Aston Martin Lagonda Limited

Financial Statements

for the year ended 31 December 2021

Company Number: 01199255

Contents

Directors and Advisors

Directors

Marek Reichman
Ken Gregor
Tobias Moers

Paul Hancock (resigned on 7 May 2021)

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 £253.0m (2020: loss of £447.8m), revenue of £911.5m (2020: £530.1m) and net liabilities of £336.2m (2020: £139.9m).

Business Review and Future Outlook

2021 brought a challenging operating environment both due to COVID-19 and supply chain constraints. We successfully navigated these challenges and continued to make strong progress on the medium term plan. Revenue increased in 2021 compared to the prior year due to stronger front-engine customer demand and healthier third party dealer stock levels, a full year of DBX wholesales and fewer lockdowns globally due to COVID-19. In addition, retail and customer financing incentives decreased substantially after successfully rebalancing our supply to demand. Together, these factors drove revenues to £911.5m, a 72% increase over the prior year.

Through Project Horizon, the Company took actions on costs, including a 20% reduction in manufacturing cost per unit, thanks to efficiency work conducted at Gaydon and St Athan during the year. This impact, combined with increased revenues, drove gross margin to 29% (2020: 9%).

Aston Martin Lagonda Global Holdings plc group ("The Group"), of which the Company is a subsidiary and the primary operating entity Company, made the prudent decision to issue incremental Senior Secured Notes in early 2021, contributing £77m of gross proceeds. The proceeds again have been on-lent through intercompany loans to the Company. This maintained the strong liquidity position from last year with £254.7m cash on the balance sheet at year 8end (2020: £373.1m). The Group continues to monitor liquidity needs and maintain a prudent approach to managing balance sheet strength.

In summary, trading performance in 2021 showed significant improvement over the prior year, continuing the progress we started 18 months ago. The Company has a healthy dealer stock, an improved, more efficient, operating footprint, and a balance sheet to support the medium-term plan. Our focus continues to be on executing on Project Horizon through controlling costs, improving efficiency, and launching exciting new products to maximise shareholder value and become the world's most desirable ultra-luxury British performance brand.

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:

	2021	2020	Definition, method of calculation and analysis
Movement in revenue (%)	71.9%	(38.7)%	*Year on year revenue growth expressed as a percentage.* Revenue increased in 2021 due to stronger front-engine customer demand and healthier stock levels, a full year of DBX wholesales and fewer lockdowns globally due to COVID-19.
Operating loss (£m)	92.5	329.9	*Loss before net finance expense and tax including adjusting items.* Increased revenue and gross margin, coupled with a reduction in adjusting items, resulted in a lower operating loss in the year

Strategic Report (continued)

Principal Decisions

As a subsidiary of the Group, the Company supports the principal decisions made at a Group level. Principal decisions made throughout 2021, 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 2021 Annual Report can be obtained from Companies House or downloaded from: https://www.astonmartinlagonda.com/investors/annual-report.

Environmental Sustainability

The 2018 Regulations amend the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, in particular adding a Part 7A to Schedule 7 and bringing in additional requirements for Companies to disclose their annual energy use, greenhouse gas emissions, and related information. The group accounts of Aston Martin Lagonda Global Holdings PLC have been prepared for the same period as the Company and include full details of greenhouse gas emissions, energy consumption and energy efficiency as required by the 2018 Regulations. As a result, these disclosures have not been repeated within these Financial Statements.

Principal risks and Uncertainties

Our risk management system is designed to identify a broad range of risks and uncertainties which could adversely impact the profitability or prospects of the Group. Our principal and emerging risks are those which could have the most significant effect on the achievement of our strategic objectives, our financial performance and our long term sustainability. Principal risks change over time as some risks assume greater importance and others may become less significant.

We categorise principal risks within one of the following categories: Strategic, Operational, Compliance, Climate Change and Financial, and link each risk to one or more of the key strategies that underpin our business plan.

Strategic risks

Macroeconomic and political instability
Exposure to multiple political and economic factors could impact customer demand or affect the markets in which we operate.

Brand/reputational damage
Our brand and reputation are critical in securing demand for our vehicles and in developing additional revenue streams.

Technological advancement
It is essential to maintain pace with technological development to meet evolving customer expectations and remain competitive.

Climate change risks

Climate change
The impact of climate change could significantly impact demand for our vehicles, our ability to sell within certain markets or have financial consequences through increased carbon pricing and taxes.

Compliance risks

Compliance with laws and regulations
Non-compliance with local laws or regulations may damage our corporate reputation and subject the Company to significant financial penalties.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Financial risks

Liquidity
The Company may not be able to generate sufficient cash to fund its capital expenditure, service its debt or sustain its operations.

Impairment of capitalised development costs
The value of capitalised development costs continues to grow as we invest in and expand our product portfolio.

Operational risks

Talent acquisition and retention
We may fail to retain, engage and develop a productive workforce and to develop key talent.

Programme delivery
Failure to implement major programmes on time, within budget and to the right technical specification could jeopardise delivery of our strategy and have significant adverse financial and reputational consequences.

Achieving financial and cost-reduction targets
The Group's size and low volume strategy may inhibit its ability to deliver targeted cost reductions, or work within budget constraints whilst delivering the planned vehicle programme.

Cyber security and audit resilience
Breach of cyber security could result in a system outage, impacting core operations and/or result in a major data loss leading to reputational damage and financial loss.

Supply chain disruption
Supply chain disruption could result in production stoppages, delays, quality issues and/or increased costs.

Anti-bribery and corruption

Our policy is to conduct all of our business in an honest and ethical manner and a zero-tolerance approach is taken to bribery and corruption. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.

To ensure that the Company and its employees conduct business in an ethical and transparent way, we have a number of policies including Anti-Bribery and Corruption, Gifts and Hospitality and Confidential Reporting and Whistleblowing, that govern business conduct with our key stakeholders.

These policies include the giving and receiving of gifts, meals and hospitality, invitations to government officials, our approach to facilitation payments, and matters in relation to the appointment of dealers. We have a gift and hospitality register and an annual online training and certification process to monitor compliance whereby all employees are required to review all our Standards of Corporate Conduct and certify that they have read and understood them.

Strategic Report (continued)

Human rights and modern slavery

Modern slavery, together with its components of forced labour and human trafficking, is a hidden crime and a growing world-wide issue exacerbated by the rapid rise in global migration, affecting an estimated 40.3 million people. This issue transcends age, gender and ethnicities. It includes victims trafficked from overseas and vulnerable people in the UK who are forced illegally to work against their will across many different sectors such as agriculture, hospitality, construction, retail and manufacturing.

Our new Anti-Slavery and Human Trafficking Policy provides employees, contractors and other business partners direction on our approach to and measures we have in place to prevent acts of modern slavery and human trafficking in the business and supply chain. These measures include training, issuing the Responsible Procurement Policy, conducting due diligence and regular audits of suppliers, and mitigation activities to address supply chain risks. We are required to publish an annual 'Slavery and Human Trafficking Statement' detailing the steps we have taken to ensure that slavery or human trafficking is not taking place in our supply chain.

To address this, we have established a cross functional Modern Slavery Working Group including representation from Human Resources, Legal, Procurement and Supply Chain, Internal Audit and Corporate Responsibility, who are responsible for implementing and maintaining the relevant policies, communication and training to combat modern slavery.

Over the course of 2021 no human rights violations were reported within the Group or our wider supply network. A copy of our Modern Slavery Act Statement can be found on our website at www.astonmartinlagonda.com.

Equal opportunities and employment of persons with disabilities

The Company has policies on equal opportunities and the employment of persons with disabilities which, through the application of fair employment practices, are intended to ensure that individuals are treated equitably and consistently regardless of age, race, creed, colour, gender, marital or parental status, sexual orientation, religious beliefs and nationality.

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

Stakeholder engagement

S172 Statement

The Board recognises that our business and our behaviours impact our customers, people, investors and other stakeholders.

As Directors of the Company, we must act in accordance with a set of general duties which are set out in S172 of the Companies Act 2006 and, in doing so, seek to consider the interests of our stakeholders when reaching decisions.

The company and its directors believe that stakeholder engagement is a key element of delivering a sustainable business and this activity is undertaken across our business at different levels of the organisation.

Strategic Report (continued)

Stakeholder engagement (continued)

During the year much of our stakeholder engagement was driven by COVID-19 impacts as well as the significant steps the Company was taking to strengthen our leadership and capital structure.

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.

Customers and enthusiasts

Customers and enthusiasts are key to our brand and our business success. Their emotional connection with the brand enables us to build a strong and loyal customer base.

Stakeholder priorities

- Quality and safety of products
- Car design and performance
- Environmental commitment
- Brand strength
- After-sales service
- Cost of ownership

Types of engagement during 2021

- Executive Chairman and Chief Executive Officer at promotional events for VIP customers such as Pebble Beach and Goodwood Festival of Speed
- Ongoing engagement by senior management with key members of press
- Events, such as Valhalla global tour
- Launch of market-leading configurator
- Product-led campaigns such as DBX film
- Talent-led campaigns such as Dave/Stormzy
- F1™ customer hospitality
- Global premiere of James Bond film No Time to Die, featuring four different Aston Martin cars
- Engagement with automotive and lifestyle press
- Leveraging Aston Martin content across social media channels

Local communities

Building positive relationships with those we impact enables us to maintain trust and to support our communities.

Stakeholder priorities

- Trust and ethics
- Safety
- Sustainability and non-financial performance including environmental impact of our products
- Career opportunities for members of the local community
- Local operational impact

Types of engagement during 2021

- The Board is very supportive of our projects with local communities, however face-to-face engagement opportunities have been limited during the pandemic
- Outreach programmes with local schools near our Gaydon and St Athan factories, delivered remotely during the pandemic, whereby Aston Martin apprentices promote STEM career choices for young people

Strategic Report (continued)

Stakeholder engagement (continued)

Dealer Network

Our third-party dealerships are the direct contact point for our brand to our customers. They enable us to maintain control over our brand positioning and luxury customer service in a cost-effective way.

Stakeholder priorities

- Brand strength and Company support
- Programs to identify & support increased sales opportunities
- Increased customer satisfaction & retention targeting ultra-luxury segment
- Dealer profitability

Types of engagement during 2021

- CEO and Board engagement to strengthen dealer relationships and support demand driven strategy
- Attendance (physical or virtual) at local dealer conferences held during the year
- Strengthening of central and regional senior management, supporting closer dealer relationship
- Roll out of dealer network programmes to monitor performance aligned to increased brand standards and sales growth opportunities
- Transfer of Aston Martin Academy Training programmes into virtual class delivery, together with upgrade of eLearning courses
- Upgrade within digital platforms, supporting increased engagement and elevated brand representation

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. Our focus is to ensure investors understand our strategy, performance, ambition and culture and to understand their priorities.

Stakeholder priorities

- Delivery of the Company's new strategy
- Financial performance
- Sustainability
- Governance and transparency
- Confidence in the leadership
- Stability and predictability, with no surprises

Types of engagement during 2021

- Webcasts, presentations and meetings by the Executive Chair, CEO, CFO and Director of Investor Relations
- Gaydon site visit for analysts and large investors held in November, to showcase the efficiency work undertaken
- Focussed investor relations programme delivered both remotely and in person
- Retail shareholders engaged via direct communications, our website, press activities, Annual Reports and Annual General Meetings (AGM)

Strategic Report (continued)

Stakeholder engagement (continued)

Our people

Our people are the key to our success. Our performance depends on our passionate, knowledgeable, experienced and creative people.

Stakeholder priorities

- Job security, personal development and career opportunities
- Health and safety
- Engagement
- Feeling valued & reward and benefits
- Diversity and inclusion
- Environment and social responsibility

Types of engagement during 2021

- Roundtables between CEO, CFO, COO and employees
- People Forum and Employee Townhalls
- Skip Level Sessions
- Consultation on employee benefits
- Trade Union Business Review
- Health and Safety Review
- COVID-19 Task Force
- Global I AM Engaged employee survey
- Focus groups supporting the co-creation of our I AM culture and to deep dive engagement topics
- Aston Martin internal communications platform and AM People newsletter
- Aston Martin's Diversity and Inclusion Working Group
- Local Health and Safety Committees
- Online hub for topics important to employees: e.g. COVID-19, Wellbeing, Working from Home
- Local Trade Union Meetings

Strategic Report (continued)

Stakeholder engagement (continued)

Suppliers and Other partnerships

Our suppliers are fundamental to our business, particularly ensuring their quality and efficiency. Carefully chosen partnerships provide us with an important source of technical expertise and brand enhancement.

Stakeholder priorities

- Responsible procurement, trust, ethics and open dialogue
- Operational improvement
- Competitiveness
- Strong relationships
- Financial performance
- Building capability and expertise
- Design and technical expertise

Types of engagement during 2021

- Strategic Cooperation Agreement with Mercedes-Benz AG securing access to technologies critical to our long-term plans
- Sponsorship of Aston Martin Cognizant F1™ team to provide direct global marketing platform targeting key customers and enhancing the brand
- Ongoing partnership with Red Bull Advanced Technologies to create the Aston Martin Valkyrie and Aston Martin Valkyrie Spider
- Dedicated Supplier Quality Development team manages supplier quality and performance
- Roll out of the new Responsible Procurement Policy with our suppliers as part of our ESG strategy
- Supply chain champions working closely with suppliers to resolve ongoing issues
- Commodity Team structure established and being used effectively
- Supplier risk meeting cadence working cross-functionally to mitigate potential risks to production
- Collaboration with suppliers to deliver innovation and economic improvement
- Using supplier scorecards to identify areas for performance improvement

By order of the Board,

Michael F Marecki

M F Marecki
Company Secretary
28 April 2022

Aston Martin
Banbury Road
Gaydon
Warwick
CV35 0DB

Company Number: 01199255

Directors' Report

The directors present the Financial Statements for the year ended 31 December 2021.

Dividends

No dividends were paid in the year (2020: £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 rate 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 only interest rate risk that the Company is exposed to at 31 December 2021 is on the bilateral RCF facility with HSBC, whereby Chinese renminbi have been deposited in a restricted account with HSBC in China in exchange for a sterling overdraft facility with HSBC in the UK. The interest rate charged on the overdraft facility is based on SONIA. During the year ended 31 December 2020, a back-to-back loan arrangement was the only facility exposed to interest rate risk. That facility operated in the same manner as the bilateral RCF, however interest variability was based on the Bank of England Base Rate.

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.

Directors' Report (continued)

Reappointment of auditors

Ernst & Young LLP have indicated their willingness to be reappointed as auditor. No notice in accordance with s488 of the Companies Act 2006 (which would operate to prevent the deemed reappointment of auditors under s487(2) of that Act) has been or is expected to be received and accordingly the necessary conditions are in place for the deemed reappointment of the auditors to take place in the absence of an Annual General Meeting.

Events since the balance sheet date

On 31 January 2022, the Defined Benefit pension scheme operated by the Company was closed to future accrual. All active scheme participants have become deferred members. A curtailment loss of £2.8m and other associated closure costs of £10.4m are expected to be recognised by the Company during 2022 with a further £0.8m in future periods.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company's ultimate parent, Aston Martin Lagonda Global Holdings plc is the parent company of a group of companies of which the Company, whose principal activity is the sale of luxury vehicles and the associated parts, is the main component.

In addition, Aston Martin Investments Limited, Aston Martin Lagonda Group Limited, Aston Martin Capital Limited, Aston Martin Lagonda of North America Inc. and the Company have provided joint and several guarantees to the First and Second Lien Senior Secured Notes holders to meet the payments which are required under the Senior Secured Notes issued by Aston Martin Capital Holdings Limited, along with any interest or premium on these borrowings. The same companies act as guarantors to the RCF held by the Company. Consequently, the Company is dependent on future financing provided by subsidiaries of the Aston Martin Lagonda Global Holdings plc group.

The Company's ultimate parent, Aston Martin Lagonda Global Holdings plc, has agreed to provide financial support for a period up to 30 June 2023 from the date of approval of these financial statements. The Directors of the Company have assessed the going concern period to 30 June 2023 from the date of approval of these financial statements for the entity and have as part of their assessment considered the ability of Aston Martin Lagonda Global Holdings plc (the 'Group') to provide financial support.

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of $1,184.0m of First Lien notes at 10.5% which mature in November 2025, $335.0m of Second Lien split coupon notes at 15% per annum (8.89 % cash and 6.11% PIK) which mature in November 2026, a revolving credit facility (£90.6m) which matures August 2025, facilities to finance inventory, a bilateral RCF agreement and a wholesale vehicle financing facility. Under the RCF the Group is required to comply with a liquidity covenant until May 2022 and a leverage covenant thereafter tested quarterly from June 2022.

The Group Directors have developed trading and cash flow forecasts for the period from the date of approval of these Financial Statements through 30 June 2023 (the going concern review period). These forecasts show that the Group has sufficient financial resources to meet its obligations as they fall due and to comply with covenants for the going concern review period.

Directors' Report (continued)

Going concern (continued)

The forecasts reflect the Group's strategy of rebalancing supply and demand and the decisive actions taken to improve cost efficiency, in alignment with the ultra-luxury performance-oriented strategy. The forecasts include the costs of the Group's environmental, social and governance ("ESG") commitments and make assumptions in respect of future market conditions and, in particular, wholesale volumes, average selling price, the launch of new models, and future operating costs in light of recent inflationary pressures. 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. The forecasts take into account these factors to the extent which the Group 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 Group Directors have considered a severe but plausible downside scenario that includes considering the impact of a 25% reduction in DBX volumes from forecast levels and operating costs higher than the base plan.

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 the continuation of strict and immediate expense control would be taken to safeguard the Group's financial position.

In addition, the Group also considered the circumstances which would be needed to exhaust the Group's liquidity over the assessment period, a reverse stress test. This would indicate that vehicle sales would need to reduce by 40% from forecast levels without any of the above mitigations to result in having no liquidity. The likelihood of these circumstances occurring is considered remote both in terms of the magnitude of the reduction and that over such a long period, management could take substantial mitigating actions, such as reducing capital spending to preserve liquidity.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and to comply with its financial covenants, and consequently provide the letter of support to the company, therefore the Directors continue to adopt the going concern basis in preparing the Financial Statements.

By order of the Board,

KDM Gregor

K Gregor
Director
28 April 2022

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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in FRS101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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

Opinion

We have audited the financial statements of Aston Martin Lagonda Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the 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" (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 2021 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained and inspected the letter of support the Company has received from Aston Martin Lagonda Global Holdings plc ("the Group"). The letter of support covers all obligations as they fall due in the going concern period to 30 June 2023.
- As the Company is reliant on Group support, we performed procedures on the Group going concern assessment prepared for the period through to 30 June 2023, this included:
    - Understanding and walking through management's process for and controls related to assessing going concern including discussion with management to ensure all key factors were taken into account;
    - Obtaining management's going concern assessment, which covers the period to 30 June 2023, and which includes cashflow and liquidity forecasts, details of facilities available, forecast covenant calculations and the results of management's downside scenarios, and testing the integrity of the model, including clerical accuracy;
    - Confirming to the debt agreements both the maturity profile of the debt and the covenants that are required to be met within the going concern period;
    - Assessing the reasonableness of forecasts underpinning the going concern model which are based on the Board-approved budget and the Board-approved strategic plan. To do this we specifically considered forecast wholesale volumes compared to historical volumes, current confirmed orders and competitor volumes, sales margins and capital expenditure plans;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASTON MARTIN LAGONDA LIMITED (CONTINUED)

Conclusions relating to going concern (continued)

- Ensuring that these forecasts appropriately reflect the assessed impact of COVID-19 and climate change commitments;
- Analysing the historical accuracy of forecasting by comparing management's forecasts to actual results, both for 2021 and through the subsequent events period and performing inquiries to the date of this report to determine whether forecast cash flows are reliable based on past experience;
- Considering external factors that could impact liquidity/forecasts including reliance on suppliers, recoverability of debtors, employees' ability to continue to work safely, and the threat of potential litigations and claims;
- Considering the downside scenario identified by management in their assessment, assessing whether there are any other scenarios which should be considered, and assessing whether the quantum of the impact of the downside scenario modelled in the going concern period is realistic;
- Performing reverse stress testing on the going concern model by independently determining what reduction in wholesale volumes would be required before liquidity would be exhausted. This included comparing this scenario to the downside scenario contemplated by management and considering the likelihood of the events required to exhaust available liquidity;
- Evaluating the Group's ability to undertake mitigating actions should it experience a severe downside scenario, considering likely achievability of both timing and quantum particularly with respect to constraining capital spending if required;
- Evaluating the update of the Group going concern assessment for the period through 30 June 2023 from the date it was initially prepared to the date of these financial statements to understand any significant changes in the business performance or forecasts; and
- Evaluating the going concern disclosures in the financial statements to ensure they are in accordance with FRS 101.

We observed that the group achieved the forecast total core wholesale volumes that it was targeting in 2021 and that the forecast core wholesale volumes for the going concern assessment period are reasonable compared to historic performance and the those reported by comparable brands in the luxury automotive sector. We observed the control exercised over capital expenditure in comparison to amounts forecast which corroborates management's assertion that in the event of the modelled downside occurring some of this expenditure could be deferred. Further, the Group has the borrowings disclosed in note 22 of the Group Financial Statements which includes details of the maturities of those facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASTON MARTIN LAGONDA LIMITED (CONTINUED)

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 contained within the annual report.

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.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 13, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are directly relevant to specific assertions in the financial statements and those that relate to the reporting framework (FRS 101 and the Companies Act 2006). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to health and safety and employee matters;
- We understood how Aston Martin Lagonda Limited is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and internal audit to understand where they considered there was susceptibility to fraud. We considered the programmes and controls that the entity has established to address identified risks, or that otherwise prevent or detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud;
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved understanding management's internal controls over compliance laws and regulations; enquiries of legal counsel, management, internal audit; reviewing internal audit reports and whistleblowing summaries and performing focused testing.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASTON MARTIN LAGONDA LIMITED (CONTINUED)

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.

Ernst & Young LLP

Simon O'Neill (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

29 April 2022

Statement of Comprehensive Income for the year ended 31 December 2021

	Notes	**Adjusted**	**Adjusting items***	**2021 Total £m**	Adjusted	Adjusting items*	2020 Total £m
Revenue	2	**911.5**	–	**911.5**	530.1	–	530.1
Cost of sales		**(649.5)**	–	**(649.5)**	(480.1)	–	(480.1)
Gross profit		**262.0**	–	**262.0**	50.0		50.0
Selling and distribution expenses		**(51.9)**	–	**(51.9)**	(51.2)	–	(51.2)
Administrative and other operating expenses	3, 5	**(324.2)**	**(2.2)**	**(326.4)**	(257.3)	(98.0)	(355.3)
Other income / (expense)	4	–	–	–	12.5	–	12.5
Income from shares in subsidiary undertakings		**23.8**	–	**23.8**	14.1	–	14.1
Operating loss		**(90.3)**	**(2.2)**	**(92.5)**	(231.9)	(98.0)	(329.9)
Finance income	7	**1.2**	–	**1.2**	1.4	6.9	8.3
Finance expense	8	**(161.7)**	–	**(161.7)**	(97.9)	(28.3)	(126.2)
Loss before tax		**(250.8)**	**(2.2)**	**(253.0)**	(328.4)	(119.4)	(447.8)
Income tax credit	9	**24.7**	**16.8**	**41.5**	46.0	19.8	65.8
Loss for the year		**(226.1)**	**14.6**	**(211.5)**	(282.4)	(99.6)	(382.0)
Other Comprehensive Income							
Items that will never be reclassified to the Income Statement							
Remeasurement of defined benefit liability	20			**3.8**			(59.1)
Taxation on items that will never be reclassified to the Income Statement	9			**(1.0)**			12.3
Items that are or may be reclassified to the Income Statement							
Fair value adjustment - cash flow hedges				**(2.9)**			4.4
Amounts reclassified to the Income Statement – cash flow hedges				–			0.4
Taxation on items that may be reclassified to the Income Statement				**0.7**			(0.9)
Effect of rate of change in taxation	9			**6.7**			
Other comprehensive income/(loss) for the year				**7.3**			(42.9)
Total comprehensive loss for the year				**(204.2)**			(424.9)

* 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 for the period stated above, and their historical cost equivalents.

The notes on pages 23 to 61 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
At 1 January 2021	**77.6**	**0.4**	**143.4**	**2.1**	**(363.4)**	**(139.9)**
Total comprehensive income for the year						
Loss for the year	–	–	–	–	(211.5)	(211.5)
Other comprehensive income						
Fair value movement - cash flow hedges	–	–	–	(2.9)	–	(2.9)
Remeasurement of defined benefit liability (note 20)	–	–	–	–	3.8	3.8
Tax on other comprehensive income (note 9)	–	–	–	0.7	(1.0)	(0.3)
Effect of rate of change in taxation	–	–	–	–	6.7	6.7
Total other comprehensive income/(loss)	**–**	**–**	**–**	**(2.2)**	**9.5**	7.3
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(2.2)**	**(202.0)**	**(204.2)**
Transactions with owners, recorded directly in equity						
Credit for the year under equity settled share-based payments (note 22)	–	–	–	–	3.1	3.1
Tax on items credited to equity	–	–	–	–	4.8	4.8
Total transactions with owners	**–**	**–**	**–**	**–**	**7.9**	**7.9**
At 31 December 2021	**77.6**	**0.4**	**143.4**	**(0.1)**	**(557.5)**	**(336.2)**

Statement of Changes in Equity (continued)

	Share Capital £m	Share Premium £m	Capital reserve* £m	Hedge Reserves £m	Retained Earnings £m	Total Equity £m
At 1 January 2020	77.6	0.4	1.1	(1.8)	59.6	136.9
Total comprehensive income for the year						
Loss for the year	–	–	–	–	(382.0)	(382.0)
Other comprehensive income						
Fair value movement - cash flow hedges	–	–	–	4.4	–	4.4
Amounts reclassified to the Income Statement – cash flow hedges	–	–	–	0.4	–	0.4
Remeasurement of defined benefit liability (note 20)	–	–	–	–	(59.1)	(59.1)
Tax on other comprehensive income (note 9)	–	–	–	(0.9)	12.3	11.4
Total other comprehensive income/(loss)	–	–	–	3.9	(46.8)	(42.9)
Total comprehensive income/(loss) for the year	–	–	–	3.9	(428.8)	(424.9)
Transactions with owners, recorded directly in equity						
Capital contribution	–	–	142.3	–	–	142.3
Credit for the year under equity settled share-based payments (note 22)	–	–	–	–	4.2	4.2
Tax on items credited to equity	–	–	–	–	1.6	1.6
Total transactions with owners	–	–	142.3	–	5.8	148.1
At 31 December 2020	77.6	0.4	143.4	2.1	(363.4)	(139.9)

*Additions in the capital reserve in the year ended 31 December 2020 represents a capital contribution of £142.3m from Aston Martin Global Holdings plc the Company's ultimate parent undertaking in respect of the issuance of ordinary shares from the plc as part of the MBAG Strategic Cooperation Agreement. See note 10 on intangibles for further details.

Statement of Financial Position as at 31 December 2021

	Notes	**As at 31 December 2021 £m**	As at 31 December 2020 £m
Non-current assets			
Intangible assets	10	**991.9**	942.8
Property, plant and equipment	12	**346.2**	379.4
Right-of-use lease assets	13	**60.5**	61.6
Investment in subsidiary undertakings	14	**10.0**	10.0
Trade and other receivables	16	**2.1**	0.9
Other financial assets	18	**0.5**	0.1
Deferred tax asset	9	**178.9**	122.3
		1,590.1	1,517.1
Current assets			
Inventories	15	**182.2**	178.2
Trade and other receivables	16	**303.1**	239.4
Other financial assets	18	**5.4**	4.7
Cash and cash equivalents		**254.7**	373.1
		745.4	795.4
Total assets		**2,335.5**	2,312.5
Current liabilities			
Borrowings	17	**36.3**	37.3
Trade and other payables	17	**1,802.2**	1,661.5
Other financial liabilities	18	**3.7**	3.4
Lease liabilities	13	**7.9**	7.8
Provisions	19	**14.0**	16.9
		1,864.1	1,726.9
Non-current liabilities			
Borrowings	17	**–**	6.3
Trade and other payables	17	**635.3**	529.7
Lease liabilities	13	**81.1**	87.6
Provisions	19	**11.7**	8.9
Employee benefits	20	**78.7**	92.5
Deferred tax liabilities	9	**0.8**	0.5
		807.6	725.5
Total liabilities		**2,671.7**	2,452.4
Net (liabilities) / assets		**(336.2)**	(139.9)
Capital and reserves			
Share capital	21	**77.6**	77.6
Share premium		**0.4**	0.4
Capital reserves		**143.4**	143.4
Hedge reserves		**(0.1)**	2.1
Retained earnings		**(557.5)**	(363.4)
Total shareholders' (deficit) / funds		**(336.2)**	(139.9)

The notes on pages 23 to 61 form part of the Financial Statements.
The Financial Statements were approved by the board of directors on 28 April 2022 and were signed on its behalf by:

KDM Gregor

K Gregor
Director

Company number: 01199255

Notes to the Financial Statements for the year ended 31 December 2021

1. Principal accounting policies

Aston Martin Lagonda Limited (the "Company") is a company incorporated and domiciled in the UK and is limited by shares. 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 UK adopted international accounting standards. ('IFRSs'). The consolidated Financial Statements 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 UK adopted international accounting standards 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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company's ultimate parent, Aston Martin Lagonda Global Holdings plc is the parent company of a group of companies of which the Company, whose principal activity is the sale of sports vehicles and the associated parts, is the main component.

In addition, Aston Martin Investments Limited, Aston Martin Lagonda Group Limited, Aston Martin Capital Limited, Aston Martin Lagonda of North America Inc. and the Company have provided joint and several guarantees to the First and Second Lien Senior Secured Notes holders to meet the payments which are required under the Senior Secured Notes issued by Aston Martin Capital Holdings Limited, along with any interest or premium on these borrowings. The same companies act as guarantors to the RCF held by the Company. Consequently, the Company is dependent on future financing provided by subsidiaries of the Aston Martin Lagonda Global Holdings plc group.

The Company's ultimate parent, Aston Martin Lagonda Global Holdings plc, has agreed to provide financial support for a period up to 30 June 2023 from the date of approval of these financial statements. The Directors of the Company have assessed the going concern period to 30 June 2023 from the date of approval of these financial statements for the entity and have as part of their assessment considered the ability of Aston Martin Lagonda Global Holdings plc (the 'Group') to provide financial support.

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of $1,184.0m of First Lien notes at 10.5% which mature in November 2025, $335.0m of Second Lien split coupon notes at 15% per annum (8.89 % cash and 6.11% PIK) which mature in November 2026, a revolving credit facility (£90.6m) which matures August 2025, facilities to finance inventory, a bilateral RCF agreement and a wholesale vehicle financing facility. Under the RCF the Group is required to comply with a liquidity covenant until May 2022 and a leverage covenant thereafter tested quarterly from June 2022.

The Group Directors have developed trading and cash flow forecasts for the period from the date of approval of these Financial Statements through 30 June 2023 (the going concern review period). These forecasts show that the Group has sufficient financial resources to meet its obligations as they fall due and to comply with covenants for the going concern review period.

The forecasts reflect the Group's strategy of rebalancing supply and demand and the decisive actions taken to improve cost efficiency, in alignment with the ultra-luxury performance-oriented strategy. The forecasts include the costs of the Group's environmental, social and governance ("ESG") commitments and make assumptions in respect of future market conditions and, in particular, wholesale volumes, average selling price, the launch of new models, and future operating costs in light of recent inflationary pressures. 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. The forecasts take into account these factors to the extent which the Group 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 Group Directors have considered a severe but plausible downside scenario that includes considering the impact of a 25% reduction in DBX volumes from forecast levels and operating costs higher than the base plan.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

Going concern (continued)

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 the continuation of strict and immediate expense control would be taken to safeguard the Group's financial position.

In addition, the Group also considered the circumstances which would be needed to exhaust the Group's liquidity over the assessment period, a reverse stress test. This would indicate that vehicle sales would need to reduce by 40% from forecast levels without any of the above mitigations to result in having no liquidity. The likelihood of these circumstances occurring is considered remote both in terms of the magnitude of the reduction and that over such a long period, management could take substantial mitigating actions, such as reducing capital spending to preserve liquidity.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and to comply with its financial covenants, and consequently provide the letter of support to the company, therefore the Directors continue to adopt the going concern basis in preparing the Financial Statements.

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. Revenue is recognised at the wholesale selling price net of dealer incentives (variable marketing expense or "VME"). VME is estimated and accrued for at the time of the wholesale sale to the dealer, other than those elements of VME connected with retail sales by the dealer where there is also a contractual requirement for the dealer to make additional wholesale purchases at that time to receive the incentive, which is accrued at the time of the retail sale by the dealer to the end customer.

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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Revenue recognition (continued)

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 advance, 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 Consolidated 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.

Other income / (expense)

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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

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.

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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Intangible assets (continued)

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 and machinery	5 to 30
Fixtures and fittings	3 to 12
Tooling	1 to 15
Motor vehicles	5 to 9

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 related to assets are deducted from the cost of the asset and amortised over the useful life of the asset. Government grants are recognised when there is reasonable assurance that the Company will comply with the relevant conditions and the grant will be received.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Right-of-use assets and lease liabilities

The Company has applied IFRS 16 using the modified retrospective approach in 2019.

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.

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.

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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Impairment of assets (continued)
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.

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.

Derivative financial instruments including equity options are held at fair value. All other financial instruments are held at amortised cost.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

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 (ECLs) 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.

ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL) and are remeasured to reflect changes in 12-month ECL, unless a significant deterioration in credit risk is considered to have occurred in which case ECLs are reassessed on a lifetime basis.

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.

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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Hedge Accounting (continued)

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.

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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Pensions (continued)

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.

Where the Company obtains goods or services in exchange for the issuance of shares, these are accounted for as equity-settled share-based payments in accordance with IFRS 2. Where the fair value of the goods or services can be estimated reliably, these are recorded at fair value with a corresponding increase in equity.

Provisions

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.

Restructuring provisions are recognised only when the Company has a constructive obligation, which is when:

- there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and
- the employees affected have been notified of the plan's main features.

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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Income taxes (continued)

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. The tax effect is also included.

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;

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.

The result of the calculation of the value-in-use is sensitive to the assumptions made and is a subjective estimate (note 11).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

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 2021 the following standards were endorsed by the UK, became effective and adopted by the Company:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

These are not expected to have a material impact on the Company.

2. Revenue

	2021	2020
Analysis by market	**£m**	£m
United Kingdom	**205.0**	123.9
The Americas	**253.1**	121.6
Rest of Europe, Middle East & Africa	**235.7**	164.3
Asia Pacific	**217.7**	120.3
	911.5	530.1

	2021	2020
Analysis by category	**£m**	£m
Sale of vehicles	**834.7**	461.0
Sale of parts	**63.0**	55.7
Brands and motorsport	**13.8**	13.4
	911.5	530.1

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

3. Expenses and auditor's remuneration

	2021	2020
Included in the Profit & loss account are the following items:	**£m**	£m
Depreciation and impairment of property, plant and equipment (note 12)	**64.1**	50.3
Depreciation released from/(absorbed into) inventory under standard costing	**0.3**	(0.9)
Depreciation and impairment of right-of-use assets (note 13)	**6.9**	13.3
Amortisation and impairment of intangible assets (note 10)	**133.1**	162.6
Amortisation released from/(absorbed into) inventory under standard costing	**2.6**	(0.3)
Depreciation, amortisation and impairment charges included in Administrative and other operating expenses	**207.0**	225.0
Increase in trade receivable loss allowance - Administrative and other operating expenses	**0.8**	5.1
Net foreign currency differences	**(1.6)**	16.7
Cost of inventories recognised as an expense	**539.4**	357.5
Write-down of inventories to net realisable value	**0.5**	12.4
Expenditure related grant income*	**-**	(12.5)
Operating lease payments		
- *Plant, machinery and IT equipment***	**0.3**	0.6
Research and development expenditure recognised as an expense	**13.0**	4.5
Auditor's remuneration		
Audit of these Financial Statements	**0.2**	0.2

* Grant income in 2020 represents government wage subsidies paid through the Job Retention Scheme. There are no unfulfilled conditions outstanding and the grant has been recognised in full.
** Election taken to not recognise right-of-use lease assets and equivalent lease liabilities for short-term and low-value leases.

4. Other income

	2021	2020
	£m	£m
Grant income	**-**	12.5
	-	12.5

Grant income recognised in the year ended 31 December 2020 represents wage subsidies of £12.5m from the UK Government job retention scheme. No equivalent grant income was generated in 2021.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

5. Adjusting items

	2021 £m	2020 £m
Adjusting operating expenses:		
Impairment of assets:		
Development costs[5]	–	(69.4)
Plant, machinery, fixtures and fittings[6]	–	(3.8)
Tooling[5]	–	(3.3)
Right-of-use lease assets[6]	–	(2.8)
	–	(79.3)
Restructuring:		
Employee restructuring costs[1]	2.4	(12.4)
Motorsport exit costs[7]	–	(6.2)
Director settlement arrangements and incentive payments[8]	–	(2.7)
Lease early exit costs[2]	(0.6)	–
ERP implementation costs[3]	(4.0)	–
Initial Public Offering costs (Staff incentives)[9]	–	2.6
	(2.2)	(98.0)
Adjusting finance expenses:		
Premium paid on early redemption of Senior Secured Notes (note 8)[10]	–	(21.4)
Total adjusting items before tax	(2.2)	(119.4)
Tax credit on adjusting items	0.4	19.8
Tax credit due to remeasurement of deferred tax on previously classified adjusting items[4]	16.4	–
Adjusting items after tax	14.6	(99.6)

Summary of 2021 adjusting items

1. During 2020 the Company provided £12.1m for phase two restructuring costs associated with a reduction in employee numbers to reflect the lower than originally planned production volumes. In addition to this, the Company incurred an additional £0.3m of phase one restructuring costs in 2020. A revision to the estimated total costs resulting from greater natural attrition has resulted in £2.4m of the existing provision being released to the Income Statement during the year ended 31 December 2021. The cash impact of the restructuring cost is realised in line with the movement in the provision (note 19). The credit to the Consolidated Income Statement in 2021 has no cash impact.
2. In the year ended 31 December 2021 the Company continued to rationalise its geographical footprint. The Company incurred £0.6m of costs associated with surrendering a lease 30 months early. These costs have been disclosed consistent with prior periods. The rationalisation of the geographical footprint is now complete. The associated cash outflow related to this adjustment will be realised during 2022 and 2023 in line with the exit agreement.
3. During the year ended 31 December 2021 the Company commenced a digital transformation strategy project which includes the implementation of a cloud-based ERP for which the Company will not own any Intellectual Property. This project will continue into 2022. £4.0m of costs have been incurred in the period under the service contract and expensed to the Income Statement. Due to the infrequent recurrence of such costs and the expected quantum during the implementation phase, these have been separately presented as adjusting. The cash impact of this item is a working capital outflow at the time of invoice payment.
4. In 2021, a total tax credit of £16.8m has been recognised as an adjusting item. The effective tax rate associated with the tax credit on adjusting items in the period is not in line with the standard rate of income tax for the Company at 19% (2020: 19%). This is due to a £16.4m tax credit attributable to deferred tax balances on items treated as adjusting in previous years being re-measured at 25%.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

Adjusting items (continued)

Summary of 2020 adjusting items

5 On 27 October the Company announced an expanded and enhanced technology agreement with Mercedes-Benz AG, giving access to powertrain architecture (for conventional, hybrid and electric vehicles) and future oriented electric/electronic architecture for all product launches through to 2027. Following incorporation of the benefits of this enhanced partnership on the Company's business plan, and other cycle plan updates following the strategic review of the business plan, the carrying value of capitalised tooling and intangible development costs have been impaired by £72.7m to reflect the change in future vehicle powertrains and electronic architecture. There was no cash impact of this item.

6 In 2020 the Company commenced a rationalisation exercise to reduce its geographical footprint. This resulted in a £2.8m right-of-use lease asset and £3.8m plant and machinery impairment charge triggered by the conclusion of activity at a number of the Company's leased sites. There was no cash impact of this item.

7 In December 2020 Aston Martin announced that, following conclusion of the 2020 FIA World Endurance Championship, it would cease operation of a factory GTE team into 2021 incurring termination costs of £6.2m. The cash outflow associated with this item is realised during 2022-2024 in line with termination agreement.

8 It was announced on 27 February 2020 that Mark Wilson would step down as CFO and as an Executive Director of the Group on 30 April 2020. Subsequent to this, on 25 May 2020, Dr Andrew Palmer stepped down as CEO and as an Executive Director of the Aston Martin Lagonda Global Holdings Plc Group. Tobias Moers joined the Group as CEO and Executive Director on 1 August 2020. Amounts due as a result of these changes were £2.7m. The associated cash outflow took place during 2020 and 2021 in line with the relevant individuals' agreement.

9 In the year ended 31 December 2020 a Legacy Long term Incentive Plan ("LTIP") charge of £3.8m was recognised within 'Staff incentives'. As an offset to this due to the reduced performance of the Company, the remaining Initial Public Offering ("IPO") bonus held for management was no longer forecast to be paid. This resulted in £6.4m being credited back to the Income Statement.

10 On 27 October the Company announced the successful arrangement of a new financing package including the issuance of $1,085.5m of US dollar First Lien notes and $335m of US dollar Second Lien split coupon notes. Proceeds from this financing package were used to redeem the existing Senior Secured Notes ("SSNs") in full ahead of their April 2022 maturity date. In redeeming the existing SSNs early the Company incurred an early redemption premium of £21.4m. Professional fees capitalised against the existing SSNs of £7.6m were written off to the Income Statement upon redemption.

6. Staff costs and Directors' emoluments

(a) Staff costs (including directors)

	2021 £m	2020 £m
Wages and salaries[1,2]	**108.7**	119.2
Social security costs[1,2]	**11.6**	13.2
Expenses related to post-employment defined benefit plan	**4.3**	8.9
Contributions to defined contribution plans[2]	**5.8**	10.2
	130.4	151.5

1 The values presented for the years ended 31 December 2020 includes the release of accrued staff incentives totalling £6.4m offset by the legacy LTIP charge of £3.8m, both of which are presented as adjusting items – see note 5 for further detail. No such amounts are included for the year ended 31 December 2021.

2 The value presented for the year ended 31 December 2020 is gross of receipts totalling £12.5m from the UK Government job retention scheme. These receipts have been presented as other income in the Statement of Comprehensive Income. No such amounts are included for the year ended 31 December 2021.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

6. Staff costs and Directors' emoluments (continued)

(a) Staff costs (including directors) (continued)

The average monthly number of employees during the year were:

By activity	2021 Number	2020 Number
Production	**955**	1,158
Selling and distribution	**134**	227
Administration	**1,045**	918
	2,134	2,303

(b) Directors' emoluments and transactions

	2021 £m	2020 £m
Directors' emoluments	**2.3**	4.2
Company contributions to pension schemes	**0.1**	0.3
	2.4	4.5

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 (2020: 1 director). No compensation for loss of office payments were paid in either the current or prior year to Directors.

(c) Highest paid director

	2021 £m	2020 £m
Emoluments	**1.1**	1.5

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

7. Finance income

	2021 £m	2020 £m
Bank deposit and other interest income	**1.2**	1.4
Finance income before adjusting items	**1.2**	1.4
Adjusting finance income items:		
Foreign exchange gain on financial instrument utilised during refinance transactions	**–**	6.9
Total finance income	**1.2**	8.3

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

8. Finance expense

	2021 £m	2020 £m
Bank loans, overdrafts and secured notes	**16.2**	12.6
Amount payable to fellow subsidiaries of ultimate parent undertaking	**135.9**	79.0
Interest on lease liabilities (note 13)	**3.4**	3.6
Net interest expense on the net defined benefit liability (note 20)	**1.3**	0.7
Interest on contract liabilities held (note 17)	**4.9**	2.0
Finance expense before adjusting items	**161.7**	97.9
Adjusting finance expense items:		
Foreign exchange gain on financial instrument utilised during refinance transactions recharged to intercompany	**–**	6.9
Premium paid on the early redemption of Senior Secured Notes (note 5)	**–**	21.4
Total finance expense	**161.7**	126.2

During the year ended 31 December 2021 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 (2020: £nil).

9. Taxation

(a) Analysis of charge in the year

	2021 £m	2020 £m
Current tax credit		
UK corporation tax on losses	**(0.5)**	–
Withholding tax suffered on overseas dividends	**1.2**	0.4
Total current income tax charge	**0.7**	0.4
Deferred tax credit		
Origination and reversal of temporary differences	**(18.7)**	(63.6)
Effect of tax rate change on opening balance	**(24.1)**	(3.0)
Prior period movement	**0.6**	0.4
Total deferred tax credit	**(42.2)**	(66.2)
Total income tax credit in the Income Statement	**(41.5)**	(65.8)
Tax relating to items (credited)/charged to other comprehensive income		
Deferred tax		
Actuarial movement on defined benefit pension plan	**1.0**	(11.2)
Fair value adjustment on cash flow hedges	**(0.7)**	0.9
Effect of change to deferred tax rate	**(6.7)**	(1.1)
	(6.4)	(11.4)
Tax relating to items charged in equity – deferred tax		
Share based payments	**(4.8)**	(1.6)

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

9. Taxation (continued)

(b) Reconciliation of the total income tax credit

The tax credit in the Statement of Comprehensive Income for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are reconciled below.

	2021 £m	2020 £m
Loss from operations before taxation	**(253.0)**	(447.8)
Loss on operations before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	**(48.1)**	(85.1)
Difference to total income tax charge/(credit) due to effects of:		
Expenses not deductible for tax purposes	**(3.7)**	(1.4)
Impact of transfer pricing adjustments	**(0.3)**	–
Effects of group relief	**5.3**	1.3
Payment for group relief	**(0.5)**	–
Irrecoverable overseas withholding taxes	**1.4**	0.3
Movement in unprovided deferred tax	**14.1**	21.7
Derecognition of deferred tax assets	**15.0**	–
Adjustments in respect of prior periods	**0.6**	0.4
Remeasurement of deferred tax – change in UK tax rate	**(24.1)**	(3.0)
Difference in UK tax rates	**(4.5)**	–
Other	**3.3**	–
Total income tax credit	**(41.5)**	(65.8)

(c) Factors affecting future tax charges

The Finance Act 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. The Act has been substantively enacted prior to the balance sheet date and therefore deferred tax assets and liabilities have been remeasured during the year to reflect its impact.

(d) Deferred tax

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

	Assets 2021 £m	Assets 2020 £m	**Liabilities 2021 £m**	Liabilities 2020 £m
Property, plant and equipment	**(112.7)**	(72.6)	**–**	–
Intangible assets	**–**	–	**108.7**	77.8
Employee benefits	**(19.9)**	(17.6)	**–**	–
Provisions	**(0.4)**	(0.4)	**–**	–
RDEC credit	**(12.6)**	(9.7)	**–**	–
Losses	**(141.8)**	(100.4)	**–**	–
Share based payments	**(0.7)**	–	**–**	–
Unremitted earnings	**–**	–	**0.8**	0.6
Other	**–**	–	**0.5**	0.5
Deferred tax (assets)/liabilities	**(288.1)**	(200.7)	**111.0**	78.9
Set off of tax liabilities/(assets)	**109.2**	78.4	**(109.2)**	(78.4)
Total deferred tax (assets)/liabilities	**(178.9)**	(122.3)	**0.8**	0.5

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

9. Taxation (continued)

(d) Deferred tax (continued)

Movement in deferred tax 2021	1 January 2021 £m	Recognised in Income and OCI £m	Recognised in Equity £m	Other movement £m	31 December 2021 £m
Property, plant and equipment	**(72.6)**	**(40.1)**	–	–	**(112.7)**
Intangible assets	**77.8**	**30.9**	–	–	**108.7**
Employee benefits	**(17.6)**	**(2.3)**	–	–	**(19.9)**
Provisions	**(0.4)**	–	–	–	**(0.4)**
RDEC credit	**(9.7)**	–	–	**(2.9)**	**(12.6)**
Losses	**(100.4)**	**(36.7)**	**(4.7)**	–	**(141.8)**
Share based payments	–	**(0.6)**	**(0.1)**	–	**(0.7)**
Unremitted earnings	**0.6**	**0.2**	–	–	**0.8**
Other	**0.5**	–	–	–	**0.5**
	(121.8)	**(48.6)**	**(4.8)**	**(2.9)**	**(178.1)**

Movement in deferred tax 2020	1 January 2020 £m	Recognised in Income and OCI £m	Recognised in Equity £m	Other movement £m	31 December 2020 £m
Property, plant and equipment	(56.1)	(16.5)	–	–	(72.6)
Intangible assets	65.1	12.7	–	–	77.8
Employee benefits	(6.3)	(11.3)	–	–	(17.6)
Provisions	(0.2)	(0.2)	–	–	(0.4)
RDEC credit	(7.0)	–	–	(2.7)	(9.7)
Losses	(37.3)	(63.1)	–	–	(100.4)
Unremitted earnings	0.7	(0.1)	–	–	0.6
Other	0.5	–	–	–	0.5
	(40.6)	(78.5)	–	(2.7)	(121.8)

Losses and other deductions of £141.8m includes £83.8m of interest deductions deductible in future periods.

Deferred tax assets on unused losses have been recognised to the extent that it is probable that sufficient taxable profits will be generated to utilise these losses. Based upon the current business plan, together with the investment by the Yew Tree Consortium, a new Board, the Board securing financing and the Strategic Cooperation Agreement entered into with MBAG, it is forecast that taxable profits will start being generated in the UK in the short term which provides convincing evidence for recognising those deferred tax assets.

The Company also has £87.8m of unrecognised deferred tax assets which primarily relate to unused tax losses which have no expiry date.

The aggregate amount of temporary differences associated with investment in subsidiaries and branches, for which deferred tax assets have not been recognised is £34.0m for the year ended 31 December 2021 (31 December 2020: £38.0m).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

10. Intangible assets

	Computer Software £m	Development costs £m	Technology £m	Tool sharing arrangement and Other £m	Total £m
Cost					
Balance at 1 January 2021	39.1	1,417.2	163.5	5.7	1,625.5
Additions	4.0	178.2	–	–	182.2
Balance at 31 December 2021	**43.1**	**1,595.4**	**163.5**	**5.7**	**1,807.7**
Amortisation					
Balance at 1 January 2021	36.7	635.0	8.0	3.0	682.7
Charge for the year	2.8	127.9	1.9	0.5	133.1
Balance at 31 December 2021	**39.5**	**762.9**	**9.9**	**3.5**	**815.8**
Net book value					
At 1 January 2021	2.4	782.2	155.5	2.7	942.8
At 31 December 2021	**3.6**	**832.5**	**153.6**	**2.2**	**991.9**

During the year-ended 31 December 2021 the Company received £nil of grants relating to qualifying development expenditure (2020: £nil).

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. On 7 December 2020, the ultimate parent company (Aston Martin Global Holdings plc) issued 224,657,287 shares to Mercedes-Benz AG ("MBAG") as consideration for access to the first tranche of powertrain and electronic architecture via a Strategic Co-operation Agreement. This technology has been passed down from the ultimate parent via a capital contribution for use by Aston Martin Lagonda Limited. The Company was required to undertake a valuation exercise to measure the fair value of the access to the MBAG technology upon its initial capitalisation. The Company selected the "With and Without" income approach which compares the net present value of cash flows from the Company's business plan prior to ("without") and after ("with") the access to the technology. This methodology estimates the present value of the net benefit associated with acquiring the access to the technology. In the Company's assessment, the fair value of access to this technology is £142.3m. The £142.3m represents the assumed cost at acquisition after which the cost model will be adopted. Amortisation is aligned to the expected pattern of consumption of the economic benefits.

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 2021 (continued)

11. Impairment

Recoverability of non-current assets with finite useful lives include property, plant and equipment, right-of-use lease assets and certain intangible assets. Intangible assets with finite useful lives mainly consist of capitalised development costs and technology.

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 assets. The recoverable amount is the higher of the assets' fair value less costs of disposal and its value-in-use.

In assessing the value-in-use, the estimated future cash flows relating to the forecast usage period of the asset, or group of assets, 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.

Key assumptions used in value-in-use calculations

Where there are indicators of impairment, the calculation of value-in-use for the assets is most sensitive to the following assumptions:

- Cash flows are projected based on actual operating results and the current five-year plan; and
- Discount rates are calculated using a weighted average cost of capital approach. They reflect the individual nature and specific risks relating to the business and the market in which the Group operates. The pre-tax discount rate used was 11.7% (2020: 11.1%).

Sensitivity analysis

- As at 31 December 2021 the uncommitted volumes would need to decrease by 21.0% before any of the finite life assets become impaired.

2020

Announced in 2020, the Company commenced a rationalisation exercise to reduce its geographical footprint. The execution of this exercise throughout 2020 resulted in a total right-of-use lease asset impairment of £2.8m across 2 sites where the recoverable value was deemed to be nil. Furthermore, an impairment charge of £3.8m has been recognised to reflect plant and machinery that will no longer bring economic benefit to the Company.

In October 2020 the Company entered in an expanded and enhanced technology agreement with Mercedes-Benz AG contingent on shareholder approval, anti-trust and underwriting conditions. This strategic technology agreement gives the Company access to powertrain architecture (for conventional, hybrid, and electric vehicles) and future oriented electric/electronic architecture for all product launches through to 2027.

Following completion of this transaction in December 2020, the benefits of this enhanced partnership were reflected in the Company's business plan and future strategy to achieve its medium-term targets. The updated strategy principally focused on changes to future vehicle powertrain and electrical architecture in addition to changes to the volume mix and cadence of vehicle derivatives.

The impact of these changes resulted in the impairment of £69.4m of capitalised development costs and £3.3m of tooling assets which included writing down existing hybrid powertrain development to nil.

The impairment of each asset group was determined using a value in use methodology whereby any impairment was capped by the net present value of expected future cashflows still anticipated to flow from those assets where they remain in use. Any assets where no future benefit is expected were written off in full.

Notes to the Financial Statements for the year ended 31 December 2020 (continued)

11. Impairment (continued)

The table below summarises the 2020 impairment by category of asset. There was no impairment recorded in 2021.

	2021 £m	2020 £m
Development costs	–	69.4
Plant, machinery, fixtures and fittings	–	3.8
Tooling	–	3.3
Inventory	–	–
Right-of-use lease assets	–	2.8
Total impairment charge recognised as adjusting in the Income Statement (note 5)	**–**	79.3

12. Property, plant and equipment

	Freehold land and Buildings £m	**Tooling £m**	**Plant, machinery, fixtures and fittings £m**	**Motor Vehicles £m**	**Total £m**
Cost					
Balance at 1 January 2021	58.7	531.8	255.4	0.7	846.6
Additions	3.0	13.8	14.1	–	30.9
Disposals	–	–	(2.4)	–	(2.4)
Balance at 31 December 2021	**61.7**	**545.6**	**267.1**	**0.7**	**875.1**
Depreciation					
Balance at 1 January 2021	27.1	329.6	110.4	0.1	467.2
Charge for the year	1.8	36.4	25.9	–	64.1
Disposals	–	–	(2.4)	–	(2.4)
Balance at 31 December 2021	**28.9**	**366.0**	**133.9**	**0.1**	**528.9**
Net book value					
At 1 January 2021	31.6	202.2	145.0	0.6	379.4
At 31 December 2021	**32.8**	**179.6**	**133.2**	**0.6**	**346.2**

Assets in the course of construction at a cost of £3.8m (2020: £21.7m) 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 (2020: £6.1m) which is not depreciated.

Capital commitments are disclosed in note 23. In 2021 the Company received £nil of government grants relating to qualifying tooling expenditure (2020: £0.6m). There are no unfulfilled conditions or other contingencies attached, with amounts received deducted from the tooling carrying value.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

13. Leases

a) Right-of-use lease assets

	Properties £m	Plant and machinery £m	IT equipment £m	Total £m
Cost				
Balance at 1 January 2021	64.1	15.6	6.5	86.2
Additions	2.5	–	–	2.5
Modifications	3.3	–	–	3.3
Disposals	(1.9)	–	–	(1.9)
Balance at 31 December 2021	**68.0**	**15.6**	**6.5**	**90.1**
Depreciation				
Balance at 1 January 2021	15.2	4.6	4.8	24.6
Charge for the year	5.2	0.6	1.1	6.9
Disposals	(1.9)	–	–	(1.9)
Balance at 31 December 2021	**18.5**	**5.2**	**5.9**	**29.6**
Carrying value				
At 1 January 2021	48.9	11.0	1.7	61.6
At 31 December 2021	**49.5**	**10.4**	**0.6**	**60.5**

b) Obligations under leases

The maturity profile of discounted lease cash flows accounted for under IFRS 16 are:

	2021 £m	2020 £m
Less than one year	**7.9**	7.8
One to five year	**15.4**	21.9
More than five years	**65.7**	65.7
	89.0	95.4
Analysed as:		
Current	**7.9**	7.8
Non-current	**81.1**	87.6
	89.0	95.4

The total lease interest expense for the current year was £3.4m (2020: £3.6m). Total cash outflow for leases accounted for under IFRS 16 for the current year was £11.7m (2020: £14.2m). Expenses charged to the Income Statement for short-term and low-value leases for the year-ended 31 December 2021 were £0.3m and £nil respectively (2020: £0.6m and £nil). The portfolio of short-term leases at 31 December 2021 is representative of the expected annual short-term lease expense in future years.

14. Investments in subsidiary undertakings

	2021 £m	2020 £m
Closing cost and net book value	**10.0**	10.0

Notes to the Financial Statements for the year ended 31 December 2021 (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 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 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 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 2021 (continued)

15. Inventories

	2021	2020
	£m	£m
Parts for resale, service parts and production stock	114.5	80.0
Work in progress	26.1	38.8
Finished vehicles	41.6	59.4
	182.2	178.2

Finished vehicles includes Company owned service cars at a net realisable value of £29.2m (31 December 2020: £35.7m). During the years ended 31 December 2021 and 2020 inventory repurchase arrangements were entered for certain parts for resale, service parts and production stock. These inventories were sold and subsequently repurchased – see note 17 for further details.

16. Trade and other receivables

	2021	2020
Amounts included in current assets	£m	£m
Trade receivables	119.0	81.6
Amounts owed by group undertakings	92.6	88.0
Other receivables	44.1	44.1
Prepayments	47.4	25.7
	303.1	239.4

	2021	2020
Amounts included in non- current assets	£m	£m
Trade and other receivables	2.1	0.9
	2.1	0.9

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 £26.2m were provided for by the Company at 31 December 2021 (2020: £25.4m). Management review trade receivables and amounts owed by group undertakings on an individual basis and an expected credit loss provision is recorded.

Wholesale finance facility

Sales to third-party Aston Martin franchised dealers are eligible, subject to individual dealer approved credit limits, through a wholesale finance facility.

At 31 December 2021, the Company held a wholesale finance facility with Velocitas Funding Designated Activity Company ("Velocitas") a special purpose vehicle established for the purpose and financed by a panel of banks led by JPMorgan Chase Bank, N.A., London Branch. At 31 December 2021 the multi-currency facility totalled £60.0m with option under the agreements to increase to £80.0m. The facility was renewed during the period and the current facility expires in the second half of 2022. The utilisation of the facility as at 31 December 2021 was £16.9m.

Under the facility, the Company finances dealer debt with Velocitas once a sale has been made under the Company's revenue recognition policy, and receives consideration equal to the value of the debt financed less a finance charge which accrues whilst the debt is outstanding and is estimated and accrued in full at the time the debt is financed. The Company incurs a finance charge on vehicles financed through the scheme based on each currency LIBOR plus a margin (subsequently superseded by SONIA plus a margin).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

16. Trade and other receivables (continued)

The Company acts as a senior and subordinated lender to Velocitas providing 5% of all funding into the entity in order to comply with securitisation rules. Amounts advanced to Velocitas comprise a long term subordinated loan repayable at the end of the facility once all financed dealer debt is settled and a short term senior loan which fluctuates on a monthly basis depending on the level of financed dealer debt. The initial facility resulted in a total of £0.9m being advanced in the form of a GBP subordinated loan to Velocitas. Upon renewal of the facility the initial subordinated loan was repaid and replaced with a smaller mixed-currency subordinated loan of £0.5m (note 19) sterling equivalent which remains outstanding at 31 December 2021. At 31 December 2021, the senior loan amounted to £1.6m (note 19). The Company also has an interest in a Profit Participating Loan of £0.1m which is carried at fair value of £nil and receives interest only in the event that Velocitas has positive retained earnings at the end of the facility. The senior and subordinated loans are both held at amortised cost.

Velocitas is an unconsolidated structured entity. The Company have assessed whether it had any control over the entity and concluded that as it has limited exposure to variable returns in respect of the entity, being solely a residual risk that the subordinated or senior loans advanced to Velocitas may not be repaid in full and no significant ability to influence those returns, Velocitas should not be consolidated under IFRS 10. The maximum exposure of the Company to Velocitas at 31 December 2021 is £2.1m.

The Company has also considered the IFRS 9 criteria for asset derecognition in respect of the dealer debt financed through Velocitas. Having established that whilst it has neither transferred nor retained substantially all of its exposure to variable cash flows associated with the dealer debt, having transferred all default risk but retained cash flow risks associated with the timing of settlement, that Velocitas is now able to control the financed debt such that the derecognition criteria have been met. As a result, the wholesale finance facility is off balance sheet.

In 2020 the previous facility with Standard Chartered Bank plc was £75.0m supported by a credit insurance policy. The utilisation of the facility as at 31 December 2020 was £37.8m and, due to the off-balance sheet treatment, was not recorded in trade receivables in the Company's Statement of Financial Position. The scheme wound down in the first half of 2021.

17. Borrowings and trade and other liabilities

	2021	2020
Amounts included in current liabilities	**£m**	£m
Bank loans and overdrafts	**36.3**	37.3
Trade payables	**134.3**	107.0
Amounts owed to group undertakings	**1,171.6**	1,161.9
Deferred income – service packages and other	**13.5**	9.7
Customer deposits and advances	**315.1**	248.5
Accruals and other payables	**167.7**	134.4
	1,838.5	1,698.8

	2021	2020
Amounts included in non- current liabilities	**£m**	£m
Borrowings	–	6.3
Amounts owed to group undertakings	**625.5**	522.2
Deferred income – service packages	**9.8**	7.5
	635.3	536.0

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

17. Borrowings and trade and other liabilities (continued)

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 2021 the amount included in current borrowings was £6.3m (2020: £2.9m).

Inventory repurchase arrangement
At 31 December 2021 a repurchase liability of £19.7m including accrued interest of £0.7m has been recognised in accruals and other payables. In 2021, £16.7m of parts for resale, service parts and production stock were sold for £19.0m (gross of indirect tax) and subsequently repurchased. Under these repurchase agreements, the Company will repay a further £20.0m (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 2022.

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 £136.0m expected to be recognised in 2022.

In the year ended 31 December 2021, a finance expense of £4.9m (see note 8) was recognised as a significant financing component on contract liabilities held for greater than 12 months (2020: £2.0m). 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 2021 the Company held £59.8m of contractually refundable deposits (before the impact of significant financing components) (2020: £43.1m). 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 £944.2m (31 December 2020: £840.8m) 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.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

17. Borrowings and trade and other liabilities (continued)

Amounts owed to group undertakings (continued)

The Senior Secured Notes held by Aston Martin Capital Holdings Limited are due for repayment in November 2024 therefore the amounts owed are shown as non-current liabilities in Aston Martin Lagonda Limited.

Under the agreements the loan shall bear interest at the rate specified by Aston Martin Capital Holdings 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. 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. 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 so has been recognised in finance expense accordingly.

On 7 December 2020, 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. On 7 March 2021 an additional $98.5m of First Line notes were issued. These amounts have been lent to Aston Martin Lagonda Limited on 7 December 2020 and 7 March 2021 respectively. Under the agreements the loans 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

	Other financial assets 2021 £m	**Other financial liabilities 2021 £m**	Other financial assets 2020 £m	Other financial liabilities 2020 £m
Forward currency contracts held at fair value	**0.5**	**(0.8)**	0.8	(0.5)
Loan assets	**2.1**	–	–	–
Other derivative contracts	**3.3**	**(2.9)**	4.0	(2.9)
Balance at 31 December	**5.9**	**(3.7)**	4.8	(3.4)
Analysed as:				
Current	**5.4**	**(3.7)**	4.7	(3.4)
Non–current	**0.5**	–	0.1	–
Balance at 31 December	**5.9**	**(3.7)**	4.8	(3.4)

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.

Other derivative contracts comprises warrant options and non–option derivatives both of which entitle the Company to subscribe for equity in AMR GP Limited (formerly Racing Point UK Limited). The warrant options were recorded as an embedded option derivative asset at £2.9m on initial recognition on 31 March 2020. The fair value movement in the options for the year ended 31 December 2021 was a £0.5m decrease (2020: £0.7m increase) and is recognised within the Income Statement in administrative expenses.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

18. Other financial assets and liabilities (continued)

A corresponding liability was recognised on inception of the arrangement which represents an accrual for that element of future sponsorship payments. If the option is exercised within the next 5 years the liability is extinguished in the year of exercise, if the option is not exercised the liability will be subject to the renewal of the sponsorship agreement and may continue for the following 5 years.

The fair value of the warrant equity option above has been established by applying the proportion of equity represented by the derivative to an assessment of the enterprise value of AMR GP Limited, which is then adjusted to reflect marketability and control commensurate with the size of the investment. The enterprise value has been estimated using a blend of measures including an income–based approach and a market–based approach. Due to the size of the potential investment, as a proportion of the equity of AMR GP Limited, there are no plausible sensitivities which would give rise to a material variation in the carrying value of the derivative.

There is a further embedded derivative in the agreement in respect of an additional economic interest in the equity of AMR GP Limited which has been assessed as having a carrying value of £nil at inception. This derivative entitles the Company to subscribe for further share capital in AMR GP Limited in the event that the sponsorship agreement is extended for a further 5 year period. The fair value movement in this derivative for the year ended 31 December 2021 was a £0.2m decrease (2020: £0.4m increase) and is recognised within the Income Statement in administrative expenses. The movement in the value of this derivative has been estimated using the same method as the warrant equity option disclosed above. There is no corresponding liability recorded as it is a non–option embedded derivative.

19. Provisions

	Restructuring £m	**Warranty £m**	**2021 Total £m**	Restructuring £m	Warranty £m	2020 Total £m
Balance at 1 January 2021	**7.8**	**18.0**	**25.8**	-	19.1	19.1
Charge for the year	**–**	**21.0**	**21.0**	12.1	18.8	30.9
Utilisation	**(5.0)**	**(13.7)**	**(18.7)**	(4.3)	(19.9)	(24.2)
Release to the income statement	**(2.4)**	**–**	**(2.4)**	–	–	–
Balance at 31 December 2021	**0.4**	**25.3**	**25.7**	7.8	18.0	25.8

In the year ended 31 December 2020, the Group launched a consultation process to reduce employee numbers reflecting lower than originally planned production volumes resulting in an exceptional charge to the Income Statement in 2020. The restructuring is materially complete with an exceptional release to the income statement reflecting unutilised amounts of the provision during the year ended 31 December 2021 (note 5).

The warranty provision is calculated based on the level of historic claims and is expected to be substantially utilised within the next three years.

	Restructuring £m	**Warranty £m**	**2021 Total £m**	Restructuring £m	Warranty £m	2020 Total £m
Analysed as:						
Current	**0.4**	**13.6**	**14.0**	7.8	9.1	16.9
Non–current	**–**	**11.7**	**11.7**	-	8.9	8.9
Balance at 31 December 2021	**0.4**	**25.3**	**25.7**	7.8	18.0	25.8

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

20. Pension obligations

Defined contribution scheme
The Company opened a Defined Contribution scheme in June 2011. The total expense relating to this scheme in the year ended 31 December 2021 was £10.6m (2020: £10.2m). Outstanding contributions at the year ended 31 December 2021 were £0.9m (2020: £0.9m). Contributions are made by the Company to other pension arrangements for certain employees of the Company.

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 was appointed during 2019.

The pension scheme exposes the Company to the following risks:

- *Asset volatility* – – the scheme's Statement of Investment Principles targets 40% return–enhancing assets and 60% risk–reducing assets. The Trustee monitors the appropriateness of the scheme's investment strategy, in consultation with the Company, on an ongoing 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 2021 or 31 December 2020. 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 2020. 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 investment return would be based on the Bank of England Gilt curve plus 0.5% per annum and that salary increases would be equivalent to CPI inflation plus 1.0% per annum.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

20. Pension obligations (continued)

At the 6 April 2020 actuarial valuation, the actuarial value of the scheme assets was £314.6m, sufficient to cover 76% of the benefits which had accrued to members. Following this latest actuarial valuation of the scheme, from 1 January 2022 onwards contributions will increase from 23.7% to 37.5% 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 from 1 January 2022 the Company contribution is increasing from 30.2% and 34.7% to 44.0% and 48.5% for members who opted for benefits of 1/80th's and 1/70th's of pensionable salary, respectively.

On 18 December 2020, the Company agreed to increase the recovery plan contributions from £7.1m per annum to £15.0m per annum effective from 1 January 2021 through to 30 June 2027. Estimated contributions for the year ending 31 December 2022 are £20.4m.

A full actuarial valuation was carried out as at 6 April 2020. The 2020 valuation was updated by an independent qualified actuary to 31 December 2020 and 2021 respectively for the relevant disclosures in accordance with IAS 19R. The next triennial valuation as at 6 April 2023 is due to be completed by June 2024 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 2021	31 December 2020
Discount rate	**2.00%**	1.60%
Rate of increase in salaries	**3.10%**	2.70%
Rate of revaluation in deferment	**2.50%**	2.10%
Rate of increase in pensions in payment attracting LPI	**3.00%**	2.70%
Expected return on scheme assets	**2.00%**	1.60%
RPI Inflation assumption	**3.10%**	2.70%
CPI Inflation assumption	**2.50%**	2.10%

The Company's inflation assumption reflects its long term expectations and has not been amended for short term variability. The 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 2041 (2021 assumptions) or 2040 (2020 assumptions).

Projected life expectancy from age 65

	Future Currently aged 45 2021	**Current Currently aged 65 2021**	Future Currently aged 45 2020	Current Currently aged 65 2020
Male	**22.8**	**21.5**	23.2	21.8
Female	**25.5**	**24.0**	25.7	24.2

	Years
Duration of the liabilities in years as at 31 December 2021	**26**
Duration of the liabilities in years as at 31 December 2020	25

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

20. Pension obligations (continued)

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

	31 December 2021 Quoted £m	**31 December 2021 Unquoted £m**	**31 December 2021 Total £m**	31 December 2020 Quoted £m	31 December 2020 Unquoted £m	31 December 2020 Total £m
Asset Class						
UK Equities	–	–	–	36.8	–	36.8
Overseas Equities	**41.0**	–	**41.0**	46.0	–	46.0
Private debt	–	**32.8**	**32.8**	–	30.8	30.8
Liability driven investment	**64.9**	**56.0**	**120.9**	74.3	34.2	108.5
Absolute return bonds	–	**72.6**	**72.6**	–	71.4	71.4
Diversified alternatives	–	**1.3**	**1.3**	–	1.6	1.6
Cash	**89.3**	–	**89.3**	52.8	–	52.8
Insurance policies	**6.0**	–	**6.0**	–	6.2	6.2
Total	**201.2**	**162.7**	**363.9**	209.9	144.2	354.1

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

	2021 £m	2020 £m
Total fair value of scheme assets	**363.9**	354.1
Present value of funded obligations	**(368.4)**	(378.7)
Funded status at the end of the year	**(4.5)**	(24.6)
Adjustment to reflect minimum funding requirements	**(74.2)**	(67.9)
Liability recognised in the Statement of Financial Position	**(78.7)**	(92.5)

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 during the year ending 31 December were as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Amounts charged to operating loss:		
Current service cost	**(8.8)**	(8.6)
Past service cost	–	–
	(8.8)	(8.6)
Amounts charged to finance expense:		
Net interest expense on the net defined benefit liability	**(0.2)**	(0.3)
Interest expense on the adjustment to reflect minimum funding requirements	**(1.1)**	(0.4)
Total expense recognised in the Income Statement	**(10.1)**	(9.3)

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

20. Pension obligations (continued)

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

	2021 **£m**	2020 £m
At the beginning of the year	**(378.7)**	(333.4)
Current service cost	**(8.8)**	(8.6)
Interest cost	**(6.0)**	(7.2)
Experience gains/(losses)	**3.3**	9.0
Actuarial gains/(losses) arising from changes in financial assumptions	**6.6**	(54.7)
Distributions	**10.6**	15.6
Actuarial gains/(losses) arising from changes in demographic assumptions	**4.6**	0.6
Obligation at the end of the year	**(368.4)**	(378.7)

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

	2021 **£m**	2020 £m
At the beginning of the year	**354.1**	311.8
Interest on assets	**5.8**	6.9
Employer contributions	**20.1**	12.7
Return on scheme assets excluding interest income	**(5.5)**	38.3
Distributions	**(10.6)**	(15.6)
Fair value at the end of the year	**363.9**	354.1

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Actual return on scheme assets	**0.3**	45.2

Analysis of amounts recognised in the Statement of Financial Position:

	2021 **£m**	2020 £m
Liability at the beginning of the year	**(92.5)**	(36.8)
Net expense recognised in the Income Statement	**(10.1)**	(9.3)
Employer contributions	**20.1**	12.7
Loss recognised in Other Comprehensive Income	**3.8**	(59.1)
Liability recognised in the Statement of Financial Position at the end of the year	**(78.7)**	(92.5)

Analysis of amount taken to Other Comprehensive Income:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Return on scheme assets excluding interest income	**(5.5)**	38.3
Experience gains/(losses) arising on funded obligations	**3.3**	9.0
Gains/(losses) arising due to changes in financial assumptions underlying the present value of funded obligations	**6.6**	(54.7)
(Losses)/gains arising as a result of adjustment made to reflect minimum funding requirements	**(5.2)**	(52.3)
Gains arising due to changes in demographic assumptions	**4.6**	0.6
Amount recognised in Other Comprehensive Income	**3.8**	(59.1)

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

20. Pension obligations (continued)

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

At 31 December 2020 the present value of the benefit obligation is £368.4m (2020: £378.7m) and its sensitivity to changes in key assumptions are:

	Change in assumption	**Present value of benefit obligations at 31 December 2021 £m**	Present value of benefit obligations at 31 December 2020 £m
Discount rate	Decrease by 0.25%	**392.4**	403.6
Rate of inflation*	Increase by 0.25%	**388.4**	399.8
Life expectancy	Increase by one year	**384.7**	395.7

* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases).

Funding levels are monitored on a regular basis by the Trustee and the Group to ensure the security of members' benefits. The next triennial valuation as at 6 April 2023 is due to be completed by June 2024 in line with the scheme-specific funding requirements of the Pensions Act 2004. As part of that valuation the Trustee and the Group will review the adequacy of the contributions being paid into the scheme.

	2021 £m	2020 £m
Expected future benefit payments		
Year 1 (2022/2021)	**11.0**	9.7
Year 2 (2023/2022)	**11.3**	10.0
Year 3 (2024/2023)	**11.7**	10.2
Year 4 (2025/2024)	**12.0**	10.5
Year 5 (2026/2025)	**12.4**	10.8
Years 6 to 10 (2027 to 2031)	**66.7**	57.8

History of scheme experience

	2020	2020
Present value of the scheme liabilities (£m)	**(368.4)**	(378.7)
Fair value of the scheme assets (£m)	**363.9**	354.1
Deficit in the scheme before adjusting to reflect minimum funding requirements (£m)	**(4.5)**	(24.6)
Experience (losses)/gains on scheme assets excluding interest income (£m)	**(5.5)**	38.3
Percentage of scheme assets	**(1.5%)**	10.8%
Return on scheme liabilities (£m)	**3.3**	9.0
Percentage of the present value of the scheme liabilities	**(0.9%)**	2.4%
Total amount recognised in Other Comprehensive Income (£m)	**3.8**	(59.1)
Percentage of the present value of the scheme liabilities	**(1.0%)**	(15.6%)

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

21. Called up share capital

	2021	2020
	£m	£m
Allotted and fully paid		
77,636,250 ordinary shares of £1 each	**77.6**	77.6

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 schemes
On 14 June 2021, Executive Directors and certain other employees were granted conditional share awards under the Company's Long Term Incentive Plan ("2021 LTIP"). On 14 December 2021, additional employees were granted conditional share awards under an extension to the same plan. The total charge recognised in the Consolidated Income Statement in relation to this scheme was £1.2m (2020: £nil).

On 14 December 2020 Executive Directors and certain other employees were granted conditional share awards under the Company's "2020 LTIP". In respect of this arrangement total charges to the Consolidated Income Statement were £1.9m (2020: £0.2m).

	2021 grant of 2021 LTIP	**2020 grant of 2020 LTIP**
Aggregate fair value at measurement date (£m)	**7.3**	9.7
Exercise price (p)	**£nil**	£Nil
Expected volatility (%)	**50.0%**	50.0%
Dividend yield (%)	**n/a**	n/a
Risk free interest rate (%)	**0.15%**	(0.13%)

The expected volatility is wholly based on the historical volatility of the Company's share price over a period from listing in 2018 to date.

On 27 June 2019 Executive Directors and certain other employees were granted conditional share awards under the Company's "2019 LTIP". On 26 October 2020 this LTIP was cancelled with total charges during the prior period amounting to £0.2m. The Directors consider this not material and hence further detailed disclosures have been omitted.

Legacy executive long–term incentive plan
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 (%)	1.70	0.14	0.65

The expected volatility is wholly based on the historical volatility of listed automotive peers over a period commensurate with the terms of each award.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

22. Share based payments (continued)

The total expense recognised for LTIP schemes and the Legacy LTIP in the period arising from equity-settled share-based payments is as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
2021 LTIP share option charge	1.2	–
2020 LTIP share option charge	1.9	0.2
2019 LTIP share option charge	–	0.2
Legacy LTIP share option charge (note 5)	–	3.8
	3.1	4.2

23. Contingent liabilities and capital commitments

At 31 December 2021 the Company was a guarantor for the Senior Secured Notes, with a carrying value of £1,074.9m (31 December 2020: £965.0m), issued by Aston Martin Capital Holdings Limited. In March 2021, Aston Martin Capital Holdings Limited issued $98.5m of New First Lien Senior Secured Notes of which the Company is a guarantor. Aston Martin Capital Holdings Limited is a subsidiary of Aston Martin Investments Limited, of which the Company is an indirect subsidiary.

In the normal course of the Group's business, claims, disputes, and legal proceedings involving customers, dealers, suppliers, employees or others are pending or may be brought against Group entities arising out of current or past operations. There is presently a dispute between the Group and the other shareholders of one of its subsidiary entities, which is ongoing and from which a future obligation may arise. The Group believes there is no basis for the dispute and is working to resolve the matters raised.

Capital expenditure contracts to the value of £14.4m (2020: £3.1m) have been committed but not provided for as at 31 December 2021.

24. Related party transactions

Amounts owed by and amounts owed to related parties at 31 December 2021 and 31 December 2020 are interest free and repayable on demand, except on the amounts borrowed from the Senior Secured Notes and the Revolving credit Facility of which there is a fixed rate of interest charged on these. These are issued by Aston Martin Capital Holdings Limited and Aston Martin Investments Limited respectively. As at 31 December 2021 the Senior Secured Notes have a carrying value of £1,074.9m (31 December 2020: £965.0m) and the utilisation of the Revolving Credit Facility was £80.0m of the £90.6m facility (31 December 2020: £78.6m of the £90.6m).

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

24. Related party transactions (continued)

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. Those entities were considered to have ceased having significant control over Aston Martin Lagonda Global Holdings plc during the year ended 31 December 2021 and therefore no figures are presented in respect of the year ended 31 December 2021.
(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 2021 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	**16.4**	**10.8**	**1.2**	–

Sales to and purchases from other related parties during the year ended, and as at 31 December 2020 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	17.1	38.7	–	5.8
Aston Martin MENA Limited	1.4	2.7	–	1.3

Transactions with directors

In the year ended 31 December 2020 an agreement was signed with a former director of the Company for the sale of a vehicle at an expected discount of £0.3m. In addition to this, a former Director of the Group purchased a vehicle at a discount of less than £0.1m in line with the employee purchases policy then in effect. There are no similar transactions with Directors for the year ended 31 December 2021.

All transactions with related parties are conducted on an arms–length basis.

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 2021 (continued)

26. Post Balance sheet events

On 31 January 2022, the Defined Benefit pension scheme operated by the Company was closed to future accrual. All active scheme participants have become deferred members. A curtailment loss of £2.8m and other associated closure costs of £10.4m are expected to be recognised by the Company during 2022 with a further £0.8m in future periods.