £m
At the beginning of the year	(275.2)	(318.4)
Current service cost	(6.9)	(8.1)
Past service cost	–	(0.1)
Interest cost	(8.5)	(7.8)
Experience losses	(0.1)	(1.6)
Actuarial (losses)/gains arising from changes in financial assumptions	(52.3)	48.7
Distributions	9.9	7.2
Actuarial (losses)/gains arising from changes in demographic assumptions	(0.3)	4.9
Obligation at the end of the year	<u>(333.4)</u>	<u>(275.2)</u>

Changes in the fair value of plan assets are analysed below:

	2019 £m	2018 £m
At the beginning of the year	268.8	271.5
Interest on assets	8.5	6.8
Employer contributions	11.3	12.0
Return on scheme assets excluding interest income	33.1	(14.3)
Distributions	(9.9)	(7.2)
Fair value at the end of the year	<u>311.8</u>	<u>268.8</u>

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Actual return on scheme assets	<u>41.6</u>	<u>(7.5)</u>

Analysis of amounts recognised in the Statement of Financial Position:

	2019 £m	2018 £m
Liability at the beginning of the year	(38.7)	(46.9)
Net expense recognised in the Income Statement	(8.0)	(9.2)
Employer contributions	11.3	12.0
(Loss)/gain recognised in Other Comprehensive Income	(1.4)	5.4
Liability recognised in the Statement of Financial Position at the end of the year	<u>(36.8)</u>	<u>(38.7)</u>

Analysis of amount taken to Other Comprehensive Income:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Return on scheme assets excluding interest income	33.1	(14.3)
Experience losses arising on funded obligations	(0.1)	(1.5)
(Losses)/gains arising due to changes in financial assumptions underlying the present value of funded obligations	(52.3)	48.6
Gains/(losses) arising as a result of adjustment made to reflect minimum funding requirements	18.2	(32.3)
(Losses)/gains arising due to changes in demographic assumptions	(0.3)	4.9
Amount recognised in Other Comprehensive Income	<u>(1.4)</u>	<u>5.4</u>

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 20. Pension obligations (continued)

#### *Sensitivity analysis of the principal assumptions used to measure scheme liabilities*

At 31 December 2019 the present value of the benefit obligation is £333.4m (2018: £275.2m) and its sensitivity to changes in key assumptions are:

	Change in assumption	Present value of benefit obligations at 31 December 2019 £m	Present value of benefit obligations at 31 December 2018 £m
Discount rate	Decrease by 0.25%	355.1	292.7
Rate of inflation*	Increase by 0.25%	352.2	290.0
Life expectancy	Increase by one year	348.1	284.6

\* Applies to the Retail Prices Index and the Consumer Prices index inflation assumptions. The assumption is that the salary increase assumption would also increase by 0.2% per annum after (2020/21).

Funding levels are monitored on a regular basis by the Trustee and the Company to ensure the security of member's benefits. The next triennial valuation as at 6 April 2020 is due to be completed by June 2021 in line with the scheme specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Company will review the adequacy of the contributions being paid into the Scheme.

	2019 £m	2018 £m
<b>Expected future benefit payments</b>		
Year 1 (2020 / 2019)	2.6	2.8
Year 2 (2021 / 2020)	3.0	2.6
Year 3 (2022 / 2021)	3.6	3.0
Year 4 (2023 / 2022)	4.6	3.6
Year 5 (2024 / 2023)	4.9	4.7
Years 6 to 10 (2024 to 2029)	38.8	34.9

#### *History of scheme experience*

	2019	2018
Present value of the scheme liabilities (£m)	(333.4)	(275.2)
Fair value of the scheme assets (£m)	311.8	268.8
Deficit in the scheme before adjusting to reflect minimum funding requirements	(21.6)	(6.4)
Experience gains/(losses) on scheme assets excluding interest income (£m)	33.1	(14.3)
Percentage of scheme assets	10.6%	(5.3%)
Experience losses on scheme liabilities (£m)	(0.1)	(1.5)
Percentage of the present value of the scheme liabilities	0.0%	(0.5%)
Total amount recognised in Other Comprehensive Income (£m)	(1.4)	5.4
Percentage of the present value of the scheme liabilities	(0.4%)	2.0%



## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 21. Called up share capital

	2019 £m	2018 £m
<b>Allotted and fully paid</b>		
77,636,250 ordinary shares of £1 each	<u>77.6</u>	<u>77.6</u>

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.

### 22. Share based payments

#### *Long-term incentive scheme*

On 27 June 2019 Executive Directors and certain other employees were granted conditional share awards under the Company's Long-Term Incentive Plan ("LTIP"). In respect of this arrangement total charges to the Income Statement were £0.1m (2018: not present). The Directors consider this not material and hence further detailed disclosures have been omitted.

#### *Legacy executive long-term incentive scheme*

The fair value of options granted is based on a Monte Carlo Simulation due to the vesting being based on market conditions. Enterprise values have been used as the basis for determining the fair value of the Legacy LTIP awards.

	2018 grant Of 2014 Legacy LTIP	2018 grant Of 2017 Legacy LTIP	2018 grant Of 2018 Legacy LTIP
Aggregate fair value at measurement date (£m)	4.8	25.5	1.2
Exercise price (p)	–	–	–
Expected volatility (%)	30	22	23
Dividend yield (%)	0	0	0
Risk free interest rate (%)	<u>1.70</u>	<u>0.14</u>	<u>0.65</u>

The expected volatility is wholly based on the historical volatility of listed automotive peers over a period commensurate with the terms of each award. The total expense recognised for both the LTIP and Legacy LTIP in the period arising from equity-settled share-based payments is as follows:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
LTIP share option charge	0.1	–
Legacy LTIP share option charge (note 5)	<u>3.6</u>	<u>24.1</u>
	<u>3.7</u>	<u>24.1</u>

### 23. Contingent liabilities and capital commitments

At 31 December 2019 the Company was a guarantor for the Senior Secured Notes, with a carrying value of £829.9m (31 December 2018: £590.9m), issued by Aston Martin Capital Holdings Limited in April 2017 and December 2017. Aston Martin Capital Holdings Limited is a subsidiary of Aston Martin Investments Limited, of which the Company is an indirect subsidiary. In July 2020, Aston Martin Capital Holdings Limited issued \$68.0m of Delayed Draw Notes of which the Company is a guarantor.

Capital expenditure contracts to the value of £74.4m (2018: £94.2m) have been committed but not provided for as at 31 December 2019.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 24. Related party transactions

Amounts owed by and amounts owed to related parties at 31 December 2019 and 31 December 2018 are interest free and repayable on demand except the Company had an amount due to a parent undertaking corresponding to the utilisation of a Revolving Credit Facility. Interest is charged on this at a fixed amount. At 31 December 2019 the Company had utilised £70.0m of the £80.0m facility (31 December 2018: £70.0m).

The company has taken the exemption of disclosing transactions with wholly owned subsidiaries.

- (a) Aston Martin MENA Limited is controlled by Asmar Limited, a minority shareholder in Aston Martin Lagonda Global Holdings plc, the ultimate parent Company of Aston Martin Lagonda Limited. Purchases from Aston Martin MENA Limited relate to the margin charged for distribution services in the Middle East and North Africa.
- (b) The subsidiary with less than 100% ownership is AMWS Limited, which owns 100% of Aston Martin Works Limited. Aston Martin Works Limited services, restores and sells Aston Martin cars. Aston Martin Lagonda Limited has a 50% shareholding in AMWS Limited.

Sales to and purchases from other related parties during the year ended, and as at 31 December 2019 in the ordinary course of business are shown below:

	Sales to related party £m	Purchases from related party £m	Amounts owed by related party £m	Amounts owed to related party £m
Aston Martin Works Limited	28.1	46.4	-	17.2
Aston Martin MENA Limited	1.1	4.0	0.2	0.6

Sales to and purchases from other related parties during the year ended, and as at 31 December 2018 in the ordinary course of business are shown below

	Sales to related party £m	Purchases from related party £m	Amounts owed by related party £m	Amounts owed to related party £m
Aston Martin Works Limited	11.1	6.5	-	4.4
Aston Martin MENA Limited	-	2.3	-	1.0

#### Transactions with directors

In the year ended 31 December 2019 no cars were sold to any directors (2018: one car sold to Dr Andy Palmer for £0.1m excluding value added tax). No amounts were outstanding at either year end.

### 25. Immediate and ultimate parent company

The Company's immediate holding Company is Aston Martin Lagonda Group limited, of which it is a wholly owned subsidiary. The results of the Company have been consolidated in the accounts of Aston Martin Lagonda Global Holdings plc. This is the largest and smallest group in which the results of the Company are consolidated. Copies of the Financial Statements of Aston Martin Lagonda Global Holdings plc may be obtained from Companies House.

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 26. Post Balance sheet events

After the balance sheet date, a subsidiary of the Company has declared to pay a dividend of £4.3million relating to the 31 December 2019 financial year. As this distribution was not declared until after the balance sheet date it has not been recognised in the Statement of Changes in Equity for the year ended 31 December 2019 and thereby will be recognised in the year ended 31 December 2020.

In July 2020, Aston Martin Capital Holdings Limited issued \$68.0 million (£54.9 million) Delayed Draw Notes on the same terms as the 12% 150 million US Dollar Senior Secured Notes issued in October 2019. Aston Martin Investments Limited secured a £20.0m Coronavirus Large Business Interruption Loan Scheme (CLBILS) which matures in January 2022, the proceeds of these have been on-lent to Aston Martin Lagonda Limited. Aston Martin Lagonda Limited also entered into a new wholesale finance facility with a term of August 2021.

On 7 December 2020, Aston Martin Capital Holdings Limited exercised the early redemption clause in the Senior Secured Notes and repaid all amounts owed on the notes including the Delayed Draw Notes. The total amount paid to redeem the notes included £14.7m of accrued interest and £21.9m of redemption premium and £895.4m of nominal loan value. On the same date the intercompany loan was called in as owed by Aston Martin Lagonda Limited including a charge for interest of £170.4m (this includes amounts already accrued as at end of 31 December 2019 in amounts owed to group undertakings) and £21.9m for the redemption costs. On the same date Aston Martin Capital Holdings Limited issued \$1,085.5m of First Lien Senior Secured Loan notes and \$335m of Second Lien Senior Secured Loan Notes, the latter at a 2% discount. The notes are repayable in 2025 and 2026 respectively. These amounts have been lent to Aston Martin Lagonda Limited on 7 December 2020. Under the agreements the loan shall bear interest at the rate specified by Aston Martin Capital Holdings Limited. This interest will need to be paid by Aston Martin Limited to enable Aston Martin Capital Holdings Limited to pay the interest on the notes that the company has issued.

In light of COVID-19, the directors have considered whether any adjustments are required to the amounts reported in these financial statements. As at 31 December 2019, no global pandemic had been declared and there were no confirmed cases of COVID-19 in the UK. Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11th March 2020 and the UK government announced social distancing measures on 16th March 2020 followed by a "lockdown" on 23rd March 2020.

As at the balance sheet date, the Company has seen a material impact on their ability to trade profitably, such that there remains a risk that the pandemic may result in the need to impair assets in the future. As at the balance sheet date there was no disruption to the Company and there still remains headroom on the value of tangible and intangible fixed assets and investments held and there are no current issues on the recoverability of assets. The directors consider it to be a non-adjusting post-balance sheet event and have concluded that no adjustments are therefore required to these financial statements.