ASTON MARTIN LAGONDA

2018 ANNUAL REPORT

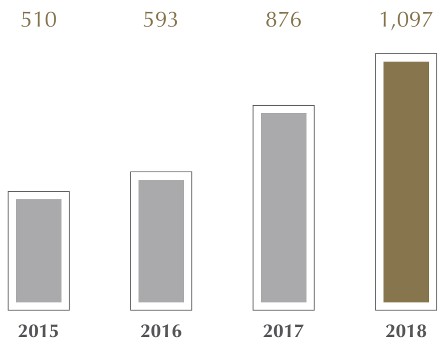
WITH OVER A HUNDRED YEARS OF HISTORY, ASTON MARTIN LAGONDA IS ONE OF THE WORLD'S MOST ICONIC LUXURY COMPANIES FOCUSED ON THE DESIGN, ENGINEERING AND MANUFACTURE OF HIGH LUXURY CARS

CONTENTS

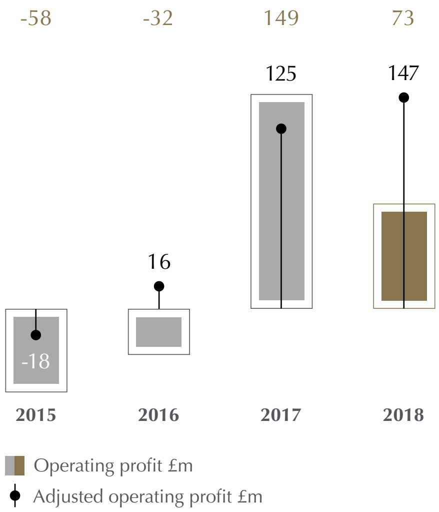
SUCCESSFULLY DELIVERING THE SECOND CENTURY PLAN

ASTON MARTIN LAGONDA HAS DELIVERED STRONG GROWTH IN 2018, WITH IMPROVING REVENUES, UNIT SALES AND ADJUSTED PROFITS.

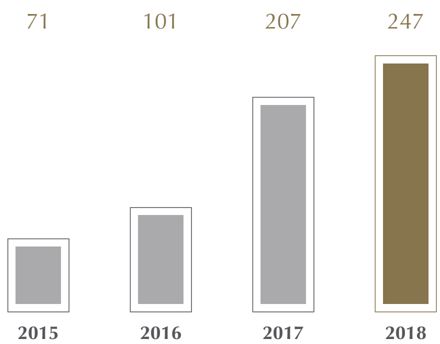
REVENUE (£'M)



OPERATING PROFIT (£'M)

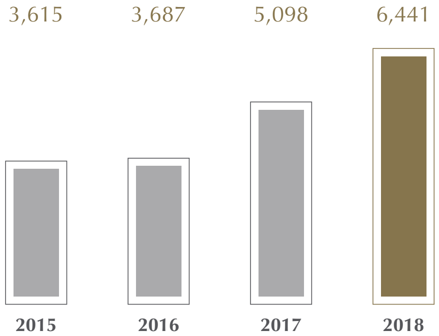


ADJUSTED EBITDA (£'M)

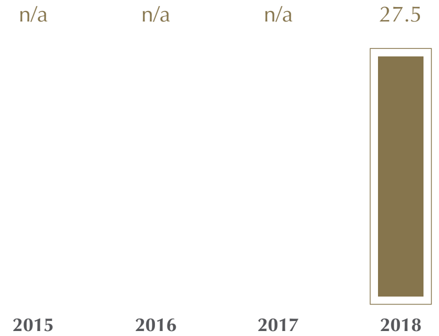


For details on alternative performance measures see note 34 in the consolidated financial statements.

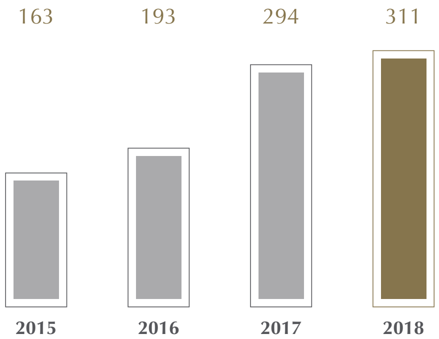
WHOLESALE VOLUMES (UNITS)



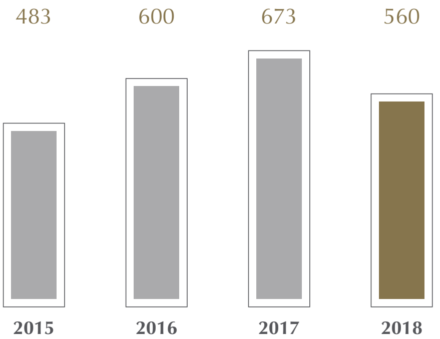
ADJUSTED DILUTED EPS NORMALISED (PENCE)



CAPEX (£'M)



NET DEBT (£'M)



TO BE THE GREAT BRITISH CAR COMPANY THAT CREATES THE MOST BEAUTIFUL AND ACCOMPLISHED AUTOMOTIVE ART IN THE WORLD

UNIQUE LUXURY BRITISH BRAND DEFINED BY UNPARALLELED DESIGN AND BEAUTY

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FOR MORE INFORMATION

OPTIMALLY POSITIONED TO ADDRESS THE WHOLE SPECTRUM OF THE AUTO LUXURY MARKET

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FOR MORE INFORMATION

CLEAR GROWTH STRATEGY BASED UPON OUR SECOND CENTURY STRATEGY AND SEVEN MODEL PLAN

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FOR MORE INFORMATION

BRAND-ENHANCING SPECIALS PROGRAMME DRIVES DESIRABILITY AND EXCLUSIVITY

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WORLD-CLASS DESIGN AND ENGINEERING COUPLED WITH STRONG EXECUTION

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STRONG FINANCIAL PERFORMANCE WITH MOMENTUM AND VISIBLE GROWTH

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INDUSTRY-LEADING, PASSIONATE TEAM WITH PROVEN STRATEGIC VISION AND EXECUTION TRACK RECORD

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FOR MORE INFORMATION

OUR PRESTIGIOUS PAST OUR BRIGHT FUTURE

UNIQUE LUXURY BRITISH BRAND DEFINED BY UNPARALLELED DESIGN AND BEAUTY

ICONIC LUXURY BRITISH SPORTS CAR BRAND	FASTEST-GROWING BRITISH BRAND AND AUTO BRAND GLOBALLY[1]
LUXURY BRAND OF THE YEAR[2]	INDEPENDENT LUXURY CAR GROUP WITH OVER A CENTURY OF HERITAGE

Lionel Martin and Robert Bamford's coming together – our origins as a company – was an expression of the love of beautiful cars. Both had a passion and a talent for machines, propulsion, engines and racing. They shared a love for the motor car because it provided them with the most exhilarating, memorable experiences. Moments that they craved to recreate, repeat and share. That love of beautiful drove them to hand-build cars that were ever faster, more powerful, thrilling to drive, more comfortable – beautiful – than the previous.

Little wonder then that they named Aston Martin after one singular event. A moment of pure driving beauty, when Lionel Martin took on the Aston Clinton Hill Climb race in their creation… and won.

There was nothing conventional about Wilbur Gunn, the British-American opera-singing engineer who founded Lagonda. He built the fastest steam yacht on the Thames, the motorbike that represented Great Britain in the International Cup and the innovative car that caught the eye of the Tsar in the Moscow to St Petersburg race of 1910.

Aston Martin and Lagonda came together in 1947 when both were purchased by the late Sir David Brown. More recently under the leadership of Dr Andy Palmer and a new management team, the Company launched its Second Century Plan that revived Aston Martin and will reintroduce Lagonda as the world's first 100% emissions free[3] luxury auto brand.

1. Named by Brand Finance in 2018
2. Luxury Briefing Awards 2018
3. Emissions free at tail pipe

ASTON MARTIN

FOR THE LOVE OF BEAUTIFUL

- ESTABLISHED IN 1913
- FUSES LATEST TECHNOLOGY, EXCEPTIONAL HAND CRAFTSMANSHIP AND TIMELESS DESIGN
- DRIVEN TO CREATE CARS THAT ARE AS BEAUTIFUL TO DRIVE AND TO OWN AS THEY ARE TO LOOK AT
- ELECTRIFICATION AND HYBRIDISATION FEATURE PROMINENTLY IN LOW- AND ZERO-EMISSION VEHICLE STRATEGY

LAGONDA

FOR THE WONDER OF TRAVEL

- ESTABLISHED IN 1899
- INTERSECTION OF HAND-CRAFTED LUXURY AND CUTTING EDGE TECHNOLOGY
- REDEFINING LUXURY TRAVEL BY FINDING NEW AND BETTER WAYS TO MOVE
- FULLY ELECTRIC POWERTRAIN

ACCELERATING OUR BUSINESS

SECOND CENTURY PLAN UNVEILED

DB11 WINS T3 DESIGN OF THE YEAR AWARD

2015

2016

Vantage GT12 unveiled

DB11 unveiled

Zagato Coupe unveiled

Vulcan unveiled

Vantage GT8 unveiled

Aston Martin and Red Bull Racing innovation partnership announced

PURCHASE OF AM BRANDS

DB11 WINS PRESTIGIOUS GOLDEN STEERING WHEEL AWARD

STABILISATION ACHIEVED

2017

Vantage unveiled

Vantage AMR Pro unveiled

Zagato Volante unveiled

CORE STRENGTHENING PHASE
SUBSTANTIALLY COMPLETE

FLOTATION ON LONDON
STOCK EXCHANGE

LAUNCH OF ASTON MARTIN RACING

ASTON MARTIN NAMED LUXURY
BRAND OF THE YEAR

ASTON MARTIN COMPLETES FIRST
YEAR AS LEAD SPONSOR OF ASTON
MARTIN RED BULL RACING

DB11 'WHAT CAR' AWARD 2018
(COUPE MORE THAN £50,000)

AWARDED "WHAT CAR" CAR OF THE
YEAR IN 2019 FOR THE DB11 V8

2018

Zagato Speedster unveiled

Zagato Shooting Brake unveiled

DBS Superleggera unveiled

DB4 GT unveiled

2019

DBX to unveil

Valkyrie to unveil

St Athan, Wales factory opening

FUTURE PORTFOLIO
EXPANSION ACHIEVED

2022


DB4 GT Zagato to unveil


Lagonda SUV to unveil


Lagonda sedan to unveil

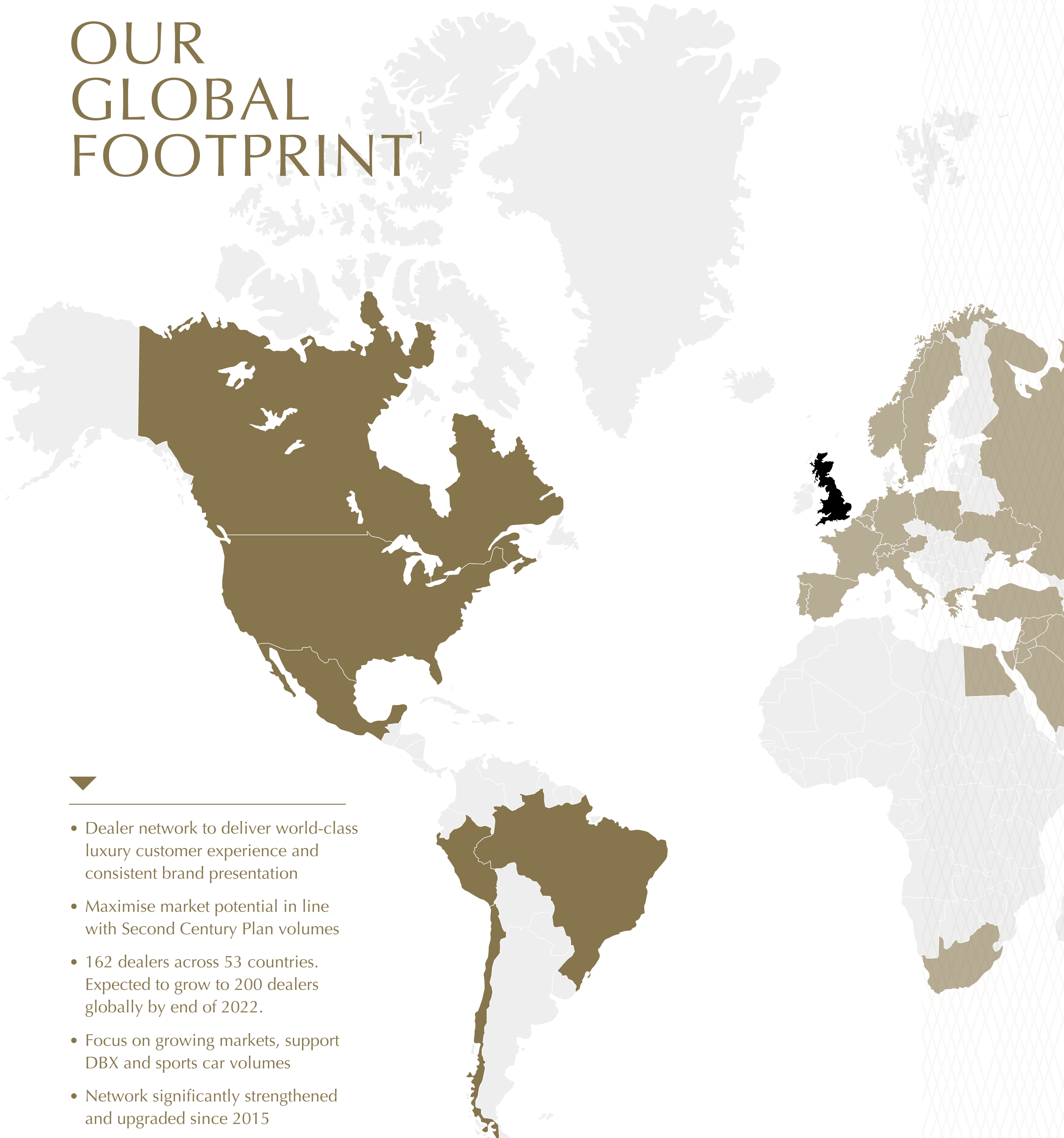

Rapide E to unveil


Valkyrie AMR Pro to unveil

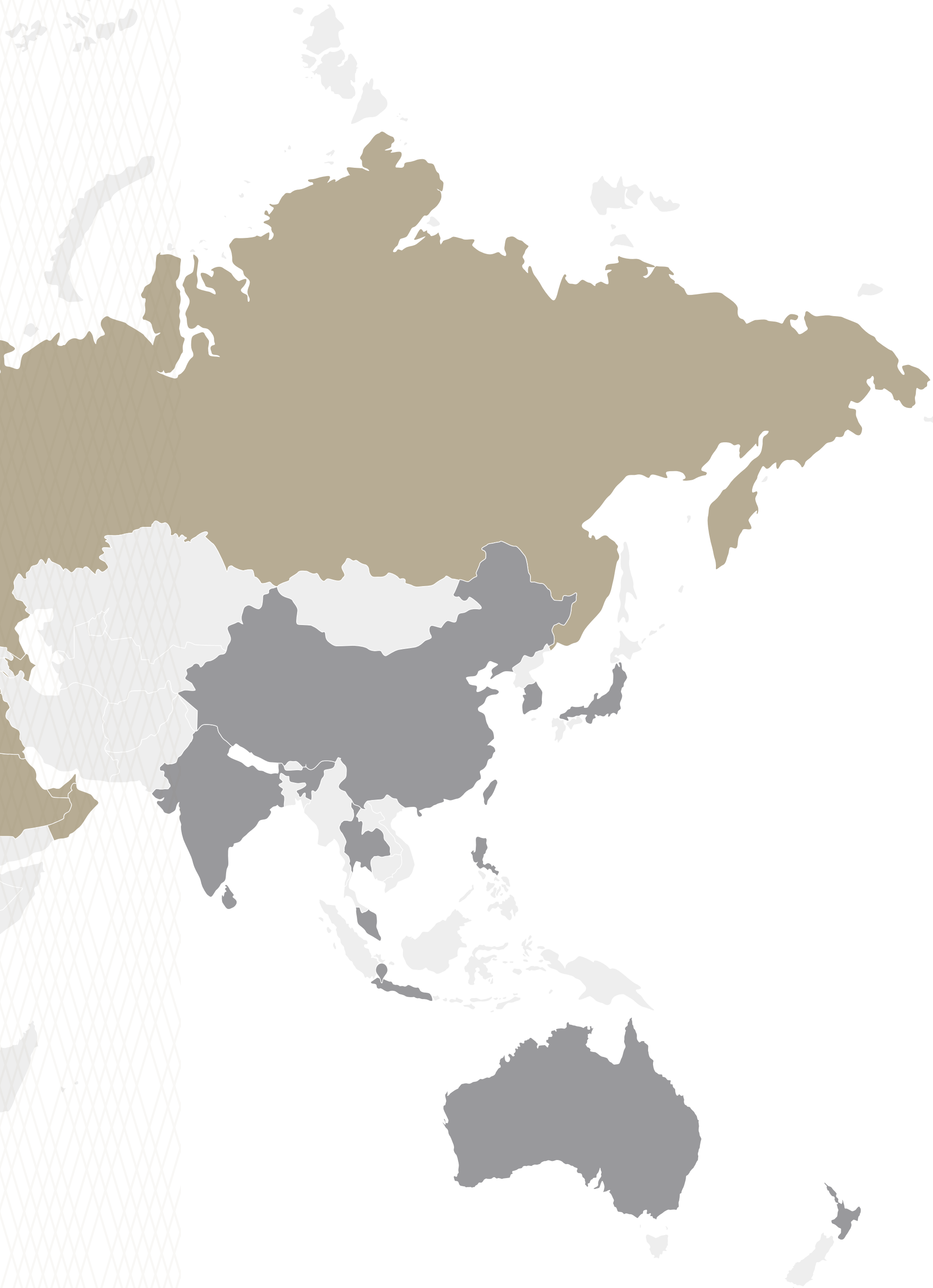

Vanquish to unveil


Project 003 to unveil

OUR GLOBAL FOOTPRINT[1]



- Dealer network to deliver world-class luxury customer experience and consistent brand presentation
- Maximise market potential in line with Second Century Plan volumes
- 162 dealers across 53 countries. Expected to grow to 200 dealers globally by end of 2022.
- Focus on growing markets, support DBX and sports car volumes
- Network significantly strengthened and upgraded since 2015
- Flagship "brand centres" in key locations such as London, Tokyo and Shanghai.



ASIA PACIFIC

NUMBER OF DEALERS: 42
WHOLESALE VOLUMES[2]: 1,393
INCREASE ON 2017: 44%

EMEA[3]

NUMBER OF DEALERS: 55
WHOLESALE VOLUMES[2]: 1,489
INCREASE ON 2017: 13%

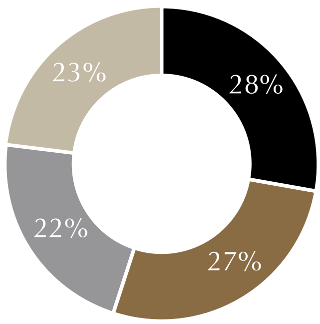
UK[4]

NUMBER OF DEALERS: 21
WHOLESALE VOLUMES[2]: 1,798
INCREASE ON 2017: 17%

AMERICAS

NUMBER OF DEALERS: 44
WHOLESALE VOLUMES[2]: 1,761
INCREASE ON 2017: 38%

WHOLESALE VOLUMES BREAKDOWN BY REGION



1. Global footprint represents dealer summary as at year end 2018
2. Wholesale volumes include core and special models
3. EMEA includes Europe, Middle East and Africa (excluding the UK and South Africa)
4. UK includes South Africa

CHAIR'S STATEMENT

PENNY HUGHES, CBE

2018 WILL ALWAYS BE CONSIDERED A LANDMARK YEAR FOR ASTON MARTIN LAGONDA AS THE COMPANY LISTED ON THE LONDON STOCK EXCHANGE ON 8 OCTOBER. I FEEL PRIVILEGED TO HAVE BEEN APPOINTED CHAIR ON LISTING.

The work required to prepare and successfully list a business on the public markets is immense. It is right that the relevant authorities set such high standards, but I want to pay tribute to the skill and diligence of all involved in the IPO process. It is therefore particularly pleasing that the business also delivered strong growth in 2018 in line with our Second Century Plan. Total wholesale volumes and revenue were ahead 26% and 25% respectively, with adjusted EBITDA of £247m up 20%.

I am pleased to share my first impressions as I undertake a significant induction programme of getting to know the business. My visits to Gaydon, the location of our head office and primary design and manufacturing unit, have allowed me to meet with the senior leadership team, appreciate the design vision and observe the manufacturing process. Each of my visits to St Athan, Wellesbourne and Newport Pagnell have been informative. St Athan is on track as our second major manufacturing facility and will commence prototype production of Aston Martin DBX, our SUV, in 2019, moving to full production in 2020. Wellesbourne, our Specials Operations Centre, and Newport Pagnell, our Centre for Heritage Cars, exemplify the breadth of the Aston Martin models to which our design and engineering talent is being applied. Throughout the Company I have met passionate colleagues dedicated to delivering handmade excellence. Having focused so far on our people, our operations and our cars, I look forward to seeing more of our sales capabilities and visiting dealerships in 2019.

We have also put much energy into developing our ways of working as a new Board. There is more relevant detail in our Governance and Committee Reports later in this Annual Report. We have spent time familiarising ourselves with the Second Century Plan, monitoring performance and approving various management proposals and Company announcements. A newly listed business has a significant workload to establish the routines necessary to meet the UK Corporate Governance Code. Both the Audit and Risk and Remuneration Committees have made great strides to meet the relevant standards. One area where we are committed to making further progress is in Board composition. We are currently not Code compliant in relation to the proportion of independent Non-Executive Directors on the Board and Committees. We remain committed to becoming fully compliant with the Code in this respect within 12 months from Admission but I am able to confirm that the required check and balance of our Board discussions have been evident. I am grateful to Board members for their contribution and knowledge and for supporting the transition to a PLC Board to progress at some pace.

Perhaps the most striking thing for me is the deeply held passion by so many for the Aston Martin and Lagonda brands. I have been impressed by so many stories of what it means to own an Aston Martin and how proud so many people are of such a British manufacturing success story. There is no greater motivation for our work to make this a sustainably successful business, celebrated globally and delivering beauty and innovation in luxury performance cars.

I am grateful to the Executive team who have welcomed all our new Board members. President and Group CEO Andy Palmer and EVP and CFO Mark Wilson have, in particular, engaged significantly alongside their own demanding roles. The high calibre of the executive team is clear and has been recognised externally by gaining many prestigious awards, the most notable of which are the Automotive News All Stars Awards awarded to Andy for the Luxury Automaker category and to our EVP and Chief Design Officer, Marek Reichman, for the Design category.

But it's also good to feel the healthy culture and the importance placed on skills and training and in particular safety at work. The Company's culture programme, characterised as the "Aston Martin Way", is aimed at promoting the appropriate behaviours we need to achieve our plans and to support a diverse and inclusive workforce. Our safety record over recent years has been strong, as evidenced by our being awarded a seventh Sword of Honour by the British Safety Council, but we aim for continuous improvement.

We are operating in somewhat challenging markets as we navigate Brexit uncertainty and wider global economic events. At these times the best we can do is to focus and deliver the results that are expected of us and demonstrate the execution of our plans. We are committed to significant profitable growth over the coming years in order to create value for all our stakeholders.

PENNY HUGHES, CBE
CHAIR

27 FEBRUARY 2019

CRAFTING FUTURE LEAN VALUE

WHAT WE PUT IN

BRAND AND HERITAGE
Iconic luxury British sports car brand with over 100 years of heritage, known for its excellence in design and engineering. Expertise in the high luxury car market.

PEOPLE, SKILLS AND INNOVATION
Design expertise and creativity. Highly skilled and flexible manufacturing workforce. In-house academy dedicated to training and up-skilling our manufacturing technicians and global online learning and development platform for all employees.

EXTENSIVE DEALER NETWORK
Franchise dealership network of 162 dealers across 53 countries at the year-end, delivering a world-class luxury customer experience and consistent brand presentation.

INNOVATIVE PARTNERSHIPS
Carefully chosen partnerships provide a source of technical expertise, brand strengthening, customer engagement and future growth.

WORLD-CLASS SUPPLY BASE
High-quality strategic suppliers identified and sourced across multiple platforms.

INVESTMENT
Investment through the Second Century Plan focused on creating a sustainable luxury business to create value for shareholders.

1. CUSTOMER-FOCUSED PRODUCTS

- Analyse market, determine target customer, assess customer needs
- Targeted product offering to capture all key luxury model segments
- Personalisation and commissioned models
- Product strategy to deliver consistent volume/growth

5. BRAND AND CUSTOMER ENGAGEMENT

- Brand building through customer engagement and luxury experiences with motorsport focus
- Selective, brand accretive partnerships
- Ongoing customer relationship management and targeted and responsive after-sales service

4. SALES AND DISTRIBUTION

- Global dealership network with expansion focused on key growth markets
- Dealerships and regional sales teams delivering world-class customer service and experiences
- Strategic lean marketing including motorsport, product launches, key motoring events, product placement and client events

2. DESIGN AND INNOVATION

- Beautiful design and craftsmanship using authentic materials
- Close collaboration between design and engineering teams to combine the best of both beauty and performance
- Modular architecture approach links design and engineering to provide "lean" consistency and efficiency
- High level of in-house expertise along with key partnerships to enhance technological capabilities

3. ENGINEERING & MANUFACTURING

- Manufacturing operations based on principles of quality, craftsmanship, lean and efficient teamwork
- Modular-based engineering and "carry over-carry across" ("COCA") principle for cost savings and model synergies
- "Beyond Lean"™ manufacturing methodology allows efficient and effective build of numerous vehicle derivatives
- Strategic approach to procurement
- Quality processes focus on "right first time" lean engineering

THE "LEAN" VALUE WE CREATE

CUSTOMERS

Customers experience an emotional connection with the brand as product design, performance and quality ensure a high-class and unique experience. The strong connection between our customers and our products has enabled us to build a strong and loyal customer base.

EMPLOYEE PROGRAMMES

Successful apprenticeship and graduate programmes attract emerging talent into our business. 27 new graduates and 50 apprentices started their career at the Company in 2018.

INVESTORS

Clear long-term financial framework aimed at strong growth and investment to deliver long-term sustainable returns for our investors.

SUSTAINABILITY/COMMUNITY

Our commitment to responsible and sustainable economic growth, and to doing business in an ethical and transparent manner.

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

DR ANDY PALMER,CMG

I AM DELIGHTED TO INTRODUCE ASTON MARTIN LAGONDA'S ANNUAL REPORT FOR 2018, ITS FIRST AS A PUBLICLY-LISTED COMPANY.

SUCCESSFULLY DELIVERING THE SECOND CENTURY PLAN

In 2018 we continued the successful delivery of our Second Century Plan, building a sustainable luxury business for the long-term. We have delivered strong growth in 2018, a strong financial performance, world-class products and put in place the building blocks for future growth. Revenue of £1.1bn was up 25% year-on-year and adjusted EBITDA of £247m up 20% year-on-year thanks to continued demand for both our core cars and special projects. Total volumes grew 26% year-on-year to 6,441 units, mainly attributable to the successful delivery of the new Vantage, DBS Superleggera and special editions of the Vanquish Zagato Shooting Brake, Vanquish Zagato Speedster and DB4 GT Continuation.

LISTING ON THE LONDON STOCK EXCHANGE

In October we successfully completed our IPO on the London Stock Exchange. The offer size was £1.19 billion, representing 27.5 per cent of Aston Martin Lagonda's issued share capital and a market capitalisation of approximately £4.3 billion on the first day of trading.

BUILDING A SUSTAINABLE LUXURY BUSINESS

Our Second Century Plan, announced at the Geneva Motor Show in 2015, is focused on building a sustainable luxury business. Phase 1 of the Plan, Business Stabilisation, was completed in 2017 as we delivered record profitability thanks to the successful launch of DB11 and unprecedented demand for our Special Editions. Phase 2, Core Strengthening, substantially completed in 2018 with the launch of the new Vantage and DBS Superleggera delivering strong volume growth. In launching these cars, our core sports car range has now been replaced, with the convertible versions of DBS Superleggera and new Vantage to follow.

Phase 3, Portfolio Expansion, continues to progress to plan. Development of DBX, our first SUV, remains on track whilst the development of the Aston Martin Valkyrie and Project 003 has set the tone for our expansion into mid-engine sports cars. The re-launch of the Lagonda brand, planned to be the world's first zero-emission[1] luxury brand when it arrives with an SUV and Sedan, will complete this third and final phase.

Much of our success since 2015 is due to the robust delivery of our Second Century Plan. Delivery of this strategic plan is managed through a "Hoshin Kanri" methodology consisting of 6 core pillars.

- Inspiring customer-focused luxury products
- Strengthened global brand and sales power
- World-class value and lean processes
- Top-class quality
- Passionate people and culture and corporate responsibility
- Clear long-term financial framework

1. INSPIRING CUSTOMER-FOCUSED LUXURY PRODUCTS

Designing and developing products that are as beautiful to drive and to own as to look at, has been fundamental to our growth. Our planned seven car portfolio aims to address the seven key customer clusters within the approximately 18 million global high net worth individuals (see page 22). The successful replacement of our sports car range has delivered some of the most exciting products in our history. DBS Superleggera received 5* awards from both Autocar and What Car whilst DB11 V8 was the first Aston Martin to win a What Car award in the Company's history. To appeal to a broader spectrum of customers, our first SUV, DBX, continues its successful development with the car set to be revealed in 2019.

Alongside these core cars, our specials projects continue to be highly subscribed. Valkyrie AMR Pro, Vanquish Zagato Speedster and Vanquish Zagato Shooting Brake all continue this success and our first continuation model, DB4 GT, completed production in the fourth quarter. We announced our intention to build on this success with a DB4 GT Zagato recreation planned for 2019 to mark the centenary of Zagato and DB5 Goldfinger continuation planned for 2020.

[1] emission free at tail pipe

2. STRENGTHENED GLOBAL BRAND AND SALES POWER

Historically our brand awareness and sales volumes have been heavily weighted towards the UK. In 2015, the Company sold 28% of our cars in the UK. However, by 2018 this had shifted with regional volumes becoming more balanced, with Asia Pacific the fastest-growing region, up 44% now 22% of Group volume (including China up 31%). This was closely followed by the Americas up 38% (now 27% of Group volume). The UK ended 2018 up 17%, comprising 28% of Group volume.

Much of this success is thanks to our strengthened dealer network. In 2018 we increased our presence from 16 to 18 dealers in China, driving an increase in sales of 31% year-on-year in the country. The EU, US and APAC dealer network has also been strengthened with openings in key locations including Madrid, Brussels and Ho Chi Minh City. Since 2015 we have opened or refurbished 32 new dealers worldwide and refurbished an additional 31 dealers as part of the Second Century Plan.

Across the world we continue to drive brand affinity relationships with our customers, increasing our fixed marketing activities to raise brand awareness and to bring new customers to the brand. Our first season as title sponsors of the Aston Martin Red Bull Racing Formula 1™ team has given us exposure to around 490 million viewers globally. In parallel, our development of the Aston Martin Valkyrie with Red Bull Advanced Technologies will result in the production of a hyper car that redefines the hyper car segment by transferring Formula 1™ technology to the road. During 2018, the Company celebrated the maiden victory for the new Vantage GTE racecar at Shanghai in the World Endurance Championship.

EXECUTIVE TEAM

DR ANDY PALMER, CMG

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

JOHN GRIFFITHS

VICE PRESIDENT AND CHIEF PURCHASING AND SUPPLY OFFICER

MICHAEL KERR

VICE PRESIDENT AND CHIEF HR OFFICER

SIMON SPROULE

VICE PRESIDENT AND CHIEF MARKETING OFFICER

MARK WILSON

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

MAREK REICHMAN

EXECUTIVE VICE PRESIDENT AND CHIEF CREATIVE OFFICER

CHARLOTTE COWLEY

DIRECTOR OF INVESTOR RELATIONS

RICHARD HUMBERT

VICE PRESIDENT AND CHIEF QUALITY OFFICER

STEPHANIE JACKSON

DIRECTOR OF CORPORATE STRATEGY

DAVID KING

VICE PRESIDENT AND CHIEF SPECIAL OPERATIONS OFFICER, PRESIDENT OF ASTON MARTIN RACING

NICK LINES

VICE PRESIDENT AND CHIEF SALES OFFICER

MICHAEL MARECKI

VICE PRESIDENT AND GENERAL COUNSEL

NIKKI RIMMINGTON

VICE PRESIDENT AND CHIEF PLANNING OFFICER

KEITH STANTON

VICE PRESIDENT AND CHIEF MANUFACTURING OPERATIONS OFFICER

CATHERINE SUKMONOWSKI

COMPANY SECRETARY AND DIRECTOR OF CORPORATE GOVERNANCE

MAXIMILIAN SZWAJ

VICE PRESIDENT AND CHIEF TECHNICAL OFFICER

3. WORLD-CLASS VALUE AND LEAN PROCESSES

As part of our continued improvement in processes during 2018 we have refined our product development process to ensure robust and lean vehicle programme governance throughout the product lifecycle. The strength of our processes and teamwork has been demonstrated by the successful launch in 2018 of the DB11 variants the Volante and DB11 AMR, and the new Vantage and DBS Superleggera. All of these projects were delivered on time, with the DBS Superleggera launching three weeks early. Much of this success is thanks to our "carry over-carry across" lean process which reduces capital expenditure, delivery time and risk, as components and systems were carried over from the DB11 onto all these programmes.

Within manufacturing, our "Beyond Lean"™ methodology enables us to create a car that is more akin to a tailor-made suit, accommodating almost unlimited build combinations as our customers require, whilst at the same time operating in a lean and agile manner. These processes underpin the development of our new manufacturing facility in St Athan, Wales which is on track to start pre-production of the DBX in the first half of 2019.

With our plans to reach an optimised capacity of around 14,000 units of production over the medium term, our focus now is on developing a robust supply base capable of meeting these requirements. We are putting in place robust and lean supplier management scorecards and processes to address some of the supply issues we experienced in 2018.

In anticipation of the UK's departure from the EU and to further strengthen the senior team, we recruited a Chief of Purchasing and Supply Chain Officer during 2018. We also have plans in place to mitigate the impact on the business from potential supply chain disruption should the UK withdraw from the EU without an agreement or in an unstructured manner.

4. TOP-CLASS QUALITY

We recognise the necessity of instilling robust quality processes to ensure that our customers receive exceptional products and service levels. As a result, we have focused on three core disciplines with obsessive attention to detail to strive to achieve perfection in every element of our cars. All our cars are hand-built with a focus on "right first-time" lean engineering, quality of supplied parts and post-sale customer service which has delivered improvement in end of line quality on all core models through 2018.

5. PASSIONATE PEOPLE AND CULTURE AND CORPORATE RESPONSIBILITY

We believe that an important component of our success is to inspire and foster a culture of passion, collaboration, accountability, opportunity and creativity – with our employees themselves ranking passion as their most recognised value. To build a sustainable culture we have introduced the Aston Martin Way, a set of tools, processes and procedures which enable our workforce to work as one team, with one vision and one way of working together. This involves developing a clear understanding of the AM Way among all employees, encouraging a culture that fosters discipline through creativity and role modelling, and embedding the AM Way behaviours through our HR processes.

At the end of 2018 we employed 2,532 people globally. Throughout 2018 we have recruited a number of experienced senior hires within our engineering function to ensure that we stay at the forefront of design and technology. We are also investing in the future, with 27 new graduates and 50 apprentices starting their career at Aston Martin Lagonda in 2018 – the largest intake in the Company's history.

"WE WILL CONTINUE OUR DISCIPLINED INVESTMENT IN OUR FUTURE PRODUCT PORTFOLIO THROUGH 2019 WHILST EXPECTING TO SEE THE RETURNS FROM THE INVESTMENTS WE HAVE MADE IN OUR RECENT PRODUCTS."

6. CLEAR LONG-TERM FINANCIAL FRAMEWORK

Our long-term financial framework of growth, margin expansion and cash generation underpins the financial performance of the Company. Mark Wilson's EVP and Chief Financial Officer's Statement sets this out in detail. As we stated on IPO, it is our intention during the current phase of our development to retain cash flow to finance growth and to focus on the delivery of the Second Century Plan.

CONCLUSION AND OUTLOOK

2018 was an outstanding year for the Company, delivering strong growth, with improving revenues, unit sales and adjusted profits. As the UK's only listed automotive group, we have demonstrated our legitimacy in the global luxury market. Our well-defined expansion plans, that combine high-performance cars with iconic-brand status, are on track as we manage through the uncertaintities and disruption impacting the wider auto industry.

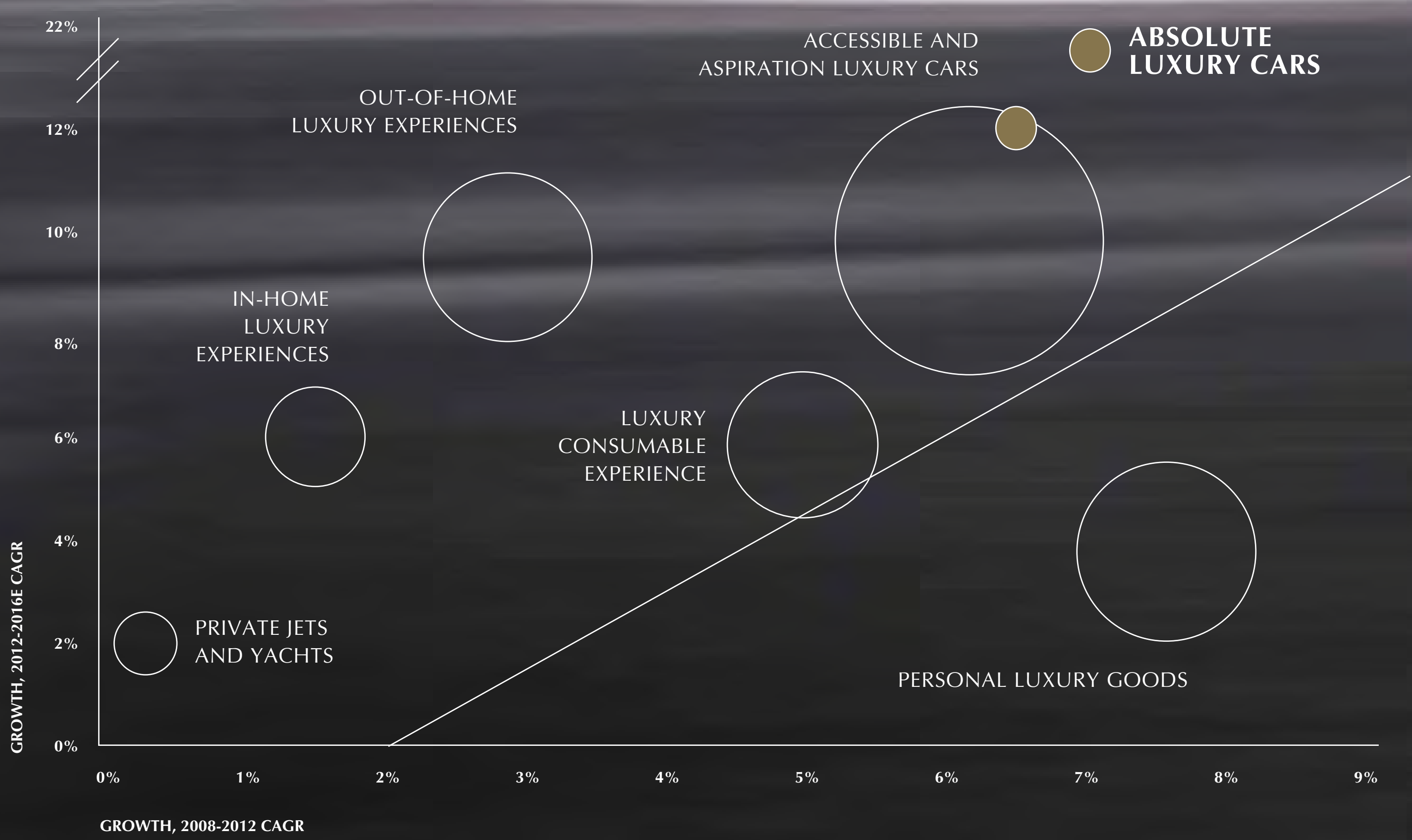
Given our progress on the Second Century Plan we are confident that Aston Martin Lagonda will deliver another year of growth. Whilst we are mindful of the uncertain and more challenging external environment, particularly in the UK and Europe, we remain disciplined in our execution and maintain our guidance for the financial year 2019, whilst also reconfirming our medium-term objectives.

I would like to thank our shareholders for their support in our first few months as a public company and our employees for their continued passion, dedication and expertise.

DR ANDY PALMER, CMG
PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

27 FEBRUARY 2019

THE LUXURY MARKET OPPORTUNITY



Aston Martin Lagonda's market positions

Source: Luxury Goods Worldwide Market study: 2016 (Bain & Company)
Note: HNWI represents individuals with assets $1-50m

Aston Martin Lagonda operates within the high luxury car segment ("HLS") where it is positioned along with other key players such as Bentley, Ferrari, Lamborghini, McLaren and Rolls-Royce. HLS car manufacturers typically employ a low-volume production strategy to maintain a reputation of exclusivity and scarcity among customers. This low-volume strategy, combined with the quality and performance of the cars produced, typically allows manufacturers to charge high average selling prices. Customer demand is enhanced through new product offerings, which tend to drive sales volumes even in difficult market conditions. Demand is maintained through the lifecycle of the product by introducing new derivatives, performance upgrades, new personalisation options and improved quality.

The market can be broken down by price range and the degree of sporting characteristics of specific car models such as hypercars, supercars, sports cars, grand tourer cars, super grand tourer cars, SUVs and sedans. Hypercars and special editions are the top models within the HLS car market. These products are produced in very limited volumes, are priced at significant premiums and can appreciate quickly following their initial sale. These models also provide a "halo" effect for a product range and enable the introduction of new technologies which can then be applied to the broader product range.

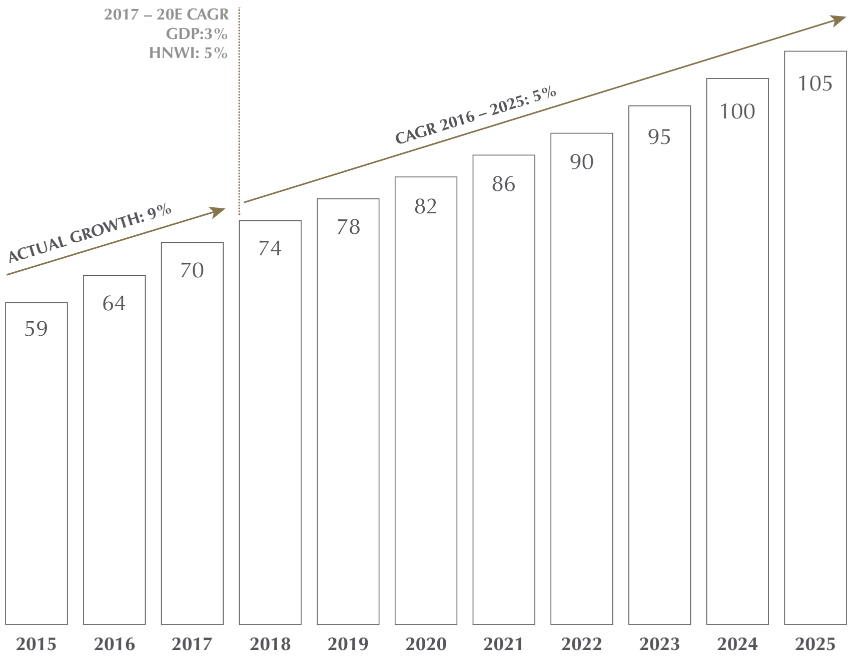
Manufacturers within the market have strong brand recognition, established through a history of iconic, exclusive products, and are often associated with the motorsport industry. This brand recognition and history provides a barrier to entry into the market. This has also led to many car models becoming an investment class of their own with certain models attracting high secondary market values, further enhancing overall demand for HLS cars.

Since 2008, the spend on luxury cars has grown faster than the spend on the broader personal luxury goods market. The luxury car segment, with an estimated value of €495 billion in 2018, was one of the fastest-expanding segments in the worldwide luxury market, growing approximately 5 per cent in 2018. The most exclusive end of the market (absolute luxury cars, which includes hypercars) has the fastest growth rate (having experienced over 22 per cent compounded growth from 2012 to 2016).

The growth in the HLS is driven mainly by an expanding population of high net worth individuals ("HNWIs"), the key customer in the market. The population of HNWIs has grown by 9 per cent to 18.1 million HNWIs globally, boosted by global economic growth and wealth creation, particularly in certain emerging economies.

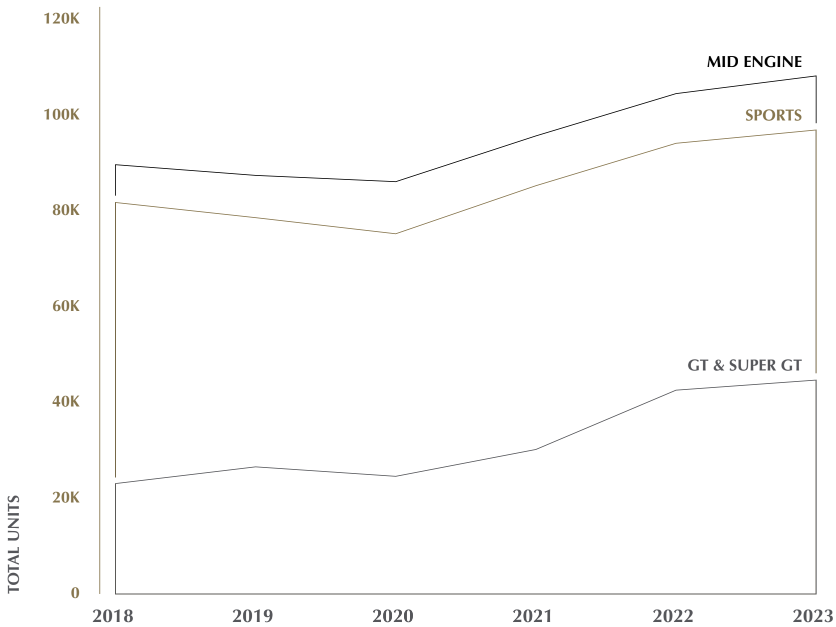
Established HLS markets include Europe, North America and Japan which benefit from a high density of HNWIs, advanced infrastructure and generally high brand awareness. Developing markets such as Russia, India, China and the wider Asia Pacific region are rapidly gaining in importance. In particular, the growth of HNWIs in China has been both significant and consistent over the last few years. Although HNWI customers are less affected by the economic cycle, other factors such as uncertainty of economic outlook, declining return on investments, reduced income streams and social acceptance can impact customers' willingness to buy HLS cars.

EVOLUTION OF HNWI FINANCIAL WEALTH (USD TRILLIONS)



Sources: World Wealth Report 2018 (Capgemini), Global Economic Prospects 2018 (World Bank Group)
Note: HNWI represents individuals with assets $1-50m

GT, SPORTS, MID ENGINE GROWTH (UNITS)



Source:
IHS Markit Global Automotive Outlook, 2018

The luxury sports and GT and super GT segments are expected to continue to grow and the performance premium segment (from which Aston Martin Lagonda also draws customers) is also predicting growth. Combined, these segments are expected to grow by over 19% between 2018 and 2023. The expanding mid-engine segment is also expected to provide an opportunity for volume growth, as well as an increase in the average selling price of the Company's models. Combined, the luxury and performance premium GT, sports and mid-engine markets are expected to reach close to 110,000 units by 2023.

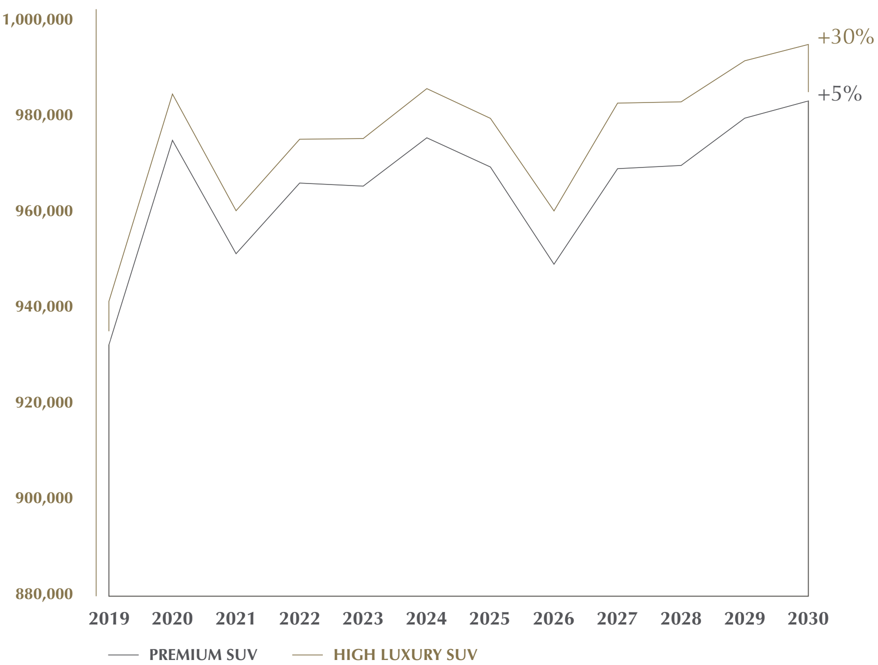
Luxury SUVs are a rapidly growing segment of the HLS car market. The premium SUV sector is forecast to grow by 5 per cent between 2019 and 2030, and the high luxury SUV segment is forecast to grow by 30 per cent during the same period. Existing ownership of SUVs among the HLS car customer base is expected to support the increased penetration of luxury SUVs, as producers target HNWIs seeking to upgrade their existing vehicles.

Similarly, the luxury sedan segment of the HLS car market (which is currently dominated by Rolls-Royce and Bentley) offers an opportunity to increase the Company's breadth of product offering. As these products are typically priced higher than GT and sports cars this presents an opportunity to increase the average selling price of the Company's products.

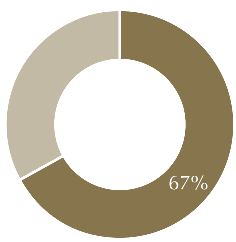
Within the broader passenger car market, the adoption of stringent emissions targets by regulators, combined with a consumer preference to conserve fuel for economic and environmental reasons, has driven growth in the demand for both hybrid and electric vehicles. Cost is currently a limiting factor in the demand for electric vehicles but advancements in battery technology are expected to close the gap with conventional internal combustion powertrains over the coming years. In the longer term as technology develops, it is expected that there will be a marked shift in automotive powertrains, with both governments and OEMs announcing longer-term emissions targets.

LUXURY SUV GROWTH

GLOBAL SUV SALES (UNITS)



PROPORTION OF ASTON MARTIN OWNERS WHO ALREADY OWN AN SUV



Sources: IHS Markit Global Automotive Outlook 2018, Wealth-X report 2018,

Company information for proportion of SUV owners based on Aston Martin owners.
Markit Global Automotive Outlook data for SUV target market share and addressable market

OUR RESPONSE TO THE MARKET

OUR SECOND CENTURY PLAN IS FOCUSED ON CREATING A SUSTAINABLE LUXURY BUSINESS AND IS UNDERPINNED BY A TARGETED PRODUCT STRATEGY.

Our product strategy has been derived from our customer mapping and clustering techniques as well as market and competitor analysis and positioning. This enables us to effectively tailor our products to target a broader range of customers, cater to distinct customer preferences through a diverse model range offering differentiated characteristics, as well as to take advantage of growing market segments.

MORE INFORMATION ON THE SECOND CENTURY PLAN IS SET OUT FROM PAGE 26.

OUR STRENGTHS	MARKET/INDUSTRY FACTORS	SECOND CENTURY PLAN
Brand, exclusivity, demand and pricing power provide for strong positioning in the growing luxury car segment	The HLS car segment, with an estimated value of €495 billion in 2018, was one of the fastest-expanding segments in the global luxury market, growing approximately 5% in 2018.[1] Strong brand recognition enhanced through continued improvements in product offerings, restoration and maintenance of heritage products, participation within motorsport industry and selective marketing activities. Exclusivity and heritage have contributed to evolving many HLS car models into an investment class with significant secondary market values, contributing to demand. Low-volume production strategy, exclusivity combined with high quality and performance of cars promotes premium pricing and high margins. Demand enhanced through new product offerings and maintained through product lifecycle by introduction of new derivatives, performance upgrades, personalisation options and improved quality.	We are positioned solely in the high luxury segment of the market, although we attract some customers from the upper end of the premium segment. The Aston Martin brand is one of the most globally recognised luxury brands and a leader in the HLS car market. Aston Martin has been recognised in 2018 as the fastest-growing British brand and auto-brand globally.[2] We have a strong secondary market for many of our models. For example, the secondary market values of the DB5 Coupe and DB5 Volante have increased by 30 times and 24 times, respectively, since 1995.[3] Our operating model is based on an optimal balance between supply and demand to promote strong average selling prices and margins. Our 7x7x7 product strategy supports the regular launch of desirable models, derivatives and special editions across the breadth of our product offer to stimulate demand and support growth.

1. Bain & Co, Luxury Goods Worldwide Market Study 2018
2. Brand Finance 2018
3. Internal study conducted by Aston Martin Works

OUR STRENGTHS	MARKET/INDUSTRY FACTORS	SECOND CENTURY PLAN
Targeting HNWIs and a large and diversified global dealer network to create strong positioning in attractive key growth markets	HNWIs are the principal driver of the HLS car segment. Mature markets remain significant in relation to the growth of HNWIs but developing markets (particularly China) are gaining in importance. Product customisation and customer engagement strategies to provide exclusive and immersive luxury experiences particularly for increasingly youthful and brand-conscious HNWIs.	Our strong positioning in the HLS car segment and our HNWI customer base provide us with significant potential for future growth. Our large and diversified global dealer network means that our dealers are well-positioned in attractive key growth markets. Our dealer network in Asia Pacific has been restructured and expanded to take advantage of the growth of HNWIs in the region. High-end dealer showrooms and brand centres provide customers with a truly immersive luxury experience. Emotional connections are strengthened through product personalisation opportunities such as the Q by Aston Martin car customisation programme, and enhanced through brand extension activities with select brand partnerships. Other bespoke activities and exclusive offers are available for customers.
Increased breadth of product offering to appeal to customers and take advantage of expected areas of growth within model categories	High luxury sports, GT and super GT car segments and the performance premium segment predicting growth (expected combined growth rate of over 19% between 2018 and 2023).[1] Mid-engine car segment, which attracts higher selling prices, expected to provide opportunity for volume growth between 2018 and 2023.[1] Combined, the luxury and performance premium GT, sports and mid-engine markets expected to reach close to 110,000 units by 2023.[1]	Our core sports and GT model range is ideally positioned to capture customers seeking true sporting elegance, driving pleasure and performance. To capitalise on the expected growth of the mid-engine segment, we will enter this market with the production of a mid-engine supercar expected in 2022. This will be preceded by the launch of a special limited edition mid-engine supercar, codenamed Project 003, planned to go into production in 2021. Both models will draw on the learnings and technology developed by the Aston Martin Valkyrie. The aim is to attract a new group of customers to the brand and increase the Company's average selling price.
SUVs and electrification to appeal to changing customer tastes now and in the future, particularly through Lagonda	The premium SUV sector is forecast to grow by 5% between 2019 and 2030 and high luxury SUV segment forecast to grow by 30% during the same period.[2] More stringent emission targets, combined with consumer preferences to save on fuel for economic and environmental reasons, has driven demand for hybrid and electric vehicles.	We have adopted a multi-pronged electric vehicle strategy with plans to introduce hybridised supercars and SUVs (under the Aston Martin marque) and all-electric SUVs and sedans (under the Lagonda marque). The DBX, our first SUV, will enable us to access the expanding SUV segment and address customers looking for a more versatile, luxurious and comfortable product and demand for hybrid/electric vehicles.

1. IHS Markit Global Automotive Outlook, 2018
2. IHS Markit Global Automotive outlook, 2018. Wealth-X Report 2018

Note: Company information for proportion of SUV owners based on Aston Martin owners, IHS Markit Global Automotive Outlook data for SUV target market share and addressable market

A SUSTAINABLE LUXURY BUSINESS

VISION

TO BE THE GREAT BRITISH CAR COMPANY THAT CREATES THE MOST BEAUTIFUL AND ACCOMPLISHED AUTOMOTIVE ART IN THE WORLD

SECOND CENTURY PLAN

PHASE 1	PHASE 2	PHASE 3
COMPLETED 2015 – 2017	SUBSTANTIALLY COMPLETE 2016 – 2019	COMMENCED AND ON TRACK 2018 – 2022
– New leadership team – Clear growth plan – Secure financing	– All new GT / sports car range – Deployment of "specials" strategy – Production and launch of new Vantage and DBS Superleggera	– Relaunch of Lagonda brand – Planned introduction of DBX, first SUV – New facility in St Athan, Wales – First mid-engine car expected to be revealed in 2020

INSPIRING CUSTOMER-FOCUSED LUXURY PRODUCTS

Invest in R&D to develop seven new products for a diverse, global luxury customer base over seven years

TURN TO PAGE 32 FOR MORE INFORMATION

STRENGTHENED GLOBAL BRAND AND SALES POWER

Nurture and reinforce the brand; drive stronger brand affinity relationships with customers; use data and local knowledge to reach new customers

TURN TO PAGE 36 FOR MORE INFORMATION

WORLD-CLASS VALUE AND LEAN PROCESSES

Become a world-class operator by making processes lean and efficient and reducing the cost base without compromising on quality

TURN TO PAGE 42 FOR MORE INFORMATION

TOP-CLASS QUALITY

Discipline, precision and an obsession with detail. Striving to achieve perfection in every element of our cars – even perfection in imperfections, such as our hand-stitched seams

TURN TO PAGE 48 FOR MORE INFORMATION

PASSIONATE PEOPLE AND CULTURE AND CORPORATE RESPONSIBILITY

Inspire and foster a culture of passion, collaboration, accountability, opportunity and creativity – everyone driving in the same direction. We do this by living the Aston Martin Way. This includes doing business in an ethical and transparent manner, overseen by good governance.

TURN TO PAGES 52 AND 62 FOR MORE INFORMATION

CLEAR LONG-TERM FINANCIAL FRAMEWORK

A long-term financial framework in place to enable us to become a sustainable luxury business

TURN TO PAGE 70 FOR MORE INFORMATION

THE SECOND CENTURY PLAN CENTRES ON CREATING A SUSTAINABLE LUXURY BUSINESS TO CREATE VALUE FOR SHAREHOLDERS. THE PLAN IS UNDERPINNED BY A PRODUCT STRATEGY TO LAUNCH SEVEN NEW CORE MODELS OVER SEVEN YEARS, WITH EACH MODEL HAVING A SEVEN-YEAR LIFECYCLE (7 X 7 X 7).

DELIVERING 7 X 7 X 7

CORE

GT, sports and mid-engine
4 models
–
SUVs

2 models
–
Sedans
1 model

SPECIALS

2 specials, on average, per annum
–
One heritage special, on average, per annum

SUSTAINABLE LUXURY BUSINESS

DELIVERING

Revenue Growth

25%

Total Volume Growth

26%

Adjusted EBITDA Growth

20%

MEASURING PROGRESS ON OUR SECOND CENTURY PLAN

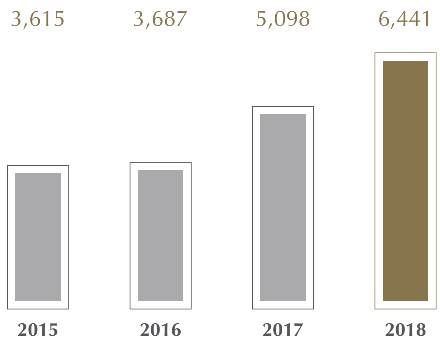
FINANCIAL MEASURES

We believe it is vital to ensure alignment between our Executive Team's strategic focus and the long-term interests of shareholders. As a result, elements of Executive remuneration are based on performance against the following measures: Volumes, ROIC, Revenue, Adjusted EBITDA, Adjusted Net debt to Adjusted EBITDA ('Net leverage ratio') and Normalised Adjusted Diluted EPS.

NON-FINANCIAL MEASURES

Non-financial measures have an important role alongside financial measures to inform decision making and to evaluate Company performance. Prior to Admission, management has used a number of non-financial metrics to measure various areas of Company performance and is in the process of evolving others. Management plans to assess these further with a view to establishing the key non-financial metrics for future reporting and, in particular, is evaluating areas such as employee engagement, customer satisfaction and safety, among others. For details on current people and corporate responsibility initiatives see pages 52 and 62 respectively.

WHOLESALE VOLUMES (UNITS)



This measures the appeal of the Aston Martin and Lagonda products and the breadth of this appeal across different segments and markets as we expand the product portfolio.

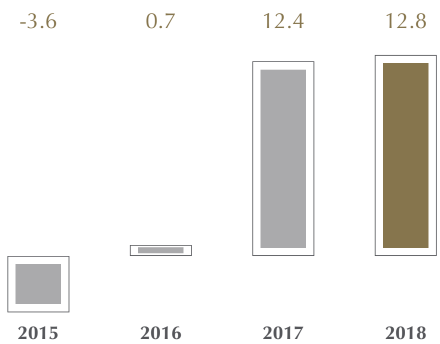
Performance

Volumes increased 26% due to the introduction of new models, reflected in the revenue growth in all markets (with particular strength in APAC and the Americas).

Financial ambition

Wholesale volume to increase to 14,000 units in the medium term.

RETURN ON INVESTED CAPITAL (%)



ROIC measures the efficient use of capital on investments. It is calculated as the post-tax adjusted operating profit divided by the sum of gross debt and equity of the business at the year-end.

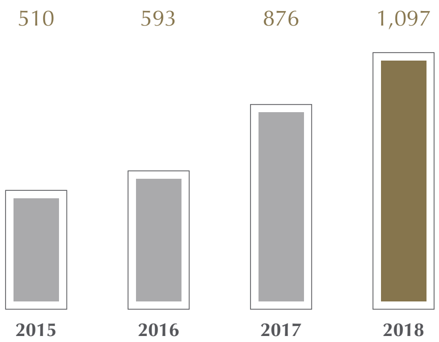
Performance

Adjusted ROIC 12.8%, exceeding the WACC (8.8%).

Financial ambition

ROIC significantly ahead of WACC.

REVENUE (£'M)



This measures the appeal of the Aston Martin and Lagonda brands, our ability to build and sustain brand equity and increase market share through product expansion.

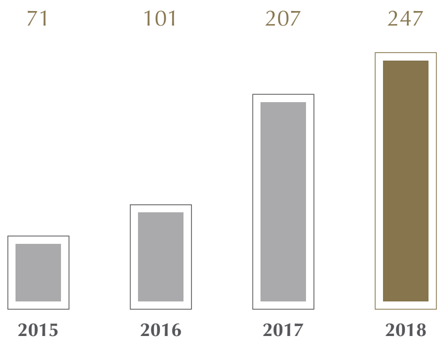
Performance

2018 revenue increased by 25% driven by the introduction of New Vantage, DB11 V8 volante, DB11 V12 AMR and DBS Superleggera.

Financial ambition

Strong growth from volume expansion as above (as product portfolio expands).

ADJUSTED EBITDA (£'M)



This measures our operating profitability, and is an approximation of underlying cash generation prior to capital Investment allocation.

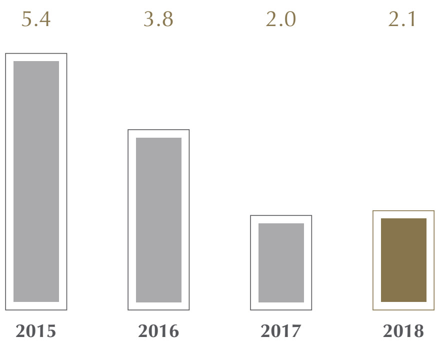
Performance

Adjusted EBITDA grew by 20% due to revenue increases, partially offset by strategic investments in marketing and associated selling costs to help support the growth in sales and diversify the revenue away from the historical dependency on UK and EMEA (creating a more globally balanced portfolio).

Financial ambition

Adjusted EBITDA to exceed revenue growth with a medium-term objective of adjusted EBITDA margin >30% (FY 2018: 23%).

ADJUSTED NET DEBT TO ADJUSTED EBITDA ('NET LEVERAGE RATIO')



Net leverage ratio measures the proportional increase in Adjusted EBITDA against the increases in Adjusted Net Debt, measuring our ability to meet our financial obligations while investing for the future.

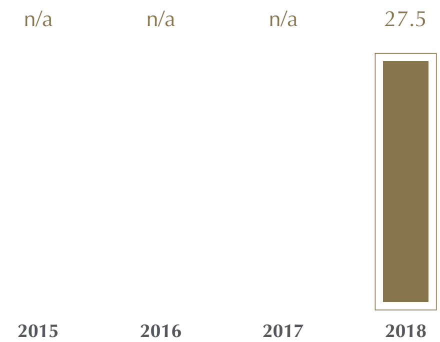
Performance

Net leverage ratio is stable at 2.1x EBITDA adjusting for IPO and other one-off cash costs, reflecting the continuation of the phase of Investing heavily in the portfolio expansion as the Adjusted EBITDA has increased (see Adjusted EBITDA KPI).

Financial ambition

Net leverage to reduce as product portfolio matures.

NORMALISED ADJUSTED DILUTED EPS (PENCE)



Growth in EPS reflects the increase in profitability of the business and how effectively we finance our balance sheet.

Performance

Normalised adjusted diluted EPS is 27.5p. Due to the material change in the structure of the Company and completion of the listing no prior comparative has been included.

Financial ambition

Adjusted EPS growth ahead of revenue growth.

"DB11 SHOWS THE REBIRTH OF ASTON MARTIN."

Marek Reichman, Executive Vice President and Chief Creative Officer

THE STANDARD-BEARER FOR A NEW GENERATION OF CARS, DB11 TAKES OUR GRAND TOURING HERITAGE TO UNPRECEDENTED HEIGHTS. INSTANTLY RECOGNISABLE, FAMILIAR ELEMENTS HAVE BEEN REINTERPRETED TO ELEVATE DB11 TO AUTOMOTIVE ART. DB11'S V8 AND V12 TWIN-TURBO ENGINE CHOICES OFFER THE PERFECT BALANCE BETWEEN EXCITEMENT AND REFINEMENT.


V12 AMR

INSPIRING CUSTOMER-FOCUSED LUXURY PRODUCTS

INVEST IN RESEARCH AND DEVELOPMENT TO DEVELOP SEVEN NEW PRODUCTS FOR A DIVERSE, GLOBAL LUXURY CUSTOMER BASE OVER SEVEN YEARS.

With award-winning design, world-class technology, cutting-edge engineering capability and state-of-the-art facilities, we develop and manufacture luxury vehicles that combine our customers' demands for technologically advanced cars whilst maintaining the traditional style, beauty and essence of the Aston Martin and Lagonda brands.

PRODUCT DESIGN AND DEVELOPMENT

The engineering and design teams work collaboratively from the outset of each new product creation process to ensure that every new model combines the best of both beauty and performance. With each product launch, we are able to showcase our evolving style, influenced by the changing tastes and demands of our customer base, while maintaining elements of design that have historically defined, and will continue to define, an Aston Martin or Lagonda.

- All of our products are beautifully crafted using authentic materials and our models are designed to reflect the "golden ratio" to create cars with natural proportions and timeless aesthetics. Quality and craftsmanship are held to a high standard with all cars undergoing a rigorous final inspection which concludes with the inspector's

"TO DESIGN AND MAKE THINGS, WE USE OUR EYES AND EARS AND HANDS. WE USE OUR HANDS AND EYES TO TOUCH, TO FEEL, TO FALL IN LOVE WITH OUR CARS. WHEN YOU BUILD A CAR YOU BUILD YOURSELF INTO IT IN THE SAME WAY THAT YOU HAVE AN INDIVIDUAL FINGERPRINT THAT IS UNIQUE – THAT'S THE BEAUTY AND SOUL OF AN ASTON MARTIN."

MAREK REICHMAN, EXECUTIVE VICE PRESIDENT AND CHIEF CREATIVE OFFICER

name being stamped in the engine bay as a mark of quality and the iconic Aston Martin wings affixed to the car.

- Most of our design activities are carried out by the design team at our facility in Gaydon, UK and our new facility in Milton Keynes. This team consists of 1065 designers, engineers and technicians, including clay modellers, electronic modellers and other skilled craftsmen. The design team are also responsible for trim and the attention to detail in design for which Aston Martin Lagonda is renowned.

- A modular architecture approach is followed which employs a "carry over-carry across" ("COCA") principle for key systems and components. This forms the backbone of our current product portfolio and is planned to form the basis of our next cycle of new model introductions (see World Class Value and Lean Processes on page 42).

TARGETED PRODUCT PORTFOLIO

Our product portfolio is targeted to meet the needs of our customers, with special edition models and customisation providing a more bespoke luxury offer through more focused performance or exclusive design options.

DEVELOPING A SPECIALS PIPELINE

Our core range of sports cars, SUVs and sedans will be enhanced by the addition of two special edition models, on average, per year. These will showcase our technical excellence and perpetuate brand uniqueness, exclusivity and desirability through limited supply, distinctive design and high performance.

Carefully chosen partnerships provide a source of technical expertise. For example, our strategic partnership with Red Bull Advanced Technologies helped to deliver the Aston Martin Valkyrie which represents innovative design and performance for a road car, drawing upon Red Bull's technical knowledge as an F1™ team.

Specials include a range of heritage vehicles, recognising the proud history of the Aston Martin and Lagonda brands. The DB4 GT continuation was the first of these heritage products to launch and further heritage specials are planned with a cadence of one heritage special, on average, per year.

Given their desirability, special models are highly subscribed prior to any significant capital commitment and achieve a higher margin than the core model range. Customer deposits for each car are required on allocation and typically allow special editions to be cash flow positive from design to the end of the product life-cycle.

CUSTOMISATION AND Q BY ASTON MARTIN

Customers are able to enjoy a degree of customisation for all of our models within the base car and can choose from a wide variety of interior and exterior options. Q by Aston Martin is a unique personalisation service that takes the standard customisation offer a step further, enabling our customers to create a truly unique car.

"OUR THRIVING SPECIAL EDITION PROGRAMME DRIVES DESIRABILITY AND EXCLUSIVITY AND ENHANCES OUR BRAND."

Dr Andy Palmer, President and Group Chief Executive Officer

THE COLLABORATION BETWEEN ASTON MARTIN AND ZAGATO STRETCHES BACK OVER FIVE DECADES, PAIRING ASTON MARTIN'S ACCLAIMED DYNAMIC AND MATERIAL QUALITIES WITH ZAGATO'S SIGNATURE DESIGN LANGUAGE.

THE COLLABORATION BEGAN WITH THE BEAUTIFULLY MUSCULAR DB4 GT ZAGATO RACING CAR OF 1960 AND INCLUDES THE V8 VANTAGE ZAGATO LAUNCHED IN 1986, THE 2002 DB7 VANTAGE ZAGATO, AND THE CURRENT RANGE OF VANQUISH ZAGATOS.


M007 ZAG

STRENGTHENED GLOBAL BRAND AND SALES POWER

NURTURE AND REINFORCE THE BRAND; DRIVE STRONGER BRAND AFFINITY; RELATIONSHIPS WITH CUSTOMERS; USE DATA AND LOCAL KNOWLEDGE TO REACH NEW CUSTOMERS.

Core to the Second Century Plan is to enhance our ability to successfully enter new markets and achieve higher penetration in existing markets. This is through a considered and deliberate targeting of a broader range of customers through our model range, the enhancement and improvement of our dealership network and brand awareness activities. The aim is to continue to support growth through a balanced geographical mix of sales to minimise the dependence on any given region, while expanding into new regions to attract a growing customer base.

- Named by Brand Finance as the fastest-growing auto brand globally and the fastest-growing British brand, in 2018.
- Attracted new customers and re-engaged previous ones, with 48 per cent of customers in 2018 new to Aston Martin Lagonda, 20 per cent of former customers returning to the brand and almost 32 per cent of customers repurchasing an Aston Martin.
- Strong pricing power with the ability to increase average selling prices of core models by 100 per cent between 2007 and 2018, through the strategic introduction of new core models and enhanced versions of existing models.

DISTINCTIVE LUXURY BRITISH BRANDS DEFINED BY SUPERIOR DESIGN

We are recognised internationally for the elegant, exclusive and sophisticated British style of our cars, from the iconic DB5 seen in the 1964 James Bond film Goldfinger, to the newest models, the award-winning DB11 and the new Vantage. Long established as a strong player within the HLS cars segment, Aston Martin products remain visible and sought-after, including for our heritage models, which typically command high resale prices.

While the Lagonda marque shares many similar characteristics with Aston Martin, including beauty, high performance and luxury, the brands are also differentiated. The Aston Martin brand encompasses our luxury high performance cars while the Lagonda brand addresses those customers seeking an absolute luxury car with an all-electric powertrain. The Lagonda brand is uniquely positioned to combine luxury and leading technology, combined with strong environmental credentials through zero-emission powertrain technology for all models under the marque.

MOTORSPORT

Aston Martin has a long tradition of exceptional design, engineering and manufacturing of HLS sports and GT cars, in addition to a racing pedigree, which includes a motorsport debut at the French Grand Prix in 1922, DBR1's historic Le Mans 24-hour race victory in 1959, as well as the latest victory in the GTE Pro class of the 2017 Le Mans 24-hour race. Lagonda, famous for the production of HLS sedans, has similarly strong racing credentials and its M45R Rapide delivered a Le Mans victory in 1935.

The Company has sponsored the Red Bull Racing F1™ team since 2016 and became title sponsor at the start of 2018. The presence in F1™ has provided Aston Martin brand exposure to motorsport fans in key markets around the world. Research conducted for the Company has shown that over 80 per cent of premium and luxury car buyers in the UK, USA, Germany and Japan have an interest in F1™, which is much higher than that of the general public. The partnership with Red Bull Advanced Technologies has also resulted in the creation of the Aston Martin Valkyrie and Aston Martin Valkyrie Pro hypercars.

SUPERIOR PRICING POWER UNDERPINNED BY DESIRABILITY, EXCLUSIVITY AND SCARCITY

To maintain the desirability and exclusivity of our cars, our strategy is to seek to maintain an optimal balance between supply and demand through our targeted multi-model, dual-brand strategy.

Our heritage cars illustrate the value resilience of our products which often command collector premiums and have become a distinct investment class. For example based on an internal study conducted by Aston Martin Works, in the secondary market the DB5 Coupe model is currently valued at around 30 times its price in 1995, the DB5 Volante at around 24 times its price in 1995 and the DB4 GT at around 14 times its price in 1995.

Our product launches, whether for new models or derivatives, are consistently strong. DB11 V12 and the new Vantage both received critical acclaim, with DB11 winning a number of prestigious awards. This included "What Car" Car of the Year (Coupe more than £50,000) in 2018 as well as for the DB11 V8 in 2019. DB11 was also awarded the renowned Golden Steering Wheel from "Auto Motor and Sport" being voted "Most Beautiful Car 2017".

The exclusive nature of our limited edition special models allows us to command superior pricing and increased demand for our core models. For example, based on the Vanquish model platform, we have introduced four special editions using the Zagato nameplate, each of which were priced in excess of £500,000.

CUSTOMER SALES AND ENGAGEMENT

We aim to create an emotional connection with our customers. Our product design, performance and quality ensure a unique, luxury customer experience, as reflected in our strong customer base. We perpetuate an exclusive brand image and connect with our customers in a number of ways. This includes through our products (including personalisation and customisation), brand extension activities, exclusive offers, customer engagement and sales and marketing activities (including through our global dealer network).

We operate a franchise model for our dealerships which enables us to maintain strong control over our brand positioning, while limiting the capital investment in the network. Our dealer network, supported by our regional sales teams, is designed to achieve geographically diversified sales, to facilitate growth in key markets and to further establish our brand (see Our Global Footprint on page 8). To maintain the quality of the dealer network, there is a rigorous programme in place to educate, develop and monitor dealer owners and managers on new model ranges, brand positioning and required service standards.

MARKETING

Our marketing expenditure is mainly attributable to motorsports, frequent new product launches, key HNWI motoring events (such as Le Mans 24-hour race, Goodwood Festival of Speed, Goodwood Revival and Pebble Beach Concours d'Elegance) and the Geneva, Shanghai and Beijing Motor Shows. We actively use product

WE WORK TO ENSURE THAT THE SALES AND SERVICE EXPERIENCE AT OUR DEALERS IS FULLY REFLECTIVE OF THE BRAND BY DELIVERING A WORLD-CLASS LUXURY CUSTOMER EXPERIENCE AND CONSISTENT BRAND PRESENTATION.

placements, sponsorship arrangements, as well as hosting one-on-one regional and dealer marketing events, factory tours and luxury lifestyle/sports events. We are also well known for our timeless partnership with the James Bond movie franchise.

Away from our core automotive activities, we also invest in digital marketing and tools. These have improved internal efficiencies and supported a tripling of online sales leads when the tools were introduced in 2016. We also have a following on social media that exceeds 15 million people as at the end of 2018. These digital activities support overall brand awareness, while also helping convert prospects into sales in a world where even HNWI customers research online before engaging with retailers.

"THE VANTAGE IS TESTAMENT TO OUR UNCOMPROMISING PURSUIT OF BEAUTIFUL."

Dr Andy Palmer, President and Group Chief Executive Officer

VANTAGE IS RAW AND INSTINCTIVE, UNWAVERING IN ITS SINGULAR PURPOSE: TO OVERWHELM THE SENSES THROUGH ITS DESIGN, AGILE PERFORMANCE AND DEDICATED CRAFTSMANSHIP. A STATEMENT OF INDEPENDENCE ON THE ROAD, VANTAGE EMBODIES ALL THAT IS BEAUTIFUL IN OUR PERFORMANCE SPORTS CAR RANGE. RACE TRACK, WINDING COUNTRY ROAD OR THE EVERYDAY COMMUTE, VANTAGE IS AN ASTON MARTIN OF OUTSTANDING CLASS, DELIVERING A DRIVE SO INTENSELY FELT THAT IT DEMANDS TO BE EXPERIENCED TIME AND TIME AGAIN.

WORLD-CLASS VALUE AND LEAN PROCESSES

BECOME A WORLD-CLASS OPERATOR BY MAKING PROCESSES LEAN AND EFFICIENT AND REDUCING THE COST BASE WITHOUT COMPROMISING QUALITY.

Our manufacturing operations are based on the principles of quality, craftsmanship, lean and efficient teamwork, underpinned by a safe working environment and robust processes. The success of our design, engineering and manufacturing methodology is demonstrated by the successful delivery of five models during 2018, being the new Vantage, DBS Superleggera and special editions of the Vanquish Zagato Shooting Brake, Vanquish Zagato Speedster and DB4 GT continuation.

Our operational performance is delivered through a "Hoshin Kanri" methodology which aims at ensuring that management strategy is deployed into daily actions at the working level, enabling employees to understand their contribution to the overall plan. Every level of management owns tactics within the relevant strategic pillar which are tracked. Overall impacts on the business are regularly monitored.

WORLD-CLASS TECHNICAL CAPABILITIES

We have used modular architecture as the basis for our models for over 14 years, starting with DB9 in 2004. As part of the Second Century Plan core strengthening Phase 1, the DB11 was introduced using our new advanced modular architecture. The aluminium body structure comprises a number of common structures and employs a "carry over-carry across" ("COCA") principle for key systems and components. This provides flexibility in overall car dimensions and minimises engineering and tooling investment, improving overall quality and time to market.

This flexible modular architecture is the backbone of our product portfolio and we intend to develop most of our future sports and GT models on this basis.

- We employ a standardised product development process, which is a system of project gateways and clear deliverables. This helps to ensure a rapid time to market from design conception to launch, with a focus on lowering costs while adhering to the designers' concepts.
- Our strategic partnership with Daimler provides us with engines as well as electrical architecture and entertainment systems. This provides us with access to world-class electrical architecture and powertrain capability, improving overall quality and reducing our capital expenditure burden.
- We have a high level of in-house powertrain expertise, in both conventional internal combustion engine technology and next-generation electric drivetrains. This expertise enables us to assess the relative financial and operational merits of buying in internal combustion engines and all-electric powertrains from third parties versus developing a comparable engine in-house.

- Our powertrain development also focuses on the latest developments in hybridisation technology through a combination of waste heat recovery and electrified transmission. This enables us to deliver optimised performance versus efficiency. RapidE will be the first electric vehicle from a manufacturer within the HLS segment with a predicted 250 mile range.

HIGHLY SCALABLE, FLEXIBLE AND EFFICIENT MANUFACTURING OPERATIONS

BEYOND LEAN™ MANUFACTURING

With the production of DB11, the Company introduced new Beyond Lean™ manufacturing techniques that enable us to efficiently produce unique and customised units of production on two flow production lines at our principal production facility in Gaydon. These techniques have been implemented throughout our production processes and have yielded efficiency savings, while supporting model launch timetables and budgets, without compromising on quality.

This method of manufacture requires a flexible logistics function, supply chain and skilled work force, to deliver customised parts to the line in a sequenced fashion when they are needed. Each of the manufacturing employees at our Gaydon facility have been trained on most of our stations and models, giving us the flexibility to adjust production capacity and utilisation. This lean manufacturing philosophy and process excellence will be implemented at our second main manufacturing site at St Athan, currently under development.

PROCUREMENT

Our production purchasing function strategically controls the whole of our supplier base for the sourcing of raw materials such as aluminium and leather, components and facilities. The function manages a supply base of approximately 302 direct suppliers and a further 126 indirect production (or Tier 2) suppliers. The function has been strengthened with the recent appointment of a new VP and Chief Purchasing and Supply Officer, whose role will be to lead the continuing optimisation of our existing supply chain to support the delivery of the Second Century Plan, particularly focusing on cost, lead time, supplier performance, inventory improvement and the execution of our planned Brexit mitigations.

Sourcing certain products externally enables us to include high-quality parts and components in our cars without requiring expensive in-house development. We select suppliers based on a partner strategy and seek to ensure a high level of continuity of suppliers across our models. Suppliers are sourced early in the product development process to ensure cost, quality and delivery targets are met. Suppliers have access to on-site support to ensure key preparation milestones are met and we use a risk

Gaydon

- Aston Martin Lagonda headquarters and main manufacturing facility built in 2003
- Home to sports cars
- Models produced: DB11/DBS/Vantage/specials

St Athan, Wales

- Home to DBX and planed home of electric vehicles
- Facility construction complete and facilitisation on track
- Pre-production of DBX to commence in 2019

Newport Pagnell

- Home to Aston Martin Works, our heritage manufacturing and restoration business
- Manufacturing operation revised for DB4 GT continuation

management process to seek to minimise any disruption to our supply of materials and components. Inbound transportation logistics are handled by a third-party supplier who is contracted to handle transportation from the suppliers' plants to the Company's relevant production location.

The Company has taken considerable measures in preparing our supply chain to mitigate the risks and uncertainties surrounding Brexit. We have been securing additional stock and are investing in additional packaging to ensure sufficient levels remain with our suppliers to avoid production stoppages. We are also working closely with our global logistics provider to develop a detailed contingency plan, with the continuity of supply remaining a core focus. See Group Financial Review on page 70.

Milton Keynes

- Design studio
- Aston Martin Red Bull Racing joint projects
- Commercial operations

"THE SUPERLEGGERA SIGNALS OUR RETURN TO THE VERY PINNACLE OF THE SUPER GT SECTOR."

Dr Andy Palmer, President and Group Chief Executive Officer

FOR OVER HALF A CENTURY, THE NAME DBS HAS MEANT JUST ONE THING: THE ULTIMATE PRODUCTION ASTON MARTIN. A DBS IS A DISTILLED CONCENTRATE OF ALL THAT HAS MADE ASTON MARTIN ONE OF THE MOST COVETED BRANDS.

DBS SUPERLEGGERA SITS AT THE PINNACLE OF THE ASTON MARTIN PRODUCTION RANGE.

IT IS BOTH A SHINING LIGHT EXPRESSING THE MOST BEAUTIFUL AUTOMOTIVE ART AND, AT THE SAME TIME, A DARK AND MENACING SHADOW OF BRUTAL, UNEQUIVOCAL STRENGTH. IT IS THIS FINE BLEND OF SEEMINGLY OPPOSING TRAITS THAT MAKES THE DBS SUPERLEGGERA THE ABSOLUTE ASTON MARTIN.

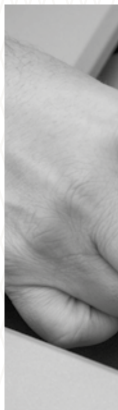
TOP-CLASS QUALITY

DISCIPLINE, PRECISION AND AN OBSESSION WITH DETAIL. STRIVING TO ACHIEVE PERFECTION IN EVERY ELEMENT OF OUR CARS – EVEN PERFECTION IN IMPERFECTIONS, SUCH AS OUR HAND-STITCHED SEAMS.

Under the Second Century Plan, we have introduced an extensive and methodical schedule of processes which has enabled us to set new standards in the quality of our cars. This is illustrated through the manufacturing quality of the DB11, which has improved two-fold compared with the DB9 (based on the number of defects per vehicle at end of line inspection). It is also supported by customer feedback with the DB11 achieving a customer satisfaction rating in excess of nine out of ten. These processes will be applied to each of the models produced under our Second Century Plan.

Quality is built into all of our processes, particularly engineering and manufacturing. "Built-in" quality is the only way to achieve customer satisfaction and customer satisfaction is key to retaining loyal customers and attracting new ones.

- "Right first time" lean engineering – The fewer changes we make, the greater our efficiency and stability and the better the quality.
- Supplied parts quality – If our suppliers produce good-quality parts we have stable deliveries and can build cars right first time.
- Customer satisfaction – If a customer with a problem is handled correctly they are very likely to be a satisfied customer.



“HAVING PROBLEMS DURING VEHICLE DEVELOPMENT – BE IT ENGINEERING, SUPPLIER PREPARATION OR VEHICLE BUILD – IS UNDESIRABLE BUT UNDERSTANDABLE. HAVING THE SAME PROBLEM TWICE IS TOTALLY UNACCEPTABLE. ACROSS ASTON MARTIN WE DON’T CONSIDER A PROBLEM SOLVED UNTIL RECURRENCE PREVENTION IS BUILT INTO OUR PROCESSES.”

Richard Humbert, Vice President and Chief Quality Officer

“RIGHT FIRST TIME” ENGINEERING QUALITY

There are a number of quality activities across the Company in support of research and development’s “Right first time” lean engineering. One example is “problem recurrence prevention”. Problems are investigated and lessons learned are built into our standards. Through our “over-check” processes, we are physically confirming that all previous problems are not repeated on all new models during engineering and physical build phases.

Discovering problems as early as possible in new vehicle development is another key activity. One activity contributing to this is building the first pre-production vehicles away from production. Instead we use a checking fixture, which is essentially a master body to trial fit parts before we carry out a slow team build in our pilot facility.

As a result of the various activities, 74% of New Vantage engineering issues were found before a vehicle was built on the production line. Consequently, only 18% of New Vantage parts required an engineering change after the first production trial compared to 32% for the DB11.

CUSTOMER SATISFACTION

Delivering customer satisfaction is similarly supported by a number of activities.

Just before the start of production we arrange for a small fleet of our vehicles to be driven by a wide cross-section of Company employees. The aim is to test the cars during normal use to ensure that if a problem is going to happen it happens to us first.

We also carry out daily consumer product audits to measure the quality of vehicles leaving the plant and to ensure our quality management system is working correctly. As a result of continuous improvements in vehicle quality, we have seen a significant reduction in warranty cost per car and improvement in customer satisfaction.

Customer satisfaction, including a world-class customer experience post sales, has also been a priority. We have increased our worldwide client services team to improve global customer support across different time zones. Our Gaydon facility has a control room dedicated to managing field issues by providing support in connection with technical requests, coordinating vehicle recoveries and “flying spanner” deployments. This team is also responsible for ensuring that any customer complaint is appropriately tracked and resolved.

HEALTH AND SAFETY

We have a strong health and safety record which is important primarily for safeguarding our employees and everyone who visits our facilities, but also because it supports our goal of ensuring efficient processes, quality and attention to detail.

We were awarded a seventh consecutive “Sword of Honour” from the British Safety Council in recognition of the commitment to achieving the highest standards of health and safety management throughout the business.

"ONE COULD ARGUE THAT MAKING AN SUV MORE BEAUTIFUL IS NOT A VERY HIGH BAR, BUT OUR CAR IS A THING OF BEAUTY."

Dr Andy Palmer, President and Group Chief Executive Officer

AS THE COMPANY'S FIRST SUV, DBX REPRESENTS THE NEXT EXCITING CHAPTER IN THE PLANS FOR ASTON MARTIN. HAND-BUILT IN OUR NEW, STATE-OF-THE-ART FACILITY IN WALES, DBX COMBINES IMPRESSIVE MULTI-TERRAIN AND TOWING CAPABILITIES WITH THE VERVE AND POISE OF A TRUE ASTON MARTIN. ALL DELIVERED WITH THE BEAUTIFUL DESIGN AND INDULGENCE THAT IS EXPECTED FROM ASTON MARTIN.


STON MARTIN DBX
DBX

PASSIONATE PEOPLE AND CULTURE

OUR PEOPLE DEFINE WHO WE ARE AND WHAT WE DO. OUR PEOPLE ARE EXCEPTIONAL, UNIQUE, CREATIVE AND TIRELESS IN THEIR DEVOTION TO EXCELLENCE, NO MATTER WHICH PART OF THE BUSINESS THEY ARE FROM OR THE LEVEL OF THEIR ROLE.

We foster the working principles of passion, excellence, fairness, collaboration and respect in all we do and we are tireless in promoting and living these principles across the business. We work in close collaboration with our partners and suppliers, believing that our performance and successes are shared and celebrated with the talented businesses we work alongside.

Our performance depends on mutual respect, diversity, attractive working conditions and the professional fulfilment of the people in our Company. We recognise that we need a high-performing culture, characterised by a diverse and inclusive workforce. To this end we have developed the “Aston Martin Way”; aimed at building a culture that delivers a sustainable, luxury, self-funding business with world-class lean processes capable of delivering our Second Century Plan. The Aston Martin Way defines a series of key behaviours we want to instil in our workforce to ensure that we are operating in an appropriate way.

THE ASTON MARTIN WAY BEHAVIOURS

CUSTOMER FOCUS

We put the customer at the heart of our decision making and align our individual and team objectives to satisfy and retain our customers, remembering that the internal customer service we provide impacts the external.

COMMITMENT

We take ownership of our objectives and activities. We are accountable for the delivery of them on time, on budget, with world-class quality whilst demonstrating the Aston Martin Way behaviours.

COMMUNICATION

We communicate in a clear, timely and fact-based manner, ensuring that important messages are delivered and understood throughout the business. We have an open and honest culture in which two-way feedback and suggestions are encouraged.

CONTINUOUSLY CHALLENGE AND IMPROVE

We strive for excellence in everything we do. We challenge traditional thinking and use data to continuously improve in a creative yet disciplined manner. We constantly ask ourselves “what did we learn?” and “what could I do better?”.

COLLABORATION

We collaborate with people across functions and levels, working in cross-functional teams towards a common goal. We are one team, playing to win.

VISION	To be the great British car company that creates the most beautiful and accomplished automotive art in the world
PEOPLE STRATEGY	Build a corporate culture that delivers a sustainable, luxury, self-funding business with world-class lean processes capable of delivering the Second Century Plan
BEHAVIOURS	Discipline that enables creative excellence One Team, One Vision, One Way of Working Together *“Committed” “Continuously Challenge and Improve”* *“Collaboration” “Customer Focus” “Clear Communication”*
HARD SKILLS / SOFT SKILLS / TOOLS & PROCESSES	The processes, skills, tools and templates that will enable us to collaborate effectively, efficiently and ethically

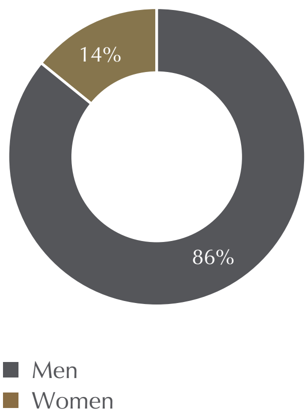
To enable "creative excellence" we aim to operate as "One Team, One Vision, One Way of Working Together". The processes, skills, tools and templates that will enable us to collaborate effectively, efficiently, and ethically are currently being rolled out across the business, ensuring that our workforce have the appropriate training and guidance on how they should operate as an Aston Martin Lagonda employee. These core tools are set out in the Company's code of conduct.

We remain committed to offering equal job opportunities for all, irrespective of gender, and continue to invest in initiatives to attract and retain the best possible talent for our organisation. Operating within the manufacturing and engineering industry has historically led to a higher proportion of men than women in our workforce. This is reflected by the fact that at 5 April 2018 (our Gender Pay Gap reporting date), on the basis of 2,132 total UK employees, 14% were women compared to 86% men. In relation to gender pay, we have a mean pay gap (hourly paid) of 12.1% and a median gap (hourly paid) of 6.4%, both of which compare favourably with the national average of 18.4% and 17.4% respectively.

Our mean pay gap can be attributed primarily to the higher number of men than women occupying senior leadership positions which attract higher salaries and bonus payments. Additionally, working within our manufacturing function commands shift premiums which are awarded to compensate employees for working unsociable hours. In 2018 as a result of increased shift patterns to meet new model demand, a higher number of men volunteered to work shifts during unsociable hours. To ensure consistency within job grades, we use spot rates within manufacturing to ensure equality of pay for a given job role, regardless of gender.

KEY FACTS

GENDER DIVERSITY (TOTAL WORKFORCE AS AT 5 APRIL 2018)



GENDER PAY GAP MEAN PAY GAP HOURLY PAID

12.1%

DIVERSITY

Diversity is core to our work principles of fairness and respect and drives creativity, innovation and strategic decision making. Developing and growing our diverse workforce is critical to our future success by better equipping us to deliver the needs of our customers now and in the future. We know that words and principles are only a part of the promotion of greater diversity. Consistent and continuous actions to push a greater balance of diversity are vital. We continue to actively promote our approach to diversity and monitor all aspects to ensure continued improvement.

In 2017, as part of our Gender Pay Gap Report, we set out the actions we are taking to address gender diversity in the UK workforce. These include educational outreach and family friendly policies. Further information is available at www.astonmartinlagonda.com. We are committed to attracting and retaining women employees through ongoing development of our inclusive family friendly policies such as a generously enhanced maternity leave as well as job shares and part-time working arrangements, which aim to provide a higher degree of flexibility.

To further promote careers in STEM (Science, Technology, Engineering & Mathematics) we actively engage in a number of outreach events with schools and colleges. These events involve presentations from senior leaders in the business as well as workshops on employability skills and networking events designed to inspire women to take up STEM subjects and explore careers within engineering.

We additionally sponsor several engineering projects in local schools to promote further education and careers in this area. The success of these initiatives can be evidenced through our 2018 intake of apprentices which had a significant increase in the number of women applicants, now at over 10%, representing the largest proportion of women recruited to date. These women will all be sponsored to complete academic qualifications as part of their apprenticeship up to degree level in either an engineering or a commercial discipline.

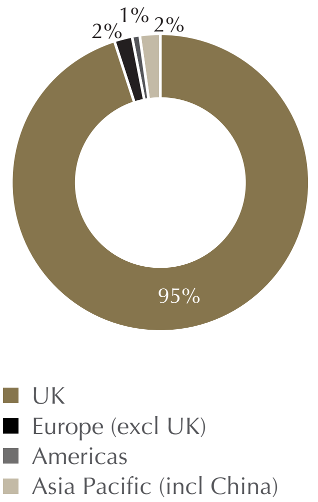
GENDER DIVERSITY AS AT 31 DECEMBER 2018

	Male	Female
Senior Management Team	11	1
Senior Leadership Team	53	12
Other employees	2,065	390
Total	**2,129**	**403**

More information on gender pay is set out on page 140 of the Directors' Remuneration Report.

KEY FACTS

EMPLOYMENT BY REGION (31 DECEMBER 2018)



APPRENTICES AS % OF WORKFORCE

4%

CONTINUOUS IMPROVEMENT

We are committed to helping all of our people to develop and grow their careers. Through a comprehensive career framework and series of targeted development programmes we are focused on enabling everyone to reach their full potential. Our focus on professional development throughout our employees' careers supports their continued personal and professional growth and ensures that we have the skills to meet our customers' current and future requirements. In the UK we continue to face a shortage of professionals qualified in engineering and technology.

To address this, we have a comprehensive programme aimed at encouraging more young people to consider careers in STEM to fill this gap and support our future growth.

Our successful apprenticeship and graduate programmes continue to attract emerging talent into our business and in 2018 we increased the annual intake of apprentices to 50 and plan to increase this over the coming years. As of 31 December 2018, we had 105 apprentices in training across our UK business, representing approximately 4% of the workforce.

ABBIE CROKER
CAD APPRENTICE

Abbie joined Aston Martin Lagonda in 2017 as a Computer Aided Design ("CAD") apprentice working in Research & Development. When considering career options after sixth form college, Abbie was keen to combine her passion for design and creativity with her enjoyment of Maths.

'I never enjoyed writing subjects at school, so I wanted to do something more practical. I didn't want to go down the University route, so I didn't even apply but I still liked the idea of part time study". As part of her apprenticeship, Abbie is completing the Applied Engineering Programme at Warwick University which she attends on a block release basis and the remainder of her time is spent learning on the job with experienced Engineers. During her first 18 months, Abbie has worked in Body Engineering and Body Development.

'I have been working on the instrument panel for the new SUV as well as the wings badge for one of our special editions. I really enjoy problem solving and finding ways to develop and improve how the components fit together.'

Abbie has represented Aston Martin Lagonda at a number of events 'I have been back to my old school twice to talk about the apprenticeship programme to encourage people to consider it as an alternative pathway to University and have also been involved in a primary futures event to promote careers using STEM subjects. I've been lucky to represent the Company at some high-profile events'.

'I really enjoy working for the Company. As well as being an amazing brand, the size of the business means you can get to know people really well and build up a network of contacts across the business'.

Apprentices are a key asset to Aston Martin Lagonda and we are committed to sponsoring people through programmes at intermediate, advanced and higher level across a range of business functions.

ENGAGEMENT

Open, transparent engagement with our employees is of core importance across our business. We actively work to regularly inform and engage employees and work to use feedback and input to inform and develop our business. We regularly share information including quarterly Company results, major business decisions and other matters which affect them, using a variety of media, including our intranet, direct email, newsletters and through team briefings and team meetings. We seek to listen to employees' views and opinions.

Employees have the opportunity to provide feedback through team meetings and our engagement surveys. We also seek to maintain a constructive relationship with our trade union stakeholders in the UK.

MARK TRINDER
TEAM LEADER – TRAINING ACADEMY

Having completed an apprenticeship in Paint, Mark started his Aston Martin journey in 2001 as a "prep and polish" technician at Bloxham where he worked on the DB7 Coupe and Volante.

Within his first year, Mark became a grade 'A' painter and in 2003 was selected to be part of the commissioning team for the paint shop at the Gaydon facility.

'During my time in paint I had some fantastic opportunities such as setting up the pre-development work for the Rapide at Magna Steyr in Austria which helped me to learn a lot about manufacturing processes in large factories'.

From here, Mark progressed to supervisory positions including Lead Technician and Group Leader within paint which he held for 4 years before his career took a different path into training. Nine years ago, he joined the newly-created training team focussing on core technical skill development and upskilling of manufacturing technicians and apprentices. Today, Mark is Team Leader of the Training Academy and gets involved in all aspects of manufacturing recruitment and skill development from apprentice level through to experienced technicians and also regularly represents Aston Martin at a number of external events.

'I have represented the business at various educational outreach and employability skills workshops in local schools, apprentice visits to Westminster and I also presented recognition awards to our apprentices at WMG Academy'.

'I always wanted to work somewhere that I could grow and develop and that is exactly what Aston Martin has enabled me to do. During my 18 years in the business I have progressed to supervisory roles, developed new skills and gained qualifications'.

'It is great to be involved in a company that has such exciting plans going forward and I can't wait to see what other opportunities this brings'.

“THIS NEW PROJECT WILL DRAW ON ALL THE KNOW-HOW WE’VE TAKEN FROM THE VALKYRIE, AND BRING IT TO A NEW SECTOR OF THE MARKET.”

Dr Andy Palmer, President and Group Chief Executive Officer

FOLLOWING ASTON MARTIN VALKYRIE AND VALKYRIE AMR PRO (FORMERLY “001” AND “002), PROJECT “003” IS THE THIRD HYPERCAR TO BE DEVELOPED WITH ITS DNA DEEPLY ROOTED IN CONCEPTS AND TECHNOLOGY CURRENTLY BEING DEVELOPED FOR THOSE REVOLUTIONARY ROAD AND TRACK-ONLY MACHINES. PROJECT 003 WILL BE BUILT AROUND A LIGHTWEIGHT STRUCTURE AND POWERED BY A TURBOCHARGED PETROL-ELECTRIC HYBRID ENGINE. COMBINED WITH ACTIVE AERODYNAMICS, ACTIVE SUSPENSION SYSTEMS PROVIDING NEXT-LEVEL PRECISION, CONTROL AND DRIVER CONNECTION LIKE THE ASTON MARTIN VALKYRIE AND VALKYRIE AMR PRO. PRODUCTION WILL BE LIMITED TO 500 COUPE EXAMPLES GLOBALLY.

"MOTORSPORT IS FUNDAMENTAL TO THE DNA OF ASTON MARTIN AND OUR COMMITMENT TO THE FIA WORLD ENDURANCE CHAMPIONSHIP IS STRONGER THAN EVER."

David King, President, Aston Martin Racing

RACING IS IN OUR BLOOD. FROM RACING OUR CARS UP ASTON HILL IN BUCKINGHAMSHIRE OVER 100 YEARS AGO, THROUGH THE DAVID BROWN ERA CULMINATING IN THE FAMOUS LE MANS 24-HOUR VICTORY IN 1959, THE RETURN TO INTERNATIONAL MOTORSPORT IN 2005, RACING HAS ALWAYS BEEN AN INTEGRAL PART OF ASTON MARTIN.

THE ETHOS OF COMPETING WITH CARS CLOSELY BASED ON ITS ROADGOING MODELS HAS BEEN CENTRAL TO SUCCESS ON AND OFF THE TRACK. THE RECENT GROWTH OF SPECIAL PRODUCTS, WITH CARS SUCH AS THE VANTAGE GT12 AND GT8, THE MIGHTY VULCAN AND THE VANTAGE AMR PRO IS ALSO DIRECTLY LINKED TO THE TRACK SUCCESS.

ASTON MARTIN HAS RECORDED FIVE CHAMPIONSHIP TITLES IN FIA WORLD ENDURANCE CHAMPIONSHIP AND MORE GTE CLASS VICTORIES THAN ANY OTHER MANUFACTURER, INCLUDING FOUR WINS AT LE MANS SINCE ITS RETURN TO THE 24- HOUR CLASSIC. THE NEW VANTAGE GTE WAS INTRODUCED IN 2018, WHICH QUICKLY PICKED UP WHERE THE PRIOR MODEL LEFT OFF BY RECORDING ITS MAIDEN WORLD CHAMPIONSHIP WIN IN THE 6 HOURS OF SHANGHAI IN NOVEMBER.


ASTON MARTIN RACING
astonmartinracing.com
AMR
ASTON MARTIN RACING
TOTAL
TOTAL
WEC
95
PRO
TAG
HEUER
TOTAL

CORPORATE RESPONSIBILITY

A KEY FOCUS OF OUR SECOND CENTURY PLAN IS FOR THE COMPANY TO BE A SUSTAINABLE LUXURY AUTOMOTIVE BUSINESS. THIS IS UNDERPINNED BY OUR COMMITMENT TO RESPONSIBLE AND SUSTAINABLE ECONOMIC GROWTH. AS A SIGNATORY TO THE UN GLOBAL COMPACT THE GROUP IS COMMITTED TO DOING BUSINESS IN AN ETHICAL AND TRANSPARENT MANNER, OVERSEEN BY GOOD CORPORATE GOVERNANCE.

This commitment has resulted in the development of an integrated Corporate Responsibility Strategy for the business based on the United Nations Sustainability Development Goals (SDGs). The strategy aims to deliver stakeholder value through ethical and sustainable excellence, creating a long-term competitive advantage.

We set global corporate responsibility priorities, which are enacted at a local level. These are then incorporated into objectives and programmes for diversity and inclusion, business conduct, safety, and the environment.

MISSION

DELIVERING STAKEHOLDER VALUE THROUGH ETHICAL AND SUSTAINABLE EXCELLENCE, CREATING A LONG-TERM COMPETITIVE ADVANTAGE

CORPORATE RESPONSIBILITY STRATEGIC GOALS

ENVIRONMENTAL SUSTAINABILITY

Integrate environmentally sustainable culture and practices across the value chain

- Carbon emissions
- Recycling
- Water consumption
- Waste management
- Energy usage and efficiency

COMMUNITY AND STAKEHOLDER ENGAGEMENT

Ensuring we are a socially responsible company

- Community engagement
- Philanthropic activities
- Educational outreach

HEALTH AND WELLBEING

Ensuring we are a great place to work and able to attract the very best talent

- Employee relations
- Attracting top talent
- Great place to work
- Safeguarding our employees

SUSTAINABLE SUPPLY CHAIN

Establishing and maintaining a sustainable supply chain to enable us to be a responsible business

- Responsible and ethical sourcing
- Supply chain mapping at all levels
- Modern Slavery Act commitments

GOVERNANCE

ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability is a core component of the Company's wider business strategy and we take our environmental obligations seriously. We have developed an environmental policy in order to drive forward our commitment to operating as a responsible business. This environmental policy covers every aspect of the Company's operations, whether they are directly or indirectly involved in the design, engineering, manufacture, servicing or restoration of our products or the distribution of parts.

ENVIRONMENTAL POLICY

We aim for continuous improvement in our environmental performance and are dedicated to our goal to eliminate pollution and waste at source in line with our business objectives, using recognised environmental best practices wherever possible. Our objectives and commitments to the environment and the community are to:

- Comply as a minimum with all relevant environmental legislation and regulation as well as other environmental requirements, whilst striving to over-achieve on that ambition wherever possible.
- Commit to ongoing reductions in energy and resource consumption in the manufacture and operation of our vehicles, and an ongoing reduction in our carbon footprint.
- Set, monitor and attain all objectives and targets for managing our environmental performance, to ensure control over the environmental impact of all products, processes and facilities.
- Minimise the impact of our activities, products and services through effective waste management.
- Give due consideration to environmental issues and energy performance in the acquisition, design, refurbishment, location and use of buildings.
- Promote sustainable product design and construction, using low carbon energy resources wherever possible.
- Operate and maintain an environmental system in line with ISO 14001: 2004.
- Proactively communicate internally and externally our environmental policy, working with our employees, suppliers and partners to promote improved environmental performance and encourage feedback.

GREENHOUSE GAS EMISSIONS

We continually measure and monitor our greenhouse gas emissions, which are reported here in accordance with the Greenhouse Gas Protocol Corporate Standard for the year to 31 December 2018. The intensity ratio measured as tonnes of CO_2 equivalent per car manufactured as it reflects the energy intensive nature of our business and the impact of the growth of the business on our immediate surroundings.

TOTAL GREENHOUSE GAS EMISSIONS

	2017	2018
GHG Emissions Under Scope 1 (tCO_2e)	7,839.33	9,572.62[1]^
GHG Emissions Under Scope 2 (tCO_2e)	8,045.34	7,326.03^
GHG Emissions Under Scope 3 (tCO_2e)	12,090.92	13,353.15[2]^
Total Gross Scope (Scope 1 & Scope 2)	15,884.67	16,898.65
Manufactured Volume (units)	5,346	6,432
Intensity Ratio (tCO_2e)	2.97[3]	2.62[3]

Our production volume in 2018 saw a significant uplift on the previous year (from 5,346 to 6,432 units), leading to an increase in our total energy consumption (see below). The increase was partially mitigated by a number of energy-efficiency measures enacted across the business such as the installation of LED lighting in our manufacturing facility, the increased use of building management systems and employee awareness programmes.

TOTAL ENERGY CONSUMPTION WITHIN ORGANISATION

	2017	2018
Electricity (MWh)	22,884.86	25,880.63^
Gas (MWh)	26,403.14	33,733.53^
Diesel (MWh)	7,998.49	10,265.65
Gasoline (MWh)	3,197.32	3,237.15
Total (MWh)	60,483.81	73,116.96

In 2018 we started on the journey towards carbon neutrality for our business. The first step was a decision to purchase 100 per cent Renewable Energy Guarantees of Origin (REGO) backed electricity for our UK operations. This excluded our St Athan manufacturing site which is not yet operational and consequently, we are not yet in control of the provision of electricity to this site.

KEY FACTS

ELECTRICITY USAGE PER UNIT DECREASED BY 6%

6% DECREASE

GAS USAGE PER UNIT INCREASED BY 6%

6% INCREASE

100% OF ALL WASTE PRODUCED WAS DIVERTED FROM LANDFILL

100% DIVERTED

EXTERNAL ASSURANCE OF CORPORATE RESPONSIBILITY DISCLOSURES

Deloitte LLP has provided limited assurance over selected environmental metrics in the "Corporate Responsibility" section of the Report, as indicated by the "^" Symbol. This is in accordance with the International Auditing and Assurance Standards Board's (ISAE3000 (Revised)) international standard. To see Deloitte LLP's assurance statement please visit www.astonmartinlagonda.com/sustainability.

1 Increase in Scope 1 due to significant increase in production and increase in number of sites

2 Increase in Scope 3 due to continued improvements made in data gathering and analysis

3 Intensity ratio = Scope 1 + Scope 2 / annual Manufactured Volume

COMMUNITY AND STAKEHOLDER ENGAGEMENT

We are committed to supporting the local communities in which we operate. Identification of local stakeholders, the issues that may affect them and how we communicate with them are fundamental to the Company's Corporate Responsibility Strategy.

As part of our local engagement, the Company supports local schools, colleges and businesses to inspire the next generation in core STEM subject areas and promotes careers in engineering. President and Group Chief Executive Officer, Dr Andy Palmer, is a strong advocate for learning and skills development and has recently been leading a review of productivity and skills development on behalf of the West Midlands region and its Mayor Andy Street.

We actively contribute to charities and have committed to supporting three charities per year. The criteria for selection covers the support for two charities that fit with our ethos, heritage and brand. The third charity is selected annually by employees.

In 2018, the chosen charities were The Prince's Trust, the Royal Air Force Benevolent Fund and Cancer Research UK. Beyond direct corporate giving, the Company continues to support its employees and local communities through sponsorship of sports teams, events and charity fundraising.

HEALTH AND WELLBEING

Safeguarding the health and wellbeing of our employees is of primary importance. Our processes prioritise the health and safety of our workforce, visitors and the local community. Our aim is to be a centre of excellence and for the Aston Martin Lagonda Health and Safety Management System to be aligned with peer best practice.

Our safety record over recent years has been strong although we strive for continuous improvement. This is achieved by sharing best practice and awareness across the business.

KEY FACTS: 2018

Accident incident rate	49.37[1]
Accident frequency rate (AFR) All sites	1.27
Sword of Honour Award	7th consecutive time
RIDDOR[2] free days	1,200 days
BSC Health and Safety audit score	95.50%
International Safety Awards	10th consecutive year

1 Significant production increase has seen an increase in reportable incident rates in manufacturing. Further training and mitigation plans in place to reduce further incidences.

2. Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

SUSTAINABLE SUPPLY CHAIN

Establishing and maintaining a sustainable supply chain is essential to us as a responsible business operating within the manufacturing sector. We recognise the wider role we play in helping to inform our employees and our wider base of supply chain partners of their obligations and legal requirements with regard to human rights in business operations.

Our policies and practices are designed to support our work with suppliers to maintain high standards of sustainable and ethical sourcing.

The Aston Martin Lagonda Responsible Procurement Guide sets out the Group's commitment to the application of social, ethical and environmental principles in the supply chain, including but not limited to eradicating any forms of slavery or human trafficking in the supply chain in line with the UK's Modern Slavery Act. This Responsible Procurement Guide is updated periodically, and the supply chain team works actively with suppliers to ensure the requirements set out in the document are understood and adhered to. Our Modern Slavery Act statement can be found on our website at www.astonmartinlagonda.com.

In 2018, no human rights violations within the Group were reported, nor were any relevant reports received regarding our wider supply network. These principles are supported by our procurement policies, practices and standards for all staff, suppliers and sub-suppliers.

KEY FACTS

2018 supplier base by region

Africa	1%
Asia Pacific	7%
America	11%
Eastern Europe	12%
Western Europe	69%

"LAGONDA IS A LUXURY BRAND, BUT IT IS ALSO ONE ROOTED IN TECHNOLOGY."

Dr Andy Palmer, President and Group Chief Executive Officer

LAGONDA AIMS TO BE THE WORLD'S FIRST ZERO EMISSION LUXURY BRAND[1]. IT WILL CONFOUND TRADITIONAL THINKING AND TAKE FULL ADVANTAGE OF THE LATEST ADVANCES IN ELECTRIFICATION AND AUTONOMOUS DRIVING TECHNOLOGIES, WHICH AMOUNT TO THE BIGGEST REVOLUTION IN LAND-BOUND TRANSPORTATION SINCE THE INVENTION OF THE CAR. LAGONDA WILL SHOW HOW TRUE LUXURY AND MODERN DESIGN, FAR FROM BEING DIAMETRICALLY OPPOSED INTERESTS, CAN EXIST IN TOTAL HARMONY AND ENHANCE EACH OTHER'S MOST DESIRABLE CHARACTERISTICS. A TRULY GLOBAL BRAND, DESIGNED, ENGINEERED AND BUILT IN BRITAIN, SUPPORTED BY THE FULL CAPABILITIES OF ASTON MARTIN.

[1]zero emissions at the tail pipe


LAGONDA

EVP AND CHIEF FINANCIAL OFFICER'S STATEMENT

MARK WILSON,
EVP AND CHIEF FINANCIAL OFFICER

2018 WAS A HISTORIC YEAR FOR ASTON MARTIN LAGONDA AND I AM DELIGHTED TO BE WRITING TO YOU FOR THE FIRST TIME SINCE OUR IPO IN MY CAPACITY AS CHIEF FINANCIAL OFFICER OF THIS GREAT BRITISH COMPANY.

The Core Strengthening phase of the Second Century Plan commenced in 2015 and is now substantially complete, with 2018 marking another year of strong growth in wholesale volumes, revenues and adjusted profit measures. Our lead metric of adjusted EBITDA has grown by c.250% with a CAGR of over 50% since the start of the Plan. Investment in the core model range is now largely complete, with four DB11 variants, the Vantage and DBS Superleggera all successfully launched on time, on budget and to great customer feedback. The third phase of the Plan, Portfolio Expansion, has commenced and is on track, with the DBX on schedule and the first delivery of Valkyrie expected this year.

Our long-term financial framework of growth, margin expansion and cash generation underpins the financial performance of the Company. Year-on-year revenue growth of 25%, an increase in adjusted EBITDA of 20%, ROIC* increasing from 12.4% to 12.8% and a second consecutive year of adjusted profitability is ample demonstration of this. The IPO this year was a key landmark in the Company's evolution, £136m of costs relating to this led to the reported loss of £68m. As the model range matures, we are focused on remaining disciplined as we execute the Plan and expect to continue to deliver on our commitment of strong growth with attractive cash conversion and compelling returns.

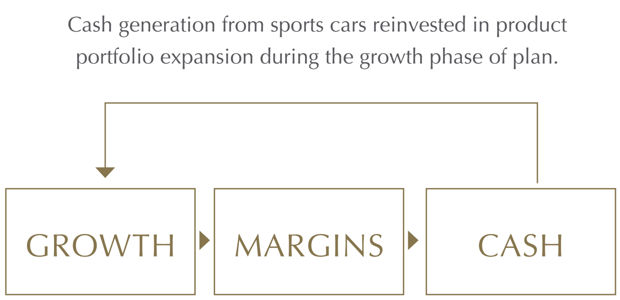
In terms of investment, we have a clear and disciplined capital allocation policy of reinvesting the cash generated from operations into product portfolio expansion. All investment projects are assessed against strict returns criteria with near-term investment focused on the DBX and mid-engine cars and longer-term investment driving Lagonda and Electric Vehicle development.

* ROIC is defined as net operating profit after tax divided by the sum of gross debt and equity

We follow a prudent leverage policy and expect adjusted net debt/adjusted EBITDA to reduce over time (2018: 2.3x, 2.1x adjusting for IPO related and other one-off cash costs) with EBITDA growing faster than gross debt. Over the medium-term, we expect cash generation to underpin a further reduction in leverage. The cash returns policy, with no current dividend proposed, will be reviewed as the product portfolio matures.

In summary, 2018 is further proof that our financial framework is delivering an increasingly profitable business generating appropriate funds for reinvestment. Maturation of the portfolio will continue to drive profitable growth over the medium and long-term as the "7x7x7" strategy delivers a mature luxury business with a sustainable financial profile and attractive returns for shareholders.

CLEAR FINANCIAL FRAMEWORK



CAPITAL ALLOCATION POLICY

Investment
- Disciplined investment in projects that meet strict returns criteria
- Near-term investment required to develop SUV and mid-engine vehicles
- Longer-term for Lagonda and EV development

Leverage
- Prudent leverage policy
- Longer-term target of c.1.0x

Cash returns
- No dividend in FY2018
- As 7 x 7 x 7 matures, dividend to be evaluated

FINANCE VISION

The Finance function seeks to create and add the maximum value to the business through disciplined and world class governance. We are accountable to our colleagues, customers and shareholders, providing honest and transparent insight based on the best possible information and experience.

The team collaborates with the business to achieve the budget and long-range business plans. We challenge ourselves and every colleague to make world-class business decisions to ensure Aston Martin Lagonda is held up as an example of a GREAT British company. We work side-by-side with the entire Aston Martin Lagonda team through the challenges of risk management to help ensure the business can grow and thrive.

GROUP FINANCIAL HIGHLIGHTS

- Revenue up 25% to £1.1bn, as total wholesale volumes reached 6,441 units, up 26% year-on-year (2017: 5,098 units)
  - Growth across all regions, with especially strong performances in APAC including China (+44%) and the Americas (+38%)
  - Average selling price per vehicle £141k (ex. specials), and £157k (inc. specials)
- Adjusted operating profit (EBIT) increased by 18% to £147m, representing an adjusted EBIT margin of 13.4%. Correspondingly, adjusted EBITDA increased by 20% to £247m with a margin of 22.6%
  - Consultancy income of £20m reclassified from revenue to “other income”. Prior to this reclassification, adjusted EBIT margin was 13.2% and adjusted EBITDA margin 22.1%
- Adjusted profit before tax was £68m. Adjusting items of £136m relating to the IPO resulted in a reported loss before tax of £(68)m
- Net cash generated from operating activities (pre-Capex) was £223m (2017: £344m) impacted by higher receivables, c.£90m of which were associated with supply chain delays in Q4, expected to substantially unwind in H1 2019. Capital expenditure was £311m as we continue to invest for the future (2017: £294m)
- Return on Invested Capital (ROIC), measuring the efficient use of capital, was 12.8%
- Net Debt at 31 December 2018 was £560m (2017: £673m) with adjusted net leverage of 2.3x adjusted EBITDA, stable at 2.1x adjusting for IPO and other one-off cash costs (2017: net debt £417m adjusting for preference shares, 2.0x)
- Adjusted diluted EPS of 27.5p, normalised for the number of shares in issue since the IPO

SUMMARY INCOME STATEMENT

£m	31-Dec-18	31-Dec-17	Change
Revenue[1]	**1,096.5**	876.0	25%
Cost of sales	**(660.7)**	(496.2)	
Gross profit[1]	**435.8**	379.8	15%
Gross margin %	**39.7%**	43.4%	
Operating expenses[2]	**(308.9)**	(255.3)	
of which depreciation & amortisation	**(100.4)**	(82.0)	
Other income	**20.0**	–	
Adjusted operating profit	**146.9**	124.5	18%
Adjusted operating profit margin	**13.4%**	14.2%	
Adjusting operating items	**(74.1)**	24.3	
Operating profit	**72.8**	148.8	(51%)
Net financing expense	**(141.0)**	(64.3)	
of which adjusting financing items	**(61.9)**	(12.9)	
(Loss) / profit before tax	**(68.2)**	84.5	
Taxation	**11.1**	(7.7)	
Reported net income	**(57.1)**	76.8	
Adj. EBITDA	**247.3**	206.5	20%
Adj. EBITDA margin	**22.6%**	23.6%	
Adj. profit before tax	**67.8**	73.1	(7%)
Reported EPS (pence)[3]	**(31.0)**	36.5	
Normalised adjusted EPS (pence)[3]	**27.5**	32.9	

1. Excludes £20m reclassification;
2. Excludes adjusting items;
3. EPS is presented on a diluted basis. For definition of alternative performance measures please see note 34 of the Consolidated Financial Statements.

All metrics and commentary in the Group Financial Review exclude adjusting items unless stated otherwise. Certain financial data within this review have been rounded.

REVENUE ANALYSIS

Wholesale volumes by region

	31-Dec-18	31-Dec-17	Change
UK	**1,798**	1,538	17%
Americas	**1,761**	1,277	38%
EMEA ex. UK	**1,489**	1,316	13%
APAC	**1,393**	967	44%
Total	**6,441**	5,098	26%

Note: Includes specials

Wholesales in 2018 increased for the third year running to 6,441 units, a 26% increase year-on-year with core volumes (ex. specials) up 30%. Regionally, volumes became more balanced as we focused on key growth markets, expanding and upgrading our dealer network capabilities; and investing in appropriate brand and marketing activities. APAC was the fastest growing region, up 44%, now 22% of group volume (including China up 31%, with a particularly strong performance from V8 variants). This was closely followed by the Americas (up 38%), which was the best performing region during the second half of the year with customers responding strongly to new product launches. Wholesales in the UK and EMEA also grew at a double-digit rate.

With the ramp up in new models, October and November saw some supply chain disruption, which was resolved during December. This resulted in higher wholesale volumes in the final month of the year compared to the prior year, as we caught up with deliveries to dealers.

REVENUE BY CATEGORY

£m	**31-Dec-18**	31-Dec-17	Change
Sale of vehicles	**1,010.7**	810.1	25%
Sale of parts	**61.1**	56.0	9%
Servicing of vehicles	**14.6**	9.9	47%
Brands and motorsport[1]	**10.1**	–	n.m.
Total	**1,096.5**	876.0	25%

1. Excludes £20m of consultancy revenue from a significant contract relating to the sale of certain legacy intellectual property in the first half of the year, previously reported in revenue now recognised as “other income”

Revenue growth for the period was 25% driven largely by the increase in wholesale volumes. Total Average Selling Price (ASP) fell slightly to £157k (2017: £159k) driven by the planned decrease in the ASP of core vehicles to £141k (2017: £150k) as the model mix shifted as expected towards the new Vantage and DB11 V8 variants, and away from the higher priced DB11 V12 derivatives. This was partially offset by the introduction of DBS Superleggera in Q4, the highest priced of the core model line-up, alongside the delivery of higher priced special vehicles.

Revenue from the Sale of parts increased by 9% to £61m and revenue from Servicing by 47% to £15m as both continue to benefit from the growth in vehicle sales in recent years.

Revenues from Brands and motorsport of £10m were driven by sponsorship and race car sales resulting from Aston Martin’s entry into the World Endurance Championship and revenue from AM Brands (AMB), which was acquired from a third party in December 2017. AMB currently manages 18 accounts, including recent relationships with TAG-Heuer, Beats, Waldorf Astoria and Sky. Revenues from Brands and motorsport in 2017 were immaterial and reported under Sale of vehicles.

OPERATING PROFIT ANALYSIS

Adjusted operating profit increased by 18% to £147m (2017: £125m),with a margin of 13.4%, in-line with guidance. This included consultancy income of £20m from a significant contract relating to the sale of certain legacy intellectual property in the first half of the year, previously reported in revenue now recognised as “other income”, which is not expected to repeat in 2019. Prior to this reclassification, adjusted operating margin would have been 13.2%. After adjusting operating items relating to the IPO of £74m, operating profit was £73m, down from £149m in 2017.

Gross profit increased by 15% to £436m (2017: £380m). The gross margin decreased as expected from 43.4% to 39.7% (prior to consultancy income reclassification 40.8%), due to the planned mix shift into new Vantage, partially offset by an outperformance in the higher margin regions and the introduction of the DBS Superleggera. Gross margin also benefited from the sale of fewer, but higher margin special vehicles.

Total operating expenses before depreciation, amortisation and adjusting items increased to £209m (2017: £173m), with the year-on-year increase driven by investment in marketing and associated selling costs supporting new model launches, the rebalancing of our geographic mix and the additional running costs of the St Athan facility. It also includes costs relating to AMB acquired in December 2017, non-capitalised engineering expenditure of £12m (2017: £11m) and higher than expected logistics costs due to the supply chain delays in Q4.

Depreciation and amortisation increased to £100m (2017: £82m), reflecting the impact of new model launches throughout 2018. The “carry-over-carry-across” (COCA) principle, a cornerstone of the Second Century Plan, where every significant component utilises a part from a previous model or creates a part for a future model, underpinned new Vantage and DBS Superleggera, contributing to an £11m decrease in capitalised R&D at £202m.

Adjusted EBITDA increased by 20% to £247m (2017: £207m) with a margin of 22.6% (prior to consultancy income reclassification 22.1%).

ADJUSTING ITEMS

£m	Income Statement	Cash
Pre-IPO long-term employee incentives	**61.2**	**23.1**
IPO professional fees	**12.9**	**6.0**
Adjusting operating items	**74.1**	**29.1**
Shareholder pension adjustment	**–**	**9.5**
Premium on the redemption of preference shares	**46.8**	**–**
Preference share fee write-off	**15.1**	**–**
Adjusting financing items	**61.9**	**9.5**
Total adjusting items[1]	**136.0**	**38.6**

1. Total operating and financing adjusting items, excludes any tax, for more detail please see note 6 of the Consolidated Financial Statements

Adjusting items of £136m (2017: £24m credit) during the year represented the costs associated with the IPO in October. The £74m of adjusting operating items comprise £61m in respect of pre-IPO long-term incentive and remuneration expenses, and £13m in respect of professional fees. The £62m of adjusting financing items related to the conversion of preference shares. Of this, £47m was the true-up of accrued interest due over the remaining term which became immediately due on conversion. The balance of £15m was related to the write-off of fees incurred at the time of executing the preference shares, which were to have been amortised over the original term of the instrument.

Including the shareholder pension adjustment, £39m of adjusting items flowed through to cash. Of this sum, £23m related to company-wide long-term incentives and IPO bonuses, including associated National Insurance contributions (£16m) and other taxes. There was no cash component to the preference share conversion, with the remaining £10m of cash costs relating to a pension settlement for selling shareholders, which had no Income Statement impact.

NET FINANCING EXPENSE

£m	31-Dec-18	31-Dec-17
Bank deposit and other interest income	**4.2**	3.1
Net gain on financial instruments recognised at fair value and foreign exchange gain	–	32.5
Bank loans and overdrafts	**(44.6)**	(45.1)
Interest on preference shares, deposits held and defined benefit liability	**(38.7)**	(41.9)
Net finance expense before adjusting items	**(79.1)**	(51.4)
Adjusting financing items[1]	**(61.9)**	(12.9)
Net finance expense	**(141.0)**	(64.3)

1. For more detail please see note 9 of the Consolidated Financial Statements.

The total net finance expense over the period was £141m (2017: £64m). The £77m increase was primarily due to £62m of adjusting financing items shown above. The adjusted net financing expense of £79m (2017: £51m) rose by £28m primarily as a result of a £33m fair value and foreign exchange gain that was recognised in 2017. Following the adoption of IFRS 9 from 1 January 2018, such gains or losses are now reported in changes in equity, rather than the Income Statement.

PROFIT BEFORE TAX

Adjusted profit before tax was £68m (2017: £73m). Adjusting for IFRS 9 in 2017, the comparable adjusted profit before tax would have been £41m. Profit before tax in the period after adjusting items was £(68)m (2017: £85m).

TAXATION

The effective tax credit rate for the year was 16.3% (2017: 9.1% charge). The tax credit on the adjusted profit before tax was £1m reflecting the benefit of the impact of previously unrecognised tax losses (£19m), a prior year credit (£5m) offset by disallowable interest on the preference shares which were converted to ordinary shares in the year. In 2017 the tax charge also benefitted from the impact of previously unrecognised tax losses of £13m.

EARNINGS PER SHARE

The normalised calculation of Earnings Per Share (EPS) is based on the 228m of ordinary shares in issue at 31 December 2018 (this represents an indication of the weighted average number of ordinary shares for evaluating future performance). With adjusted earnings of £63m, recognising tax on adjusting items as appropriate, normalised adjusted EPS was 27.5p.

The weighted average number of shares in issue during the year as a result of the share split at IPO was 202m, giving an adjusted diluted EPS of 31.1p and reported diluted EPS was (31.0)p.

CASH FLOW / NET DEBT

£m	31-Dec-18	31-Dec-17
Cash generated from operating activities	**222.6**	344.0
Cash used in investing activities	**(306.3)**	(346.6)
Cash inflow from financing activities	**57.8**	69.9
Effect of exchange rates on cash and cash equivalents	**2.7**	(1.2)
Net cash (outflow) / inflow	**(23.2)**	66.1
Cash balance	**144.6**	167.8
Borrowings	**704.1**	840.9
Net debt	**559.5**	673.1
Preference share adjustment[1]	**–**	(255.9)
Net debt adjusted for preference shares	**559.5**	417.2
Adj. Leverage	**2.3x**	2.0x
IPO and other one-off cash adjustments[2]	**38.6**	–
Adj. Leverage (after IPO cash adjustments)	**2.1x**	2.0x
ROIC	**12.8%**	12.4%

1. Preference shares, which were converted into ordinary shares at IPO, are included in borrowings in 2017, for more information please see note 24 of the Consolidated Financial Statements;
2. Cash costs associated with the IPO and shareholder pension adjustment as at 31 December 2018

Cash generated from operating activities was £223m (2017: £344m) reflecting a significant increase in working capital, including receivables of c.£90m associated with supply chain delays during Q4 and the consequential shifting of wholesale deliveries to the end of the period. This is expected to substantially unwind during the course of H1 2019. Capex increased to £311m (2017: £294m) as we continued to invest in future products and the St Athan facility. A change in the timing of anticipated spend meant this was lower than originally guided.

Net debt at 31 December 2018 was £560m (2017: £673m; £417m adjusting for preference shares). The increase in borrowings (ex. preference shares) reflected the net cash outflow of £23m and the re-valuation of the U.S. tranche of Senior Secured Notes, a new fixed rate loan to finance the construction of the paint shop at the St Athan manufacturing facility (£15m), and increased back-to-back facilities in China (£12m) alongside a partial drawdown of the RCF (£70m), supporting working capital requirements including the receivables increase noted above.

Adjusted net leverage was 2.3x adjusted EBITDA, stable at 2.1x after adjusting for IPO and other one-off cash costs.

Return on Invested Capital (ROIC), measuring the efficient use of capital, was 12.8%. ROIC[1] is defined as net operating profit after tax divided by the sum of gross debt and equity.

No dividends have been paid or proposed as we invest in future growth and focus on the delivery of the Plan.

OUTLOOK

Since our Third Quarter Trading Update in November 2018, geopolitical and economic uncertainties have increased. In response, we have put contingency plans in place to protect production and customer deliveries should the UK leave the European Union without an agreement or in an unstructured manner. Plans for up to £30m of advanced working capital and/or operating expenses have been approved by the Board. If enacted, these one-off items would be reported separately through the year and will be excluded for performance measurement purposes. To date the Company has spent a minimal amount (on racking and packaging) and has committed, but not spent, c.£2m on revised supply chain routes. Whilst we are mindful of these external factors and the uncertain and more challenging external environment, particularly in the UK and Europe, we remain disciplined in our execution and maintain our guidance for financial year 2019, whilst also reconfirming our medium-term objectives.

Medium term guidance: Wholesales ~14,000, adjusted EBITDA margin >30% and adjusted operating profit (EBIT) margin >20%.

1. For full calculation please see note 34 of the Consolidated Financial Statements.

"LIKE-MINDED PARTNERS ARE ESSENTIAL: PEOPLE WHO ARE THE BEST IN THEIR CATEGORY AND WHO UNDERSTAND OUR COMPANY AND VALUES."

SIMON SPROULE, VICE PRESIDENT AND CHIEF MARKETING OFFICER

BEYOND OUR CORE BUSINESS OF CREATING BEAUTIFUL AUTOMOTIVE ART, WE SEEK TO BRING OUR BRAND INTO COMPLEMENTARY AND INNOVATIVE SPACES.

THROUGH PARTNERSHIPS WITH OTHER LEADING BRANDS, WE CAN TOGETHER CREATE PRODUCTS AND EXPERIENCES WITH A COMMON PASSION FOR PERFECTION, AN EYE FOR BEAUTY AND UNEQUALLED CRAFTSMANSHIP.

Project Neptune, in collaboration with Triton Submarines LLC

House of Aston Martin Aoyama

Global partnership with Waldorf Astoria Hotels & Resorts

Aston Martin Residences in partnership with
G&G Business Developments LLC

RISK AND VIABILITY REPORT

OUR APPROACH TO RISK

The Board is ultimately responsible for oversight of our risk management and internal control systems and it recognises that effective enterprise risk management is essential to executing our strategy to deliver the Second Century Plan, achieving sustainable shareholder value, protecting the brand and ensuring good governance. This includes determining the nature and extent of the principal risks the Board is willing to take in achieving our strategic objectives (the Board's risk appetite), and challenging management's implementation of effective systems of risk identification, assessment, prioritisation and management. We operate a three lines of defence assurance model to manage the ongoing effectiveness of risk and control and to define the relationship between the various management and oversight functions.

The Audit and Risk Committee has been delegated the responsibility for monitoring the effectiveness of the Group's risk management and internal control systems. Ongoing review of these controls is provided through internal governance processes and the work of the Group functions, particularly the work of the Internal Audit and Risk Management Team and the Risk Management Committee. The annual Audit and Risk Committee calendar provides a framework for the ongoing review of these systems and controls by the Committee, particularly through reports provided by our Internal Audit and Risk Management team, the external auditors and opportunities to have "deep dives" to understand the key risks of the business.

Our Internal Audit and Risk Management team maintain the Group's Enterprise Risk Management Framework and System (ERMFS) and co-ordinate risk management activities across the Group. Significant activity was undertaken prior to the IPO to strengthen the Group control environment by embedding the ERMFS to ensure it was appropriate for a public company. We continue to enhance our risk management activity by introducing formal risk mitigation plans, more granular assessments of gross, net and target risk and management and independent Internal Audit assessments of the effectiveness of these plans (see Control Environment on page 115).

Through the ERMFS the following activities will form an integral part of our business and include: annual review and approval of the ERMFS and Risk Management Policy; identifying and assessing gross and net risks for potential impact and likelihood; maintaining corporate and departmental risk registers; undertaking top-down/bottom-up risk assessments, and designing and implementing risk mitigation plans. The risk mitigation plans will be independently validated on a rotational basis by our Internal Audit and Risk Management team led by the Director of Internal Audit and Risk Management, who reports administratively to the EVP and Chief Financial Officer with an independent reporting line to the Chair of the Audit and Risk Committee. The key governing bodies associated with promoting effective risk management within the Group, and their primary responsibilities for risk management, are shown in the diagram opposite.

OUR INTERNAL AUDIT AND RISK MANAGEMENT TEAM MAINTAIN THE GROUP'S ENTERPRISE RISK MANAGEMENT FRAMEWORK AND SYSTEM (ERMFS) AND CO-ORDINATE RISK MANAGEMENT ACTIVITIES ACROSS THE GROUP.

BOARD OF DIRECTORS AND AUDIT AND RISK COMMITTEE

- The Board is responsible for regular oversight of the Group's risk management and internal control systems, assessing the Group's principal risks and setting the Group's risk appetite.
- Regularly monitor risk status through formal risk reporting, risk deep dive reviews and the commissioning of assurance reviews to independently validate the effectiveness of risk mitigation plans.
- The Board has delegated oversight of the Enterprise Risk Management Framework and System to the Audit and Risk Committee which regularly monitors the principal risks and uncertainties along with management's strategies to mitigate them.

RISK MANAGEMENT COMMITTEE (MANAGEMENT COMMITTEE CHAIRED BY DIRECTOR OF INTERNAL AUDIT AND RISK MANAGEMENT)

- Reviews external and internal environment for emerging risks.
- Performs deep dive reviews of principal risks and challenges risk assessments and mitigation plans.
- Holds risk owners accountable for implementing effective risk mitigation plans.
- Meets every two months and reports key findings to the EVP and Chief Financial Officer. Updates are provided to the Audit and Risk Committee.
- Cross-functional "Risk Champion" attendees, encompassing senior management from key departments (e.g. IT, Quality, Technology, Manufacturing, Finance, Legal, Supply Chain).
- Identifies and assesses changes to risks and monitors the effectiveness of mitigation plans to reduce risk exposure to acceptable levels within our risk appetite.
- Champions effective risk management and control across the Group.

INTERNAL AUDIT AND RISK MANAGEMENT TEAM

- Centrally co-ordinates deployment of the "Enterprise Risk Management Framework and System".
- Facilitates updates to the corporate and functional risk registers.
- Provides resources and training to support risk management activities.
- Prepares Board, Audit and Risk Committee and Risk Management Committee status updates.
- Evaluates the design and operating effectiveness of risk mitigation activities.

DEPARTMENTAL RISK CHAMPIONS AND RISK OWNERS

- Perform day-to-day risk management activities.
- Identify and assess risk within their departments and implement actions to reduce risk exposure to an acceptable target level.
- Assign owners to risks, maintain departmental risk registers and manage "Risk Mitigation Plans".
- Responsible for establishing an appropriate risk management culture, and for implementing effective risk management and internal control within their department.

RISK APPETITE

The Board determines the amount of risk which is appropriate in the pursuit of the Group's strategic objectives, dependant on the type of risk. For example, in our pursuit of volume growth we are prepared to accept a moderate level of operational risk to firmly establish our position within the global luxury automotive market, whereas we have a lower risk appetite when considering compliance and financial risks. As a result, the Group's risk appetite will vary dependent on the type of risk and may change over time. In exploring risks and opportunities, we prioritise the interests and safety of our customers and employees and seek to protect the long-term value and reputation of the brand, while maximising commercial benefits to support responsible and sustained growth.

We assess the level of risk exposure against our associated risk appetite to ensure that we appropriately prioritise our resources to manage risks within our risk appetite. Initially we assess the gross exposure of identified risks, this being the risk exposure before considering the effect of any mitigating controls or actions. We then measure the net risk to determine the residual risk exposure using a scoring methodology which considers the likelihood and potential impact of the identified risk. Where the residual risk remains outside of the Board's risk tolerance additional actions are identified to further mitigate the risk down to an acceptable target level.

OUR PRINCIPAL RISKS

Our risk management system is designed to identify a broad range of risks and uncertainties which we believe could adversely impact the profitability or prospects of the Group. Our principal risks are those that we regard as the most material to the success of our Second Century Plan, our financial performance and our long-term sustainability. The following pages set out the Group's principal risks, how these risks are linked to our strategy and the primary mitigating actions implemented for each risk during the year ended 31 December 2018. Our principal risks may change over time as some risks assume greater importance and others may become less significant.

We categorise principal risks within one of the following four areas: Strategic, Operational, Compliance and Financial. Each principal risk is linked to one of these categories and may impact one or more of our strategic pillars.

Risk category	Risk description	Risk appetite
STRATEGIC RISKS TURN TO PAGE 83 FOR MORE INFORMATION	Risks which can directly affect the Second Century Plan or could significantly impact our business model or long-term market position and performance.	Low – Moderate
OPERATIONAL RISKS TURN TO PAGE 87 FOR MORE INFORMATION	Risks which affect business activities and operational continuity and resilience.	Low – Moderate
COMPLIANCE RISKS TURN TO PAGE 91 FOR MORE INFORMATION	Risks associated with non-compliance with laws and regulations which are relevant to the Group and the automotive industry.	Zero tolerance
FINANCIAL RISKS TURN TO PAGE 93 FOR MORE INFORMATION	Risks related to financing, liquidity, currency and financial reporting.	Low

STRATEGIC RISKS

MACRO-ECONOMIC AND POLITICAL INSTABILITY

The Group operates in many markets exposing us to changing economic, regulatory, social and political developments that may impact customer demand, profitability or our ability to sell within those markets.

Adverse macro-economic conditions or country-specific changes to the operating, regulatory or political environment may lead to an unfavourable business climate and significant tensions between major trading parties which could impact the Group's operations. This may include explicit trade protectionism, differing tax or regulatory regimes, changing public sentiment or reduced disposable incomes which could affect demand for our vehicles.

LINK TO STRATEGY

- All pillars.

RISK TOLERANCE

Moderate – recognising that external factors are difficult to mitigate as they are often outside our direct control.

EXAMPLES OF RISKS

- A key component of the Group's growth strategy is the expansion of sales in the Asia Pacific and Middle East regions, particularly recognising the increasing number of high net worth individuals (HNWIs) in these markets. The extent to which economic growth in these emerging markets and within the luxury market as a whole will be sustained is unknown.
- Increased protectionism in many global jurisdictions and Brexit could result in increased tariffs, pricing pressure and additional operating complexities.
- Unfavourable movements in foreign exchange rates or commodity prices could adversely affect our ability to meet our strategic objectives.

ACTIONS TAKEN BY MANAGEMENT

- Continued diversification into emerging markets (China, Asia Pacific, Middle East and Africa) while building on our growth in established markets (UK, US) to reduce over reliance on any one territory.
- The Group's brand positioning within the high luxury automotive segment aimed at HNWIs may be less impacted by the economic cycle, and its operating model based on balancing demand and supply to promote strong prices helps to make the Group more resistant to adverse economic impacts.
- Monitoring market trends globally to target areas for future growth and to ensure a product offer which reflects customer tastes and preferences.
- Brand and customer activities and experiences to ensure strong brand recognition and customer relationships.
- Lobbying, where appropriate, to proactively influence regulatory change which may affect the Group.
- Making appropriate preparations for Brexit including the establishment of a Brexit steering committee to manage the risks associated with Brexit (see the Brexit principal risk set out on page 92).
- Keeping strategic plans under review to adapt to changes in economic conditions.

INABILITY TO MAINTAIN FAVOURABLE COMPETITIVE POSITIONING

Maintaining our competitiveness in the high luxury segment car market is critical to achieving our strategic growth objectives.

The Group competes with a number of other manufacturers with strong brands and reputations and which may have access to greater financial resources. The high luxury segment is relatively small due to the price at which cars are sold and significant investment is required to introduce new models to the market, which relies on a sufficient level of demand to support the growing levels of production and competition.

LINK TO STRATEGY

- Strengthened global brand and sales power.
- Inspiring customer-focused luxury products.
- World-class value and lean processes.
- Top-class quality.

RISK TOLERANCE

Low – as we develop our product portfolio, particularly our SUV and Sedan vehicles, we need to ensure that we remain competitive to win customers across model segments.

EXAMPLES OF RISKS

- Failure to maintain leading design which customers value.
- Inability to produce cars that are competitive in terms of performance, aesthetics and quality and that meet customers' needs and tastes.
- Inability to keep up with technological advancements (e.g. electrification).
- Failure to meet regulatory requirements such as emissions restrictions.
- Competitor brands with greater financial resources enabling them to invest in technology (see technology principal risk on page 86) and stronger negotiating power with the suppliers due to higher volumes.

ACTIONS TAKEN BY MANAGEMENT

- Expanding our product portfolio with our Second Century Plan to produce seven new core models over seven years. This is aimed at increasing demand with a multi-segment model strategy based on clearly defined target customers for each model to reflect customer tastes and preferences.
- Multi-pronged electric vehicle strategy with plans to introduce hybridised supercars and SUVs (under the Aston Martin marque) and all-electric SUVs and sedans (under the Lagonda marque).
- Maintaining a regular pipeline of special editions and a fully bespoke customisation offer through the 'Q' division, to drive exclusivity and increase demand.
- Continuous improvement in product performance, technology, quality and other car features.
- Use of modular architecture and "carry over-carry across" principle for key systems and components to minimise engineering and tooling investment and time to market and improve overall quality.
- "Beyond Lean"™ manufacturing techniques to improve efficiency and cost savings.
- Connected car strategy to ensure we keep pace with the market demand for in-car technology and connectivity, autonomous capability and electromobility.
- Strong brand positioning in the high luxury segment of the car market and strong secondary market values.
- Expanded dealer network and improved dealer training to ensure luxury customer experience consistent with the brand.
- "Built-in" quality processes to achieve customer satisfaction.

BRAND/REPUTATIONAL DAMAGE ARISING FROM POOR QUALITY, LATE DELIVERY, PRODUCT RECALL OR INEFFECTIVE BRAND POSITIONING AND AWARENESS

Our brand and reputation are critical in securing demand for our vehicles and in developing additional revenue streams. Damage to our brand or reputation for any reason could significantly impact our ability to deliver the volume growth required by the Second Century Plan.

LINK TO STRATEGY

- Strengthened global brand and sales power.
- Top-class quality.
- Inspiring customer-focused luxury products.

RISK TOLERANCE

Low – the value of the brand has been built upon delivering exceptional luxury products to our customers. Any real or perceived quality or customer experience issues could significantly affect demand for our products.

EXAMPLES OF RISKS

- Customer confidence and loyalty could be affected due to product recall, late delivery, quality defects or not meeting customer expectations and vehicle specifications.
- Reliance on a franchised dealer network to raise and maintain brand awareness.
- Inadequate training of our dealership network in new products and technologies as we expand our product portfolio could result in a poor customer experience.

ACTIONS TAKEN BY MANAGEMENT

- Clear brand vision and establishment of a consistent brand identity across platforms.
- Selective licensing and other use of the brand assets within AML Partnerships.
- Monthly Brand Steering Committee meetings attended by senior executives and regular marketing and communications reports highlighting brand activities.
- Cross-functional project team established to deliver new model launches.
- "Right first time" engineering approach and "Built-in" vehicle quality audit processes to improve quality.
- Customer satisfaction feedback through customer audits and expansion of client services team to improve global customer support.
- Quality remediation process in place where quality issues are managed through the Technical Review Group, Critical Concerns Review Group and the Recall Committee.
- Expanded dealer network and improved dealer training to ensure luxury customer experience consistent with the brand.

INABILITY TO INCORPORATE AUTOMOTIVE TECHNOLOGICAL ADVANCEMENTS (E.G. ACTIVE SAFETY, CONNECTED CAR, ELECTRIFICATION, AUTONOMOUS DRIVING)

Inability to keep pace with changing customer requirements and expectations with the move towards more advanced technologies due to reliance on third parties for key components and availability of funds to invest internally on product development.

The Group's current liquidity position and funding structure may restrict the availability of funds to pursue potential acquisitions, invest in organic growth projects or exploit emerging business opportunities to maintain our competitiveness in relation to technological change. In particular, keeping abreast of the development of new technology (e.g. active safety, connected car, electrification, autonomous driving) in line with changes in trends and customer tastes.

The Group is currently reliant upon certain key suppliers maintaining their pace of technological development and making this available to the Group in a timely manner.

LINK TO STRATEGY

- Inspiring customer-focused luxury products.
- Strengthened global brand and sales power.
- World-class value and lean processes.
- Top-class quality.

RISK TOLERANCE

Low – technology requirements in the automotive industry are changing with increasing pace and the Group needs to anticipate these to remain competitive.

EXAMPLES OF RISKS

- The Group may not have access to the latest technologies due to its reliance on third parties for key components.
- Competitors may have better access to funding to develop new technology faster and be first to market.
- Changing regulations may make current technology obsolete.

ACTIONS TAKEN BY MANAGEMENT

- Strategic partnerships with key partners enable the provision of engines, electrical architecture and entertainment systems as well as providing a more cost-effective platform to enhance our design and engineering capabilities.
- Given their desirability, special models are often fully allocated prior to any significant capital commitment and achieve a higher margin. Customer deposits are required on allocation and typically allow special editions to be cash flow positive from design to the end of product life-cycle.
- The Group exploits further opportunities by levering our brand and design expertise to create opportunities to leverage into other luxury goods.
- Active management of the Group's liquidity and cash flow to prioritise use of funds to deliver the Second Century Plan.
- Through our modular architecture "carry over-carry across" approach for key systems and components and "Beyond lean"™ method of manufacturing, the Group aims to maximise its efficiency, cost effectiveness and quality of operations.
- The Group retains a high level of in-house powertrain expertise, in both conventional internal combustion engine technology and next-generation electric drivetrains, which enables the Group to assess the relative financial and operational merits of sourcing these from third parties or developing comparable engines in-house.
- Customer-focused product development to ensure that innovation aligns with customer expectations.
- Connected car strategy to ensure we keep pace with the market demand for in-car technology and connectivity, autonomous capability and electromobility.
- Multi-pronged electric vehicle strategy with plans to introduce hybridised supercars and SUVs (under the Aston Martin marque) and all-electric SUVs and sedans (under the Lagonda marque).

OPERATIONAL RISKS

FAILURE TO ATTRACT, DEVELOP AND RETAIN TOP TALENT

Inability to attract, motivate, develop and retain our people to perform to the best of their ability to meet our strategic objectives.

Our performance, operating results and future growth depend on our ability to attract, motivate and retain talent with the appropriate level of expertise to deliver our Second Century Plan.

LINK TO STRATEGY

- Passionate people and culture.
- World-class value and processes.

RISK TOLERANCE

Low to Moderate – recognising the importance of having the right people and skills to deliver our strategy. We are reliant in certain areas on highly skilled technicians to maintain the attractiveness and quality of our vehicles.

EXAMPLES OF RISKS

- Failure to engage or equip our teams to deliver our strategy or address key capability gaps (e.g. inability to meet recruitment targets at St Athan).
- Failure to build the right capabilities and behaviours in our leadership population.
- Failure to have appropriate succession planning in place should key positions become vacant through resignation, ill health or accident.
- Loss of critical talent/knowledge/unmanageable levels of attrition due to a competitive local labour market.

ACTIONS TAKEN BY MANAGEMENT

- Oversight by our Remuneration Committee to ensure that the remuneration packages for senior leadership roles are appropriate to retain key individuals and align with our strategy.
- Succession planning for key roles and positions.
- Regular review of talent and resource risks related to key roles/positions by the Board and Committees.
- Annual bonus plans in place for management and staff to reward individual and corporate performance.
- Annual benchmarking of remuneration levels across grades.
- Investment in HR recruitment team to increase the capacity and efficiency of recruitment activity.
- Track record of internal promotions, demonstrating availability for career progression within the Group.
- Employee engagement survey and action plan.
- Ongoing investment in our Apprenticeship Programme.
- Introduction of our online Learning Management System to facilitate employees' personal development and skills acquisition.
- Establishment of the Development Committee to focus on employee career development and progression.

INABILITY TO DELIVER MAJOR PROGRAMMES

Failure to implement major programmes on time, within budget and to the right technical specification could jeopardise delivery of the Second Century Plan and have significant adverse financial and reputational consequences.
Successful delivery of significant programmes (including the new manufacturing facility in St Athan and core (DBX) and special (Valkyrie) vehicle programmes) is fundamental to the achievement of the Group's strategic objectives.

LINK TO STRATEGY

- Inspiring customer-focused luxury products.
- World-class value and lean processes.
- Strengthened global brand and sales power.

RISK TOLERANCE

Low – due to the significance of these projects in driving the required levels of volume growth and cash generation to support the Second Century Plan.

EXAMPLES OF RISKS

- Failure to engage sufficient personnel with the correct programme management skills and capabilities to deliver programmes.
- Failure to follow a standard programme methodology could result in required outcomes not being delivered.
- Delayed new model or special project launch.
- Inability to effectively control costs within programmes could undermine projected financial targets.
- Late delivery of new models could damage our brand/reputation and potentially result in reduced sales volumes or pricing.

ACTIONS TAKEN BY MANAGEMENT

- Deployment of an established stage and gate Programme Delivery Methodology to drive consistent governance and management across the programme portfolio.
- Major programmes are subject to Executive Committee approval and oversight.
- Dedicated discrete programme management teams are established to deliver each programme.
- Regular programme and Operating Committee status reviews with escalation routes for issues to be managed.
- Mandatory lessons learned sessions to ensure that subsequent programmes benefit from previous experience.
- Technical and quality audits are performed at critical stages by independent parties.
- ISO 9001 and 14001 certifications in relation to Quality and Environmental management systems.
- Move to modular architecture strategy with increased focus on leveraging core architecture across multiple applications to reduce vehicle programme delivery times.

INADEQUATE PROTECTION AGAINST CYBER ATTACK RESULTING IN POTENTIAL LOSS OF DATA, SYSTEM AVAILABILITY OR OPERATIONAL DISRUPTION

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.

The Group's technology environment is critical to its success. A robust control environment helps decrease the risks to core business operations and/or major data loss.

LINK TO STRATEGY

- World-class value and lean processes.
- Strengthened global brand and sales power.

RISK TOLERANCE

Low – protecting the brand and its reputation globally is at the heart of everything we do. We have a low tolerance and take a risk-averse approach, adopting a strategy to avoid or mitigate any reputational/brand risk arising from cyber threat.

EXAMPLES OF RISKS

- Denial of service resulting in disruption of business activities.
- An external hacker exploits a security vulnerability resulting in a loss of system control and/or major data loss.
- A malicious insider abuses privileged access to gain entry to sensitive information and/or conduct unauthorised activities.
- Malware results in a loss of system control causing business disruption and/or major data loss.
- Fines due to failure to comply with the General Data Protection Regulations (GDPR).

ACTIONS TAKEN BY MANAGEMENT

- Established a cross-functional Cyber Security Steering group with Executive membership and President and Group CEO sponsorship.
- Continued investment in the cyber security programme and completion of independent risk assessments to validate the strategy and identify capabilities required to achieve the appropriate levels of security.
- 24/7 monitoring using Darktrace and AlienVault supported by robust security incident response processes.
- Independent Cyber Vulnerability Assessment completed in the year to identify and understand control gaps.
- Internal controls in place to minimise employee error – password policies, regular communications regarding phishing emails.
- Regular third-party penetration testing performed to validate the ongoing effectiveness of network controls.
- GDPR compliance project undertaken to identify data sets, classify them and ensure effective controls in place to manage data access and use.
- Firewalls, anti-virus and patch management controls.
- Use of Bitlocker encryption enforced to protect data in transit and at rest.
- Company policy mandates the use of MX Majenta for the exchange of sensitive information outside of the organisation, which allows us to ensure that the correct recipient has accessed the information and provides an audit trail of access.

POTENTIAL DISRUPTION TO THE SUPPLY CHAIN

Supply chain disruption could result in production stoppages, delays, quality issues and/or increased costs resulting in adverse operational and financial consequences for the Group.
Potential loss of key Tier 1 supplier or a single-source supplier, or deterioration in quality could seriously jeopardise production resulting in delayed or lost sales and brand/reputational damage. (See also the principal risk relating to Brexit).

LINK TO STRATEGY

- Inspiring customer-focused luxury products.
- Top-class quality.
- World-class value and lean processes.

RISK TOLERANCE

Low – as production is at capacity the business model cannot absorb any significant delays in production and/or sales.

EXAMPLES OF RISKS

- Supplier may be unable to meet delivery schedules due to financial difficulties or the inability to meet increasing volume demand.
- Third parties may withdraw their permission to use their components.
- Reliance on the use of several smaller, bespoke suppliers for specific components.
- Reliance on key suppliers (e.g. engines and electrical architecture from Daimler).

ACTIONS TAKEN BY MANAGEMENT

- Commodity strategies established for core suppliers detailing alternative supply routes in the event of disruption to current supply.
- Mapping our supply chain to provide real-time information about supplier performance.
- Software tool enables us to load the vehicle BOM so it can automatically flag issues, risks and disruptions in the supply chain, and their potential impact.
- Assessment of supplier financial strength and performance prior to contracting with them.
- Stock levels continuously monitored, and all vendor tooling regularly accounted for and maintained on an asset register.
- Independent reviews by the Procurement team of key supplier Business Continuity plans.
- Establishment of the Supplier Quality Development team to actively manage supplier quality and performance.
- Creation of Supply Chain Management team to aid with onboarding new suppliers.
- “Supplier Champions” identified to actively manage at risk suppliers.
- Identification of alternative suppliers where risk of sole supply is deemed too significant.
- Appointment of new VP and Chief Purchasing and Supply Officer to lead the continuing optimisation of our supply chain and oversight of our planned Brexit mitigations.

COMPLIANCE RISKS

POTENTIAL NON-COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are subject to a broad spectrum of national and regional laws and regulations in the various jurisdictions in which we operate.

These include product safety, emissions, trademarks, competition, employee and customer health and safety, data, corporate governance, employment and tax. Changes to laws and regulations or a major compliance breach could have a material impact on the business. There are new regulatory requirements which the Group needs to comply with as a publicly listed company.

LINK TO STRATEGY

- World-class value and lean processes.
- Inspiring customer-focused luxury products.
- Strengthened global brand and sales power.

RISK TOLERANCE

Zero – the Board adopts a zero tolerance to non-compliance with laws and regulations as this could seriously impact the Group's ability to trade in certain markets and result in significant brand/reputational damage.

EXAMPLES OF RISKS

- Regulatory non-compliance.
- Non-compliance with emissions regulations could inhibit the Group's ability to trade in certain markets.
- Failure by the Group or associated third parties to act in an ethical manner.
- Non-compliance with labour, human rights and environmental standards across our own operations and extended supply chain could result in financial penalties, disruption in production and reputational damage to our business.
- Tax is a complex area where laws and their interpretations are changing regularly leading to the risk of unexpected tax and financial loss exposures.

ACTIONS TAKEN BY MANAGEMENT

- Secured "Small-volume" derogation status within the EU which establishes bespoke emissions targets.
- Vehicle safety certification is obtained for all markets.
- Reduction in average emissions across the product portfolio.
- The HR and legal and compliance functions are responsible for ensuring that employees are aware of regulations relevant to their roles. We have strengthened our public company regulatory expertise through a number of recent hires.
- Framework of policies that aim to drive best practice across our business. These include our Anti-Bribery and Corruption Policy and Data Protection Policy.
- GDPR policies and procedures within the business and appointed a dedicated Data Protection Officer to monitor and drive GDPR compliance.
- Assurance processes are in place to monitor compliance in key risk areas, with results being reported to our Audit and Risk Committee and Risk Management Committee.
- Our culture and policies encourage employees to speak up and report any issues without fear of retribution via our Whistleblowing process.
- In-house Legal and Compliance team that manages any ongoing regulatory investigations.
- Third-party support is obtained in areas of new or emerging regulatory guidance to support the implementation of appropriate new processes and controls.

UNCERTAINTY SURROUNDING BREXIT

Various Brexit scenarios could impact the Group's financial position, supply chain and people.
The current uncertainty regarding the way the UK leaves the EU makes it very difficult to plan for, with multiple scenarios having to be considered and addressed.

LINK TO STRATEGY

- All pillars.

RISK TOLERANCE

Low – although we have a low tolerance for risk caused by Brexit there is still uncertainty about the long-term impact.

EXAMPLES OF RISKS

- Additional customs duty from the cessation of existing free trade agreements and VAT cash flow costs at the new UK trade border.
- Extended supply lead times increasing working capital investment.
- Uncertainty over the rights of EU nationals, which has increased the risk of losing talent.
- Exchange and interest rate volatility impacting Group revenues, margins, profits and cash flow.

ACTIONS TAKEN BY MANAGEMENT

- Establishment of a cross-functional Brexit Committee with fortnightly status reporting to the Executive Committee.
- Review of SMMT guidance regarding the key impacts of Brexit to the automotive industry.
- Strong engagement with the UK Government and various industry bodies.
- AEO accreditation is being obtained which would partially mitigate supply chain risks.
- Steps taken to prepare our supply chain and sales network to mitigate Brexit impacts on the business.
- Plans in place to manage alternative supply routes including, but not limited to, different ports of entry and methods of transport.
- Strengthened our production purchasing function with the recent appointment of a VP and Chief Purchasing and Supply Officer who will also oversee the execution of planned Brexit mitigations.

FINANCIAL RISKS

POTENTIAL IMPAIRMENT OF CAPITALISED DEVELOPMENT COSTS

The value of capitalised development costs continues to grow as we expand our product portfolio.
The carrying value of development costs in our balance sheet is dependent upon the future profitability of the vehicle platforms to which they are attributed. A significant reduction in vehicle lifecycle profitability could result in the need to impair the capitalised development intangible asset.

LINK TO STRATEGY

- Robust financing and funding.
- World-class value and lean processes.

RISK TOLERANCE

Zero – we have a zero tolerance in relation to financial reporting risk.

EXAMPLES OF RISKS

- Vehicle sales volumes reduce below lifecycle plans/ forecasts.
- Vehicle pricing and margins reduce to levels which no longer support the carrying value of the attributable capitalised costs.
- Uncertainty of carry over-carry across of components on future vehicle models.

ACTIONS TAKEN BY MANAGEMENT

- Modular architecture platform application approach adopted for new model development to reduce cost of investment across the portfolio.
- Strategic component development plan being deployed to reduce investment cost of new models.
- Impairment reviews are performed where management considers there to have been a triggering event (e.g. a significant reduction in sales volumes, or vehicle pricing and margins for a model).
- Regular vehicle line reviews to monitor sales volumes, average prices and margins. Any significant deterioration below plan is communicated to the Financial Reporting and Accounting team for consideration.

RISK MANAGEMENT ACTIVITIES IN 2018 AND PLANS FOR 2019

THE BOARD AND THE AUDIT AND RISK COMMITTEE UNDERTOOK A NUMBER OF RISK MANAGEMENT ACTIVITIES DURING THE PERIOD AS FOLLOWS:

IDENTIFICATION OF RISKS

We identify and manage risk using a top-down bottom-up approach.

- Top-down – Identification, assessment, prioritisation, mitigation, monitoring and reporting of risk at a corporate level. Overseen by the Audit and Risk Committee and the Management Risk Committee.
- Bottom-up – Identification, assessment, prioritisation, mitigation and monitoring of risk across all operational and functional areas.

During the period, the key risks identified in the corporate and departmental risk registers were compared, reviewed and revised to reflect changes in the business and the external environment. These were then re-evaluated to produce a schedule of principal risks, which were discussed at our Risk Management Committee and presented to the Audit and Risk Committee.

RISK MANAGEMENT SYSTEM

The Aston Martin Lagonda Enterprise Risk Management Framework and System was adopted to enhance the risk management framework following the Group's IPO. This was presented to and approved by the Executive Committee and the Audit and Risk Committee.

RISK APPETITE

The Group's risk appetite and tolerance levels were considered and approved by the Board and will be reviewed annually. These are used to set tolerance limits and target risks for each of the principal risks and refine mitigation plans where appropriate.

MANAGEMENT ACTIONS & DEEP DIVES

The Internal Audit and Risk Management team have planned a series of independent validations of the principal risk mitigation plans within the FY19 Audit Plan, the purpose being to provide independent assurance to management, the Audit and Risk Committee and the Board on the effectiveness of management actions to mitigate risks.

Our Internal Audit and Risk Management team is working with the departmental "Risk Champions" to complete formal "Risk on a Page" plans to clearly articulate the nature and extent of the principal risks and their associated mitigating actions. These will be used from FY19 onwards to provide the Board and Audit and Risk Committee with management self-assessments on the effectiveness of risk mitigation.

As part of our Audit and Risk Committee annual planning, we have scheduled a number of "deep dives" to review the effectiveness of the management of the following principal risks.

- Inadequate protection against cyber attack resulting in potential loss of data.
- Uncertainty surrounding Brexit.
- Inability to deliver major programmes.
- Potential disruption to the supply chain.
- Potential non-compliance with laws and regulations.
- Inability to maintain favourable competitive positioning.

VIABILITY STATEMENT

ASSESSMENT OF PROSPECTS

The Second Century Plan is the main basis for assessing the longer-term prospects of the Group. Details of the Plan are set out on pages 26 to 27. Our strategic planning process involves a detailed review of the Plan by our President and Group Chief Executive Officer and EVP and Chief Financial Officer, in conjunction with the Executive Committee and other senior management. Delivery against the Plan is monitored through regular updates to the Board and our annual budget process.

VIABILITY STATEMENT

The Directors have carried out a robust review of the principal risks of the Group, which are set out on pages 83 to 93, identifying the nature and potential impact of those risks on the viability of the Group, together with the likelihood of them materialising.

This analysis has then been used to carry out an assessment of the ability of the Group to continue in operation and meet its obligations. The assessment covers the five-year period from January 2019 to December 2023. This was considered appropriate by the Directors because it aligns with the Second Century Plan and is indicative of the investment and development cycle of new products in the luxury car market. Inevitably, the degree of certainty decreases over this period.

The assessment process consisted of stress testing the base case forecasts in the Second Century Plan for the following scenarios designed to reflect the potential impact of the principal risks materialising.

- The impact of 6-month delays to new product development.
- The impact of strengthening £:$ exchange rates.
- A severe but plausible market downturn such as a material reduction in the size of the luxury market due to external factors (such as a decrease in demand from HNWIs, increased direct and indirect taxation and changes in consumer habits away from luxury vehicles).
- Supply delays either due to Brexit or supplier complications.
- A compound scenario aggregating the potential impact of all 4 scenarios.

In the event of one or more risks occurring which has a particularly severe effect on the Group, the assessment that all appropriate actions would be taken in a timely manner by management, such as constraining capital spending and/or making any other adjustments to operations in the normal course of business.

In all scenarios the assumption made is that any borrowings that mature (substantially in 2022) will be renewed or replaced with facilities of similar size. The Group currently has access to global debt markets and expects to be able to refinance these facilities on commercially acceptable terms.

The Directors have assessed the viability of the Group over the five-year period to 31 December 2023 and, based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023.

“WE SET OUT TOGETHER WITH AN AMBITIOUS AND PIONEERING ROAD MAP TO CREATE SOMETHING EXTRAORDINARY IN PARTNERSHIP”

CHRISTIAN HORNER OBE, TEAM PRINCIPAL OF ASTON MARTIN RED BULL RACING

VALKYRIE IS ASTON MARTIN’S FIRST EVER HYPERCAR AND IT LEAVES NOTHING IN RESERVE. A STRIKING AERODYNAMIC EXTERIOR AND AN OPEN UNDERFLOOR MAXIMISES DOWNFORCE AND HARNESSES THE ATMOSPHERE AROUND VALKYRIE. CO-DEVELOPED BY ASTON MARTIN AND RED BULL ADVANCED TECHNOLOGIES, VALKYRIE COMES AS CLOSE AS POSSIBLE TO A FORMULA 1™ CAR WITHOUT BEING RESTRICTED TO THE TRACK.

EXPERIENCE AND DEPTH

PENNY HUGHES, CBE

CHAIR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Nomination Committee (Chair)

OTHER SIGNIFICANT APPOINTMENTS

- The Gym Group PLC (Chair)
- Superdry PLC (non-executive director)
- iQSA (Chair)

PAST ROLES

- The Royal Bank of Scotland PLC (non-executive director and chair of the remuneration committee and the sustainable banking committee)
- Vodafone (non-executive director and Chair of the remuneration committee)
- Coca-Cola (various executive roles including President Coca-Cola Great Britain & Ireland)
- Advertising Association (President)
- Wm Morrison Supermarkets PLC (non-executive director)

RELEVANT EXPERIENCE

Ms Hughes has served on the boards of entities across consumer, media, technology and finance sectors. She has significant experience of large global organisations and smaller private and listed organisations, including newly-listed companies. During her non-executive career, she has chaired each of the principal board committees.

DR ANDY PALMER, CMG

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

Joined the Group in 2014. Appointed to the Board on 7 September 2018.

COMMITTEES

None

OTHER APPOINTMENTS

- Ashok Leyland (non-executive director)
- Pod Point Limited (board observer)
- Secured by Design Limited (non-executive director)
- HM Group Captain, Royal Air Force
- Professor at Warwick and Coventry Universities

PAST ROLES

- Nissan Motor Co. (Co-Chief Operating Officer and Chief Planning Officer and member of the Nissan Executive Committee)
- Austin Rover Group (Chief Engineer for Transmissions)
- Automotive Products Limited (various roles, commencing with an apprenticeship at 16)

RELEVANT EXPERIENCE

Dr Palmer is a Fellow of the Royal Academy of Engineering, a chartered manager and business leader with 40 years' experience in the automotive industry. In 2012, he was recognised by Auto Express, the weekly UK motoring magazine, as the most senior Briton in the global automotive industry and again in 2018 as the most influential person in the automotive industry over the past 30 years.

MARK WILSON

EVP AND CHIEF FINANCIAL OFFICER

Joined the Group in 2015. Appointed to the Board with effect from 8 October 2018.

COMMITTEES

None

OTHER APPOINTMENTS

None

PAST ROLES

- G-Cube Underwriting (Chief Financial and Operating Officer)
- McLaren Automotive (Finance Director)
- Lotus Cars Ltd (Project Finance)

RELEVANT EXPERIENCE

Mr Wilson is a chartered management accountant and has a strong track record of senior automotive experience and financial management and control expertise.

RICHARD SOLOMONS

SENIOR INDEPENDENT DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Audit and Risk Committee (Chair)

Nomination Committee

Remuneration Committee

OTHER SIGNIFICANT APPOINTMENTS

- Board of Governors of the University of Manchester (member)

PAST ROLES

- InterContinental Hotels Group plc (executive positions including Chief Executive, Chief Financial Officer and various financial and operational roles)
- Marks & Spencer plc (non-executive director)

RELEVANT EXPERIENCE

Mr Solomons is a member of the Institute of Chartered Accountants in England and Wales and has significant financial and operational experience in large global consumer-facing organisations which are UK-listed.

IMELDA WALSH

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Remuneration Committee (Chair)
Audit and Risk Committee
Nomination Committee

OTHER SIGNIFICANT APPOINTMENTS

- Mitchells and Butlers plc (non-executive director and Chair of the remuneration committee)
- FirstGroup plc (non-executive director and Chair of the remuneration committee)

PAST ROLES

- J Sainsbury plc (Group HR Director and member of the operating Board)
- HR leadership roles in Barclays, Coca Cola and Schweppes Beverages and Diageo
- William Hill plc (non-executive director)
- Mothercare Plc (non-executive director)

RELEVANT EXPERIENCE

Ms Walsh has significant experience as an HR leader of large global organisations and also as a non-executive director chairing remuneration committees of UK-listed companies.

PETER ESPENHAHN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Audit and Risk Committee

OTHER SIGNIFICANT APPOINTMENTS

None

PAST ROLES

- Morgan Grenfell /Deutsche Bank (senior leadership roles)
- Deloitte, Plender, Griffiths & Co (audit, tax and investigation roles)
- Telspec plc (chair, formerly non-executive director)

RELEVANT EXPERIENCE

A chartered accountant, Mr Espenhahn started his career at Deloitte, Plender, Griffiths & Co before holding various senior corporate finance and investment banking roles at Morgan Grenfell/Deutsche Morgan Grenfell. He has an understanding of the UK-listed company environment.

LORD MATTHEW CARRINGTON

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

Remuneration Committee

OTHER SIGNIFICANT APPOINTMENTS

- Arab British Chamber of Commerce (non-executive director)
- CarringtonCrisp Ltd (non-executive director)

PAST ROLES

- Saudi International Bank (senior management positions)
- Outdoor Advertising Association (Executive Chairman)
- Retail Motor Industry Federation (Chief Executive)
- Gatehouse Bank plc (Chairman)

RELEVANT EXPERIENCE

Lord Carrington has extensive experience in international business and UK public service roles. He has a thorough understanding of the Middle East market and, as former Chief Executive of the Retail Motor Industry Federation, of the automotive industry.

PROFESSOR TENSIE WHELAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES

None

OTHER SIGNIFICANT APPOINTMENTS

- NYU Stern School of Business (Clinical Professor of Business and Society and Executive Director)
- Globescan (independent director)
- Inherent Group (Advisory Board member)
- Arabesque Asset Management Ltd (Advisory Board member)
- Odebrecht SA (Global Advisory Council member)

PAST ROLES

- Rainforest Alliance (President)
- Unilever Sustainable Sourcing Advisory Board (member)
- New York League of Conservation Voters (Executive Director)

RELEVANT EXPERIENCE

Ms Whelan has significant experience as a leader in environmental and social stewardship, serving as Founding Director of the NYU Stern School of Business's Center for Sustainable Business and having previously led the transformation of the Rainforest Alliance.

AMR ALI ABDALLAH ABOUELSEOUD

NON-EXECUTIVE DIRECTOR

Joined the Group in 2007. Appointed to the Board on 7 September 2018.

COMMITTEES
Remuneration Committee

OTHER SIGNIFICANT APPOINTMENTS
- Tejara Capital Limited
- Tejara Capital Investment Bank
- Manazel Real Estate Developments Company
- Credit Rating & Collection Company
- White Rose Automotive Limited
- Primewagon (UK) Limited
- Primewagon (Jersey) Limited
- Grosvenor House Apartments Limited

PAST ROLES
- Coopers & Lybrand
- Ernst & Young

RELEVANT EXPERIENCE
Mr AbouelSeoud has over 20 years of experience of the investment industry and a deep understanding of the Group and the luxury automotive industry, having served as a director of Group companies since 2007.

SAOUD AL HUMAIDHI

NON-EXECUTIVE DIRECTOR

Joined the Group in 2018. Appointed to the Board on 7 September 2018.

COMMITTEES
Nomination Committee

OTHER SIGNIFICANT APPOINTMENTS
- Era Media W.L.L (Chief Executive)
- Circuit Plus Fitness W.L.L (Chief Executive)

PAST ROLES
- Aston Martin Mena Limited

RELEVANT EXPERIENCE
Mr Al Humaidhi has experience of global and Middle East markets and a good understanding of the Group and its markets, having served as a director of Group companies since early 2018.

NAJEEB AL HUMAIDHI

NON-EXECUTIVE DIRECTOR

Joined the Group in 2010. Appointed to the Board on 7 September 2018.

COMMITTEES
None

OTHER SIGNIFICANT APPOINTMENTS
- Asmar Limited
- White Rose Automotive Limited
- Efad Holding Company (director)
- Sawaf Real Estate Co (director)
- Proman Egypt Project Management (director)
- Najeeb AlHumaidhi Engineering Consultancy (director)
- AlHumaidhi General Trading and Contracting Co (director)

PAST ROLES
- Efad Egypt Holding Co (director)
- Adeem Investment & Wealth Management Company

RELEVANT EXPERIENCE
Mr Al Humaidhi is a civil engineer and has significant experience of global and Middle East markets. He has a deep understanding of the Group and the luxury automotive industry, having served as a director of Group companies since 2010.

MAHMOUD SAMY MOHAMED ALY EL SAYED

NON-EXECUTIVE DIRECTOR

Joined the Group in 2007. Appointed to the Board on 7 September 2018.

COMMITTEES
Audit and Risk Committee

OTHER SIGNIFICANT APPOINTMENTS
- Adeem Investment and Wealth Management Company (Chief Executive Officer and Vice Chair)
- Asmar Limited
- White Rose Automotive Limited
- Manazel Development Company (Chair)
- Grosvenor House Apartments Limited (Chair)
- Wethaq Takaful Insurance Egypt (director)

PAST ROLES
- EFAD Holding (Executive Vice-President of Investment and Risk Management)
- PricewaterhouseCoopers (assurance services roles)
- Aston Martin Mena Limited

RELEVANT EXPERIENCE
Mr Aly El Sayed is a certified risk analyst and a certified public accountant with significant financial experience in the Middle East. He has a deep understanding of the Group and the luxury automotive industry, having served as a director of Group companies since 2007.

DANTE RAZZANO

NON-EXECUTIVE DIRECTOR

Joined the Group in 2013. Appointed to the Board on 7 September 2018.

COMMITTEES
Nomination Committee
Remuneration Committee

OTHER SIGNIFICANT APPOINTMENTS
- Investindustrial Group (Managing Principal)

PAST ROLES
- Morgan Grenfell (director)
- Citibank NA (Managing director and Senior Investment Officer)
- Banca Popolare di Milano (Management Board)
- Manufacturers Hanover Trust in New York (VP and Group Executive)
- Ducati Motor Holding SpA
- Permasteelisa SpA

RELEVANT EXPERIENCE
Mr Razzano has extensive investment banking experience and has served on the boards of companies in the automotive and engineering sectors. He has a deep understanding of the Group and the luxury automotive industry, having served as a director of Group companies since 2013.

PETER ROGERS, CBE

NON-EXECUTIVE DIRECTOR

Appointed to the Board with effect from 8 October 2018.

COMMITTEES
Audit and Risk Committee

OTHER SIGNIFICANT APPOINTMENTS
- Investindustrial SA (director)

PAST ROLES
- Babcock International PLC (Chief Executive)
- Acordis Ltd (Chief Operating Officer)
- Courtaulds plc (director)
- Ford Motor Company (various senior management roles)

RELEVANT EXPERIENCE
Mr Rogers is a Chartered Accountant and has significant experience leading UK-listed companies in the engineering and automotive industries.

CHAIR'S INTRODUCTION TO GOVERNANCE

PENNY HUGHES, CBE

I AM PLEASED TO BE INTRODUCING OUR FIRST CORPORATE GOVERNANCE REPORT.

DEAR SHAREHOLDER

The Board is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the Company. We believe that it is important that the governance structure supports the success of the Company's Second Century Plan and ensures the creation and preservation of shareholder value, as well as benefiting other stakeholders.

As part of our preparation for the Company's IPO, additional work was required to enhance governance in order to meet the obligations of being a publicly-listed company. Accordingly, a significant amount of work was carried out to create and embed the necessary policies and procedures to meet the various corporate governance and regulatory requirements now applicable to the Company.

As set out in this Report, due to the fact that we have only been a listed company since 8 October 2018 ("Admission"), there are some areas of the 2016 UK Corporate Governance Code (the "Code") that we are not yet compliant with or have not yet had the chance to complete. One area where we are committed to making further progress is in Board composition. We are currently not Code compliant in relation to the proportion of independent Non-Executive Directors on the Board and Committees.

We remain committed to becoming fully compliant with the Code within 12 months of Admission and, thereafter, to continue to comply with the relevant principles and provision of the Code on an ongoing basis. This includes the 2018 UK Corporate Governance Code (the "New Code") which applies to the Company from 1 January 2019.

This has been a busy time for the Board which has met 5 times since Admission and worked hard to establish the routines of a PLC Board and to assist the Company in getting ready for its first full year results as a public company. I am grateful to Board members for their contribution and knowledge and for supporting the transition to a PLC Board to progress at some pace.

The remainder of this Corporate Governance Report explains in more detail the corporate governance structures currently in place including our Board and Committee structure, and policies and protocols on internal controls.

PENNY HUGHES, CBE
CHAIR

27 February 2019

BOARD GOVERNANCE

OVERVIEW

This Report sets out the Board's corporate governance structures and work from Admission to 31 December 2018. Together with The Directors' Remuneration Report on pages 118 to 143, it includes details of how the Company has applied and complied with the principles and provisions of the Code. The Code and the New Code are published by the Financial Reporting Council and further information can be found on its website, www.frc.org.uk.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Code requires companies to describe in the Annual Report how they have applied the main principles of the Code and also any areas where companies do not comply with the Code provisions. The Directors consider that the Company has been compliant with the Code provisions as applied during the period since Admission, other than the exceptions as set out below:

- *Code provision B.1.2 recommends that at least half the board of Directors of a UK-listed company (excluding the Chair) should comprise 'independent' non-executive directors, being individuals determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Director's judgement.* The Company has not complied with this provision because only five (excluding for these purposes the Chair) of the fourteen Directors are regarded by the Board to be independent for the purposes of the Code. The current composition of the Board reflects the rights of the Controlling Shareholders under their respective Relationship Agreements. The Board regards the Chair Penny Hughes to be independent on appointment, and Richard Solomons, Imelda Walsh, Peter Espenhahn, Lord Matthew Carrington and Tensie Whelan to be independent for the purposes of the Code. Amr Ali Abdallah Abouel Seoud, Saoud Al Humaidhi, Najeeb Al Humaidhi, Mahmoud Samy Mohamed Aly El Sayed, Dante Razzano and Peter Rogers, as representative Directors nominated by the Controlling Shareholders, are not regarded as independent for the purposes of the Code. (Further information on Controlling Shareholder Board appointment rights is set out in the description of the Relationship Agreements on page 105.)

  In order to comply with Code requirements, the Company will appoint one further independent Non-Executive Director and two non-independent Non-Executive Directors will step down. The recruitment for this position is progressing and the Company will update the market when an appointment has taken place. Further information is in the Nomination Committee report on page 110.

- *Code provisions C.3.1 and D.2.1 recommend that the Audit and Risk and Remuneration Committees respectively, be comprised solely of independent Non-Executive Directors (excluding the Chair).* The Company has not complied with this provision because Non-Executive Directors who are not independent currently sit on each of these Committees. The current composition of these Committees reflects the rights of Controlling Shareholders under their respective Relationship Agreements. Independent Directors comprise the majority of each of these Committees.

  The Company expects to be compliant with these Code provisions within 12 months of Admission once the non-independent Non-Executive Directors step down from these Committees. (Further information on controlling shareholder Board appointment rights is set out in the description of the Relationship Agreements on page 105.)

- *Code provision B.6.1 recommends that a performance evaluation is carried out on an annual basis.* An exercise was undertaken before the IPO to evaluate the skills and experience needed from additional independent Non-Executives who would complement the existing skillsets and also contribute their listed company experience to promote the effectiveness of the Board. Given that the Company has only been listed since 8 October 2018, the Board did not carry out an evaluation before the year end but an evaluation of the performance of the Board, the Directors and Committees will be undertaken during 2019 and reported in next year's annual report.

OUR BOARD

Our Board comprises 14 members: the Chair, the President and Group Chief Executive Officer, the EVP and Chief Financial Officer and eleven non-executive Directors, of whom five are considered independent for the purposes of the Code. The names of the Directors and their biographies are set out on page 98.

The Directors are appointed by the Board and are subject to annual re-election by shareholders. The two Controlling Shareholder Groups have nominated Directors who have been appointed to the Board; further details of these arrangements are set out on page 105 and under 'Transactions with related parties' on page 147.

The Board is satisfied that there is a sufficient balance between Executive and Non-Executive Directors on the Board to ensure that no one individual has unfettered decision making powers, and that the Board has the appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

It is the responsibility of the Board to support management in the Group's strategic aims to enable the Company to continue to perform successfully and sustainably for our shareholders and wider stakeholders. It leads and provides direction by setting strategy and overseeing its implementation by management. The Board also monitors the Group's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters.

The Board has established a Terms of Reference that set out the matters that it must approve and the specific responsibilities that it has delegated to its principal committees: The Audit and Risk Committee, Remuneration Committee and Nomination Committee. Each of the Committees' roles and responsibilities are set out in formal terms of reference, which are determined by the Board. These are available for review on the Company's website at www.astonmartinlagonda.com. Reports from each of these Committees are provided on the following pages.

All Board and Committee meetings are minuted and formally approved at the next meeting. Board minutes contain details of the Directors' decision-making processes and any follow up actions or concerns raised by the Directors.

The Board's terms of reference state that it must consider and approve the following:

- the Group's strategic aims, objectives and commercial strategy;
- review of performance relative to the Group's business plans and budgets;
- major changes to the Group's corporate structure, including acquisitions and disposals;
- financial statements and the Group dividend policy including any recommendation of a final dividend;
- major changes to the capital structure including tax and treasury management;
- major changes to accounting policies or practices;
- the system of internal control and risk management policy;
- the Group's risk appetite; and
- the Group's corporate governance and compliance arrangements.

The senior management team is responsible for executing the strategy approved by the Board.

CHAIR AND PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

There is a clear separation of responsibilities between the Chair and the President and Group Chief Executive Officer. The Chair, Penny Hughes, is responsible for leading and managing the business of the Board and ensuring its overall effectiveness, governance and director succession planning. She also ensures the effective communication between the Board, management, shareholders and the Group's wider stakeholders. The Chair works collaboratively with the President and Group Chief Executive Officer, Andy Palmer, in setting the Board agenda and ensuring that any actions agreed by the Board are effectively implemented. The President and Group Chief Executive Officer is responsible for proposing and delivering the agreed strategy and for the operational and strategic management of the Group.

EVP AND CHIEF FINANCIAL OFFICER

The EVP and Chief Financial Officer, Mark Wilson, is a member of the executive management team reporting to the President and Group Chief Executive Officer. His role is to lead the financial management, risk and internal control teams and to oversee the Group's relationship with the investment community.

SENIOR INDEPENDENT DIRECTOR ("SID")

Richard Solomons is the Senior Independent Director. The SID supports the Chair in her role and leads the Non-Executive Directors in the oversight of the Chair. The SID is also available as an additional point of contact for shareholders.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors provide strong experience, an independent perspective and constructive challenge. They monitor the performance and delivery of the strategy within the risk parameters and control framework set by the Board. The Non-Executive Directors have met on a number of occasions without the Executives being present.

THE COMPANY SECRETARY

The Company Secretary, Catherine Sukmonowski, acts as secretary to the Board and each of the Committees. She is responsible for supporting the Chair and the Board in delivering the Group's corporate governance agenda.

RELATIONSHIP AGREEMENTS

Prior to and since Admission, the Company has two groups of Controlling Shareholders namely, the Adeem/Primewagon Controlling Shareholder Group and the Investindustrial Controlling Shareholder Group. The relationship between the Company and each of these Controlling Shareholder Groups is governed by two separate Relationship Agreements, each executed on 20 September 2018. The purpose of these Relationship Agreements is to ensure that the Company can carry on its business independently and for the benefit of shareholders as a whole. The Relationship Agreements also provide that the Company will not take any action in relation to certain significant matters without the prior approval of at least two-thirds of members of the Board present and entitled to vote. These Relationship Agreements will terminate upon the relevant controlling shareholder group ceasing to have the entitlement to exercise 7% or more of the voting rights in the Company or the Company's shares ceasing to be admitted to the Official List of the Financial Conduct Authority and traded on the Main Market for listed securities of the London Stock Exchange.

Each of the Relationship Agreements provides that each Controlling Shareholder Group is entitled to nominate director(s) to the Board and to the Committees subject to the size of its interest in the voting rights of the Company and the time elapsed since Admission.

ADEEM/PRIMEWAGON CONTROLLING SHAREHOLDER GROUP BOARD APPOINTMENTS

- 20% or above voting rights – 4 Directors until the first anniversary of Admission and 2 Directors thereafter. The current nominated Directors are Amr Ali Abdallah Abouel Seoud, Saoud Al Humaidhi, Najeeb Al Humaidhi and Mahmoud Samy Mohamed Aly El Sayed.
- Between 7% and 20% voting rights – 2 Directors until the first anniversary of Admission and 1 Director thereafter.

INVESTINDUSTRIAL CONTROLLING SHAREHOLDER GROUP BOARD APPOINTMENTS

- 20% or above voting rights – 2 Directors. The current nominated Directors are Dante Razzano and Peter Rogers.
- Between 7% and 20% voting rights – 2 Directors until the first anniversary of Admission and 1 Director thereafter.

ADEEM/PRIMEWAGON CONTROLLING SHAREHOLDER GROUP AND INVESTINDUSTRIAL CONTROLLING SHAREHOLDER GROUP COMMITTEE APPOINTMENTS

- 7% or more voting rights until first anniversary of Admission – can nominate a Director on each of the Committees.
- 7% or more voting rights after first anniversary of Admission – can nominate a Director to the Nomination Committee and a Director as an observer to each of the Audit and Risk and Remuneration Committees.

BOARD ACTIVITIES

BOARD MEETINGS

During the period from Admission until the date of this Report, the Board met on five occasions and focussed on the following key areas.

- A comprehensive presentation on the Second Century Plan and the key pillars of business operations required to successfully execute the Plan.
- Regular updates on the performance of the business.
- Financial statements, announcements and other financial reporting matters including the approval of the Q3 financial results, annual report planning and approval of the annual report and preliminary results announcement.
- Consideration of arrangements for the AGM, including the Notice of AGM.
- Budget and long-term plans.
- Shareholder feedback and reports from brokers and analysts.
- Review of the Board and Committee terms of reference.
- Key advisor appointments.
- A presentation on the "Aston Martin Way" which is the people strategy designed to build the right culture to ensure the delivery of the Second Century Plan.
- Brexit.
- Board/Committee calendar and agenda planning.
- Corporate governance and regulatory updates.

The Board and Committee meetings have standing agenda items which ensures that all aspects of the business and regulatory requirements are given due consideration as appropriate.

The table below sets out the Directors' attendance at Board and Committee meetings during the period from Admission to 31 December 2018. In the case of any absences the relevant director ensured that their views were communicated to the Chair or another director, prior to the meeting.

Director	Board	Audit and risk	Nomination	Remuneration
Penny Hughes (Chair)	3/3	n/a	1/1	n/a
Dr. Andy Palmer (President and Group CEO)	3/3	n/a	n/a	n/a
Mark Wilson (EVP and CFO)	3/3	n/a	n/a	n/a
Richard Solomons (Chair, Audit and Risk Committee, SID)	3/3	2/2	1/1	2/2
Amr Ali Abdallah AbouelSeoud	3/3	n/a	n/a	2/2
Najeeb Al Humaidhi[1]	2/3	n/a	n/a	n/a
Saoud Al Humaidhi[1]	2/3	n/a	1/1	n/a
Lord Matthew Carrington	3/3	n/a	n/a	2/2
Mahmoud Samy Mohamed Aly El Sayed	3/3	2/2	n/a	n/a
Peter Ian Espenhahn	3/3	2/2	n/a	n/a
Dante Razzano[1]	1/3	n/a	1/1	1/2
Peter Rogers	3/3	2/2	n/a	n/a
Imelda Walsh (Chair, Remuneration Committee)	3/3	2/2	1/1	2/2
Professor Tensie Whelan	3/3	n/a	n/a	n/a

1. Absence due to illness

INFORMATION FLOW, INDUCTION AND PROFESSIONAL DEVELOPMENT

The Chair works closely with the Company Secretary to plan and schedule Board and Committee meetings. Since Admission the focus has been on establishing the Board and Committee calendars and work plans to ensure that financial, regulatory and governance requirements will be met throughout the year as well as providing sufficient time to focus on strategy and key areas of the business. This will continue to be an area of focus.

In addition, the Chair and the Company Secretary work to ensure that information is made available to Board members on a timely basis and is of a quality appropriate to enable the Board to effectively carry out its duties. Since Admission the Chair and the Committee Chairs met with management to discuss the approach to agendas and papers, highlighting best practice, and considered the information which would be most useful for the Board to receive including between formal meetings. This process continues to evolve following from on-going feedback from Board members and management as the Board and Committees settle into their operation.

An agenda and accompanying pack of detailed papers are circulated to the Board in advance of each Board meeting. Currently these include reports from the Executive Directors, other members of senior management and external advisers. Members of senior management may be invited to present relevant matters to the Board. All Directors are able to request additional information on any of the items to be discussed. The Board and the Audit and Risk Committee also receive further regular and specific reports from the external and internal auditors to allow the monitoring of the adequacy of the Group's systems of internal controls.

Prior to Admission the Directors received comprehensive briefings on the key regulatory requirements impacting listed public companies and, in particular, their roles and responsibilities as listed public company directors. The Directors also received a significant amount of information about the Group through the IPO process (including the reports of the relevant advisers) as part of their responsibility for the Prospectus and other matters relating to the IPO.

We have commenced the induction of individual Directors to enable them to visit the main operational locations, to meet senior management and learn about the key areas of the business. Given the relatively short time since Admission this is on-going. The Board and Committee standing agenda items include the briefing of Directors on a wide range of topics which include corporate governance and regulatory requirements. Additionally, Directors have access to the advice and services of the Company Secretary and independent and professional advice at the Company's expense should they determine that this is necessary to discharge their duties.

APPOINTMENT AND ELECTION OF DIRECTORS

All of the Directors have service agreements or letters of appointment and the details of their terms are as set out in the Directors' Remuneration Report. The Chair and Non-Executive Directors are expected to devote necessary time to perform their duties properly. This is expected to be approximately 60 days each year for the Chair and 30 days each year for the Non-Executive Directors. The Chair and Senior Independent Director may be required to spend additional time over and above this to carry out their extra responsibilities.

The Board considers all Directors to be effective and committed to their roles and to have sufficient time to perform their duties. Accordingly, all members of the Board will be offering themselves for re-election at the Company's first Annual General Meeting ("AGM").

The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested existed during or at the end of the financial year other than the Relationship Agreements with Adeem/Primewagon Controlling Shareholder Group and the Investindustrial Controlling Shareholder Group as set out on page 105.

BOARD EVALUATION AND EFFECTIVENESS

An exercise was undertaken before the IPO to evaluate the skills and experience of the Executive Directors and non-independent Non-Executive Directors to identify the skills and experience required from additional independent Non-Executive Directors. An external executive search consultancy, Heidrick & Struggles, which has no other connection with the Group, was retained and role specifications were drawn up. This process culminated in the appointment of the Chair, the Audit and Risk Committee Chair and the Remuneration Committee chair with effect from 8 October 2018.

An evaluation of the performance of the Board, the Directors and Committees will be undertaken during 2019 and reported in next year's annual report.

EXTERNAL DIRECTORSHIPS

It is recognised that Non-Executive Directorships can provide a further level of experience for executives that can benefit the Company. As such, Executive Directors may usually take up one Non-Executive Directorship (broadly equivalent in terms of time commitment to a FTSE 350 Non-Executive Directorship role) subject to the Board's approval as long as there is no conflict of interest.

As part of the review on Admission, the Board approved the President and Group Chief Executive Officer's existing external Non-Executive Directorships of Ashok Leyland Limited and Secured by Design Limited and his role as a Board observer of Podpoint Limited. While the President and Group Chief Executive Officer has three appointments, the Board is comfortable that the aggregate time commitment required for these appointments is in line with the Company's policy (see page 143). In addition, the Board is satisfied that no conflict of interests arise.

Details of the Directors' other directorships can be found in their biographies on from page 98.

BOARD SUCCESSION AND DIVERSITY

Board succession planning is focused on ensuring the right mix of skills and experience on the Board. All new appointments are based on merit, keeping in mind that to deliver our strategy we need a high performing Board which is diverse and inclusive. Consequently, we believe in the importance of diverse Board membership, including in relation to gender, tenure and relevant experience. Currently, three out of 14 Board members are women comprising 21% of the Board. The Board recognises the Lord Davies Report and the Hampton-Alexander review target for women to represent 33% of Boards by 2020.

The Board is reviewing its policy on diversity and actions to promote diversity particularly, in line with the principles of the New Code and the FRC's Guidance on Board Effectiveness, and will report on this in more detail in next year's annual report. The Nomination Committee Report on page 110 provides more information on our Board appointment process.

DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company unless that conflict is first authorised by the Board. As permitted under the Companies Act 2006, the Company's Articles of Association allow Directors to authorise conflicts of interest and, in accordance with its terms of reference, the Board has established a policy and set of procedures for managing and, where appropriate, authorising actual or potential conflicts of interest. This is monitored by the Nomination Committee.

Prior to approval of this Report, the Committee has reviewed all situational conflicts that it has authorised and concluded that the potential conflicts had been appropriately authorised, no circumstances existed which would necessitate that any prior authorisation be revoked or amended, and the authorisation process continued to operate effectively.

RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Board is committed to maintaining good communications with existing and potential shareholders. As part of the IPO process the President and Group Chief Executive Officer and the EVP and Chief Financial Officer met with a large number of potential shareholders. On an ongoing basis the Group has regular dialogue with institutional shareholders in order to develop an understanding of their views which is communicated back to, and discussed with, the Board. The Board will have an opportunity to engage with its wider shareholders at the upcoming AGM.

Presentations given to analysts and investors covering the Group's annual and interim results, along with all results and other regulatory announcements as well as further information for investors, are included on the investor relations section of our website at www.astonmartinlagonda.com.

Further information on our engagement with other stakeholder groups, including customers, suppliers, employees and the communities in which the Group operates, are set out on page 62.

ANNUAL GENERAL MEETING

All shareholders may ask questions by contacting us and we also encourage them to attend our AGM where they will have the opportunity to interact with Board members and ask questions.

In addition to the Chair, the President and Group Chief Executive Officer, the EVP and Chief Financial Officer and the Chairs of the Audit and Risk, Nomination and Remuneration Committees will be available at the AGM to answer questions relating to the responsibilities of those committees.

The Notice convening the 2019 AGM will be made available to shareholders as appropriate in advance of the meeting. This will provide shareholders with the appropriate time, as set out in the Code, to consider matters.

Separate resolutions will be proposed on each substantially separate matter. The results of the proxy votes on each resolution will be collated independently by the Company's registrar and will be published on the Company's website after the meeting.

FAIR, BALANCED AND UNDERSTANDABLE

The Annual Report and Accounts is required, as a whole, to be "fair, balanced and understandable" and to provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Audit and Risk Committee considered, on behalf of the Board, whether the "fair, balanced and understandable" statement could properly be given on behalf of the directors. The Committee considered the associated assurance processes (as set out on page 117) and, provided a recommendation to the Board that the fair, balanced and understandable statement could be given on behalf of the Directors. Based on this recommendation, our Board is satisfied that it has met this obligation.

A summary of the Directors' responsibilities in relation to the Financial Statements is set out on page 148. The report of the external auditors on page 149 includes a statement concerning their reporting responsibilities.

OTHER GOVERNANCE DISCLOSURES

TAX STRATEGY

The Group is committed to complying with its statutory obligations in relation to the payment of tax including full disclosure of all relevant facts to the appropriate tax authorities. In managing its tax affairs, the Group recognises its responsibilities as a tax payer and the need to protect the corporate reputation inherent in the brand.

The Board has ultimate responsibility for the Group's tax strategy although the day-to-day management rests with the Executive Committee which comprises the senior operational personnel of the Group.

The EVP and Chief Financial Officer is the Executive Committee member with ultimate responsibility for tax matters and is the Senior Accounting Officer of the Group. The EVP and Chief Financial Officer advises the Board on the tax affairs and risks of the Group to ensure:

- the proper control and management of tax risk;
- the tax position is planned in line with the Group's strategic objectives;
- the tax charge is correctly stated in the statutory accounts and tax returns; and
- all tax compliance is completed in a timely manner to HMRC and other tax authorities.

Further information on the Group's tax strategy is available on the Company's website.

NOMINATION COMMITTEE REPORT

PENNY HUGHES, CBE

CHAIR, NOMINATION COMMITTEE

DEAR SHAREHOLDER

As Nomination Committee Chair, I am pleased to present the Committee's Report for the period.

ROLES AND RESPONSIBILITIES

The role of the Committee is to establish formal, rigorous and transparent procedures for the appointment of Directors to the Board and senior executive officers of the Company. In addition, it is responsible for reviewing the succession plans for the Executive and Non-Executive Directors.

This involves:

- the regular review of the structure, size and composition of the Board to ensure it has the proper balance of skills, experience, independence, and diversity;
- succession planning for Directors and senior executives with a view to addressing the leadership needs of the Company to ensure that it can continue to compete effectively in the market place;
- identifying and nominating candidates to fill Board vacancies including managing the search process; and
- keeping under review potential conflicts of interests of Directors disclosed to the Company and developing appropriate processes for managing such conflicts where necessary.

The Committee will meet at least twice a year and has formal terms of reference which can be viewed on the Company's website www.astonmartinlagonda.com. Committee attendance is set out on page 106.

MEMBERSHIP

The Committee comprises the Chair of the Board, Penny Hughes, who chairs the Committee, two independent Non-Executive Directors, Richard Solomons and Imelda Walsh, together with two Non-Executive Directors Dante Razzano and Saoud Al Humaidhi.

The Company Secretary is secretary to the Committee and the President and Group Chief Executive Officer, Vice President and Chief HR Officer and other members of the senior management team may be invited to attend for all or part of a Committee meeting as appropriate.

MAIN ACTIVITIES

The Committee was established just prior to Admission on 8 October 2018 and met once prior to the end of the financial year. As stated in the Company's IPO prospectus, due to the rights of the Controlling Shareholders to nominate Board and Committee members, the Company does not currently comply with Code requirements because only five of our 14 Board members (excluding the Chair) are considered to be independent for Code purposes, and neither the Audit and Risk nor the Remuneration Committees is made up solely of independent Directors. In view of our commitment to become Code compliant in relation to Director independence the Committee focused its discussion on how best to achieve this, mindful of its role and responsibilities and to ensure the right balance of desired Director skills and experiences for the future in our pursuit of a world class Board to support a world class business. (Further information on Controlling Shareholder Board/Committee appointment rights is set out in the description of the Relationship Agreements on page 105.)

As the expectation is that two of the non-independent Non-Executive Directors will step down by the expiration of 12 months from Admission (i.e by 8 October 2019), the Board will be seeking to appoint a further independent Non-Executive Director. The Committee has agreed a role specification for this position and Heidrick & Struggles have been appointed to assist with the search. Heidrick & Struggles are a signatory to the Voluntary Code of Conduct for Executive Search Firms which seeks to address gender diversity on boards and best practice for the related search processes. They were retained prior to Admission to assist with the search for the Chair and independent Non-Executive Directors and have no other connection to the Group. A 'long list' of candidates has been reviewed and the process is ongoing. An update will be provided to the market when an appointment is made.

DIVERSITY

We believe that a diverse and inclusive culture is a driver of superior business performance, growth and innovation. The Board acknowledges that the Board's perspective and approach can be greatly enhanced through gender, age and cultural diversity, notwithstanding the overriding principle that each member, and potential member, of the Board must be able to demonstrate the skills, experience and knowledge required to contribute to the overall effectiveness of the Board. There is also a recognition that to deliver our strategy it is important to promote a high-performing culture, characterised by a diverse and inclusive workforce. The Board is reviewing its policy on diversity and actions to promote diversity particularly in line with the principles of the New Code, and will report on this in more detail in next year's annual report.

As at the date of this Report, the Board comprises the Chair, two Executive Directors and 11 Non-Executive Directors, of whom five are independent. Female representation (three Directors) equates to 21% of the Board.

COMMITTEE EFFECTIVENESS

The Committee was constituted shortly before Admission on 8 October 2018 and so an internal performance review will take place during 2019 and reported on in next year's annual report.

PENNY HUGHES, CBE
CHAIR, NOMINATION COMMITTEE

27 February 2019

AUDIT AND RISK COMMITTEE REPORT

RICHARD SOLOMONS

CHAIR, AUDIT AND RISK COMMITTEE

DEAR SHAREHOLDER

As Audit and Risk Committee Chair, I am pleased to present the Committee's report for the period.

ROLES AND RESPONSIBILITIES

The Committee's responsibilities include:

- the integrity of the Group's financial statements and formal announcements of the Group's performance;
- consideration of the Group's viability statement;
- reviewing the Annual Report to determine whether it is fair, balanced and understandable;
- receiving and reviewing reports from the Company's external auditors, monitoring their effectiveness and independence and making recommendations to the Board in respect of their remuneration, appointment and dismissal. Overseeing policies on the engagement of the external auditors for the supply of non-audit services;
- reviewing the Group's internal financial, operational and compliance controls and risk identification and management systems and considering Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties; and
- reviewing the annual internal audit programme and discussing the findings of any internal investigations and management's response.

The Committee meets at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Committee has formal terms of reference which can be viewed on the Company's website www.astonmartinlagonda.com. Committee attendance for the period is set out on page 106.

MEMBERSHIP

The Committee comprises the Chair, Richard Solomons, two other independent Non-Executive Directors, Peter Espenhahn and Imelda Walsh, together with two Non-Executive Directors Peter Rogers and Mahmoud Samy Mohamed Aly El Sayed.

The Company Secretary is secretary to the Committee. The Board Chair, the President and Group Chief Executive Officer, the EVP and Chief Financial Officer, the VP and General Counsel, the Director of Internal Audit and Risk Management, the external auditor and other senior members of the finance team also routinely attend meetings.

The Code stipulates that:

- the Committee as a whole, shall have competence relevant to the sector in which the Company operates. All Committee members have past employment experience in either finance or accounting roles, or broad consumer experience and knowledge of financial reporting and/or international businesses. As such the Board is satisfied that the Committee as a whole, has the competence relevant to the business sector. Details of the Committee members' experience can be found in their biographies from page 98.
- at least one Committee member should have recent and relevant financial experience. Richard Solomons meets this requirement as he was previously Chief Financial Officer of InterContinental Hotels Group plc and is a Member of the Institute of Chartered Accountants in England and Wales.

The Committee was established just prior to Admission on 8 October 2018. As stated in the Company's IPO prospectus, due to the rights of the Controlling Shareholders to nominate Committee members, the Committee is not considered to be independent for Code purposes as it is not made up solely of independent Directors. The Company expects to be compliant with this Code provision within 12 months of Admission (i.e by 8 October 2019) once the non-independent Non-Executive Directors step down from the Committee. (Further information on Controlling Shareholder Committee appointment rights is set out in the description of the Relationship Agreements on page 105.)

MAIN ACTIVITIES

During the period from Admission until the date of this Report, the Committee met on four occasions and focused on the following key areas below.

- Financial statements, announcements and other financial reporting matters including the approval of the Q3 results announcement and the review and approval of the Annual Report.
- Review of the UK Corporate Governance Code requirements relating to year-end matters including, among others, the review of the Group's accounting policies, key accounting judgements, principal risks, going concern and viability, the effectiveness of the Group's risk management and internal control systems and "fair, balanced and understandable" reporting in the Annual Report.
- Review and approval of the external audit plan, audit fees, reports from the external auditor and subsequent audit findings.
- Review of the internal audit function, the risk management and corporate risk register and approval of the internal audit plan.
- Review of the audit tender process and timetable.
- Review and approval of new policies including the Internal Audit and Risk Management Charter and the Non-Audit Services Policy.
- Committee annual calendar and agenda planning.
- Review of the Committee's terms of reference.
- Corporate governance matters and regulatory updates.

Significant matters for the period ended 31 December 2018	How the committee addressed these matters
Capitalisation and amortisation of development costs	The Committee considered management's methodology for the capitalisation and amortisation of development costs including the criteria that must be met before expenditure can be capitalised and the milestone process for when capitalisation and amortisation should commence and cease. The Committee also discussed the methodology and judgements made with the auditor and considered the disclosure in the Financial Statements, as set out in note 13 and the accounting policies as set out in note 2 and concluded that the judgements made and disclosures given were appropriate.
Impairment assessment of goodwill and other intangible assets	The Committee considered the Group's process in determining whether any asset, covered within the scope of IAS 36 Impairment of Assets, requires impairment. The key judgement in relation to assessing the carrying value of intangible assets with indefinite useful lives (goodwill and brands) largely related to the achievability of the Group's forecasts from 2019 to 2023, which underpin the valuation process. The Committee also considered whether there were any indicators of impairment of assets with a finite life. The Committee concluded that the assumptions made, conclusions reached and disclosures given were appropriate.
Accounting for defined benefit pension obligations	The Committee considered the financial statement disclosures in respect of the defined benefit pension scheme including the judgements made and the sensitivity analysis in relation to actuarial assumptions including discount rates, inflation and longevity as set out in note 27 to the financial statements. The Committee noted that the judgements made on the pension scheme were all based on advice from the Group's pension adviser. The final calculations in respect of the Group's defined benefit pension scheme liability were performed by the pension scheme actuary. The Committee discussed with the auditor the assumptions applied, in particular, the findings of the auditor's own pension specialist and concluded that the assumptions made, and disclosures given were appropriate.
Other matters	At the November and December meetings, the Committee also considered management's papers on the following subjects and concluded that the assumptions made and the approaches adopted were appropriate: Implementation of new accounting standards IFRS 9, IFRS 15 and IFRS 16; The Group's revenue recognition policies; Recognition and measurement of adjusting items; Recognition and measurement of the Group's warranty provision; Recognition and measurement of deferred tax assets; and The Group's treasury policy in relation to foreign exchange hedging.

At each meeting the Committee held a private session with the external auditor and the Director of Internal Audit and Risk Management without members of management being present.

FINANCIAL REPORTING AND SIGNIFICANT FINANCIAL JUDGEMENTS

The Annual Report seeks to provide the information necessary to enable an assessment of the Company's position and performance, business model and strategy. The Committee assists the Board with the effective discharge of its responsibilities for financial reporting, and for ensuring that appropriate accounting policies have been adopted and that management has made appropriate estimates and judgements.

In preparing the Financial Statements for the period, there were a number of areas requiring the exercise by management of judgement or a high degree of estimation. These areas have been discussed with the external auditor to ensure the Group makes appropriate judgements and provides the required level of disclosure. The significant issues considered by the Committee in respect of the Annual Report are set out on page 113.

EXTERNAL AUDITORS

OVERSIGHT OF EXTERNAL AUDIT

The Committee oversees the work undertaken by KPMG LLP (KPMG). The Committee's responsibilities include making a recommendation on the appointment, reappointment and removal of the external auditor and overseeing their effectiveness and independence. The Committee assesses the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the audit process. During the period the Committee approved the external audit plan, the proposed audit fee and terms of engagement of KPMG for FY2018. It has reviewed the audit process and the quality and experience of the audit partners engaged in the audit, and has also considered the extent and nature of challenge demonstrated by the external auditor in its work and interactions with management. The Committee has considered the objectivity of the auditor including the nature of other work undertaken for the Group as set out below.

NON-AUDIT SERVICES

The Committee recognises that the independence of the external auditors is an essential part of the audit framework and the assurance that it provides. Following Admission on 8 October 2018 and in line with the Revised Ethical Standard issued by the FRC in June 2016, the Committee has adopted a policy which sets out a framework for determining whether it is appropriate to engage the Group's auditors for non-audit services and for pre-approving non-audit fees.

The overall objective of the policy is to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. This includes, but is not limited to, assessing:

- any threats to independence and objectivity resulting from the provision of such services;
- any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity;
- the nature of the non-audit services; and
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service.

The total value of non-audit services that can be billed by the external auditor will be restricted by a cap which is set at 70% of the average audit fees for the preceding three years as defined by the FRC.

The approval of the Committee must be obtained before the external auditor is engaged to provide any permitted non-audit services. For permitted non-audit services that are clearly trivial, the Committee has pre-approved the use of the external auditor for cumulative amounts totalling less than £100,000 on the approval of the EVP and Chief Financial Officer and Chair of the Committee. During FY 2018 the Company's external auditors undertook non-audit work in relation to other assurance services, tax compliance, tax advisory, corporate finance and other services and were paid a total fee of £2.1m.

Details of the fees paid to KPMG during the financial year can be found in note 4 to the Financial Statements.

TENDER FOR AUDIT SERVICES

The Company stated in the IPO prospectus its intention to review the provision of its external audit services for the year ending December 2019. This is in accordance with the requirements of the Competition & Markets Authority Order 2015 in view of the 12-year tenure of the current auditor, KPMG, and in line with good governance practice given the additional requirements for a publicly listed company. Consequently, the Committee is conducting an audit tender process which is well under way and the expectation is that this process will conclude, and a recommendation regarding the appointment of the auditor will be made to shareholders at the Company's upcoming Annual General Meeting. Further information on the process will be included in the 2019 annual report. KPMG has concluded that it is not able to participate in the audit tender process for the 2019 audit due to independence considerations arising from the planned appointment by the Company of a former employee of KPMG into the position of Director of Financial Control.

EVALUATION OF INTERNAL CONTROLS

The Board is ultimately responsible for the Group's system of internal controls and risk management and it discharges its duties in this area by:

- determining the nature and extent of the principal risks it is willing to accept in achieving the Group's strategic objectives (the Board's risk appetite); and
- challenging management's implementation of effective systems of risk identification, assessment and mitigation.

The Committee is responsible for reviewing the effectiveness of the Group's internal control framework and risk management arrangements. Details of the Group's risk management process and the management and mitigation of principal risks together with the Group's viability statement can be found in the Risk and Viability Report on page 80.

The Board, through the Committee, has carried out a robust assessment of the principal risks facing the Group and agreed the nature and extent of the principal risks it is willing to accept in delivering the Second Century Plan (the Board's risk appetite). It has considered the effectiveness of the system of internal controls in operation across the Group for the period covered by the Annual Report and up to the date of its approval by the Board. This review covered the material controls, including financial, operational and compliance controls and risk management arrangements and no significant control weaknesses were identified. The system of internal controls is designed to manage rather than eliminate the risk of not achieving business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The process followed by the Board, through the Committee, in reviewing regularly the system of internal controls and risk management arrangements complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council. It also accords with the provisions of the Code.

CONTROL ENVIRONMENT

Our internal control framework is built upon documented corporate policies, standards and procedures which guide the way the Group operates. The corporate policies include the following areas: Code of Conduct, Confidential Reporting and Whistleblowing, Conflicts of Interest, Anti-Bribery and Corruption, Gifts and Hospitality. There are established procedures for the delegation of authority to ensure that decisions are made at an appropriate level within the business dependent on either the magnitude or nature of the decision. In particular, access to our IT systems and applications is provided subject to formal access provisioning processes with the objective being to limit access, as appropriate, to enable an individual to perform their role and to enforce appropriate segregation of duties within business processes. We have ISO 9001 accreditation for our quality management system which ensures that policies, standards and procedures are appropriate for our business, that they are reviewed on a regular basis and made available to applicable employees and contractors through the Group intranet. On joining the Group all employees are provided with the Standards of Corporate Conduct policies and are asked to confirm that they have read and understood them.

Significant activity was undertaken prior to the IPO to strengthen the Group control environment by establishing an enterprise risk management framework and system which is supported by 'Risk Champions' embedded within each function. The Group has developed and deployed the following key elements.

- **An Enterprise Risk Management Framework and System** – which articulates the Group's approach to risk management including risk appetite, risk identification, assessment, prioritisation, treatment, reporting, ownership, monitoring and oversight.
- **Risk Management Policy** – approved by the Executive Committee and to be reviewed annually.
- **Corporate Risk Register** – providing a top down view of the most significant risks facing the Group and management accountability for each risk.
- **Functional Risk Register** – providing a bottom up assessment and prioritisation of risks on an individual function basis.
- **Risk Champion network** – nominated, trained functional risk champions within each significant function within the business, responsible for maintaining the functional risk registers and helping to embed risk management culture within the function.

- **Risk Management Committee** – management committee which meets every 2 months to maintain and manage the corporate risk register and to oversee activities of the risk owners and their delivery of effective risk mitigation.

We continue to enhance our risk management activity by introducing formal, documented risk mitigation plans for all risks on the Corporate Risk Register. These include management's assessment of the gross, net and target risk levels associated with each risk and their assessment of the effectiveness of the mitigating controls. During 2019 the internal audit team will commence a programme of independent assessments of the design and operating effectiveness of these risk mitigation plans.

The internal audit function is responsible for administering the Enterprise Risk Management Framework and System and for providing independent assurance to the Board, the Committee, and senior management.

A 'three lines of defence' model is being implemented with the objective of embedding effective risk management and control throughout the business and providing assurance to the Board and the Committee of the effectiveness of internal control and risk management across the organisation.

This comprises the following.

- **First line of defence** – Functional management that have day to day responsibility for the risk management and internal control systems and embed these in their business processes.
- **Second line of defence** – Functions that oversee or specialise in risk management and compliance-related activity. They monitor and facilitate the implementation of effective risk management and control activities by the first line. These functions include Financial Control, Quality Audit, Security, IT, Health & Safety, Legal and the risk management activities performed by the Internal Audit and Risk Management team.
- **Third line of defence** – Functions that provide independent objective assurance to the Board, Audit and Risk Committee and senior management regarding the effectiveness of the first and second lines of defence. This includes Internal Audit and Risk Management and the external auditors provision of assurance and advisory services.

INTERNAL AUDIT

In preparation for the IPO, the Group's internal audit and risk management activities were restructured into a distinct Internal Audit and Risk Management function, under the leadership of the newly-appointed Director of Internal Audit and Risk Management. The vision and mission for the function was approved by the Committee under its Internal Audit and Risk Management Charter, which is consistent with the Institute of Internal Auditors (IIA) guidance. The Charter will be reviewed and approved annually by the Committee going forward.

The Internal Audit and Risk Management function provides independent, objective assurance to the Board, the Committee and senior management on whether the existing control and governance frameworks are operating effectively to meet the Group's strategic objectives. The Director of Internal Audit and Risk Management reports to the EVP and Chief Financial Officer with an independent reporting line to the Committee Chair. The Director provides regular reports to the Committee on the function's activities. The Committee will assess the effectiveness of the Internal audit function on an annual basis.

To ensure that it is meeting its objectives, the Internal Audit and Risk Management Function has an annual work plan comprising risk-based cyclical reviews, reviews of emerging risks and business change activity, together with work mandated for compliance purposes. The audit plan for 2019 was approved by the Committee and the Committee will monitor progress against the plan in the coming year, as well as whether the plan remains focused on the evolving key risks facing the business. Such reviews will consider any changes to risk registers, hot spots and emerging risks in the industry as well as changes based on engagement with the business.

FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The Financial reporting internal control system covers the financial reporting process and the Group's process for preparing consolidated accounts. It includes policies and procedures which require the following.

- The maintenance of records that, in reasonable detail, accurately and fairly reflect transactions including the acquisition and disposal of assets.

- Reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards.
- Reasonable assurance regarding the prevention or timely detection of unauthorised use of the Group's assets.

There are also specific disclosure controls and procedures around the approval of the Group's financial statements.

WHISTLEBLOWING

It is important to ensure there is an appropriate mechanism for employees and contractors to report any concerns regarding suspected wrongdoing or misconduct. The 'Confidential Reporting and Whistleblowing' policy is made available to all employees and contractors on joining the business and is published on the Group intranet.

Any concerns raised are managed and investigated by the Human Resources and/or Legal teams depending on the nature of the concern. The Group is in the process of deploying a third party managed global hotline and online reporting tool to further enhance our procedures. The third party hotline will provide for confidential reporting and will extend to cover our global dealer network. Once implemented, whistleblowing reports will be managed by the Internal Audit and Risk Management team with significant findings reported to the Committee.

FAIR, BALANCED AND UNDERSTANDABLE ASSURANCE FRAMEWORK

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Board requested that the Audit and Risk Committee undertake a review and report to the Board on its assessment.

The key elements of the assurance framework for the assessment are as follows:

- the process by which the Annual Report and Accounts were prepared, including detailed project planning and a comprehensive review process;
- review of the drafting and verification processes for the Annual Report and Accounts by the Disclosure Committee;
- comprehensive reviews undertaken by the Executive Directors, members of the Executive Committee and members of senior management comprising the Annual Report and Accounts drafting team to consider content accuracy, regulatory compliance, messaging and balance;
- the review of the Annual Report and Accounts by the Audit and Risk Committee placing reliance on the experience of the Committee members;
- reports prepared by senior management regarding critical accounting judgements and key financial areas; and
- discussions with, and reports prepared by, the external auditor.

The Committee received confirmation from management that the assurance framework had been adhered to for the preparation of the 2018 Annual Report.

The Committee provided a recommendation to the Board that the "fair, balanced and understandable" statement could be given on behalf of the Directors. The Board's confirmation is set out on page 148.

RICHARD SOLOMONS
CHAIR, AUDIT AND RISK COMMITTEE

27 February 2019

DIRECTORS' REMUNERATION REPORT

IMELDA WALSH

CHAIR, REMUNERATION COMMITTEE

DEAR SHAREHOLDER,

I am pleased to present the first Directors' Remuneration Report since listing for the year ending 31 December 2018.

2018 has been a landmark year for Aston Martin Lagonda, following our Admission to the London Stock Exchange on 8 October 2018.

The Company continued the successful delivery of the Second Century Plan aimed at building a luxury business for the long-term. The Company delivered a strong financial performance with revenue of £1.1bn, up 25% year-on-year, and adjusted EBITDA of £247m, up 20% year-on-year. Volumes also grew 26% year-on-year with the successful delivery of the new Vantage, DBS Superleggera and special editions of the Vanquish Zagato Shooting Brake, Vanquish Zagato Speedster and DB4 GT Continuation.

The Directors set out their approach to remuneration policy and practice in the Prospectus published in September 2018 in the lead up to the Initial Public Offering (IPO), which was that reward must be linked to performance and support sustainable success. The approach the new Remuneration Committee has taken to the development of our first Remuneration Policy has been consistent with this philosophy.

Pay practices in the listed environment are different to those typically seen in a private company. Therefore a review of executive remuneration has been undertaken to ensure it continues to support the successful delivery of the Second Century Plan and in particular as we enter the third phase, Portfolio Expansion, which will ultimately lead to earnings growth, higher margins and significant value creation for our shareholders. Talent is key to the success of the Company and, during the review, the Committee was cognisant that the remuneration framework needs to continue to attract and retain executives of the right calibre and depth of experience.

Aston Martin and Lagonda are unique British luxury brands, which are icons of heritage, world-class engineering and design. The extensive global automotive experience of our senior executives is highly regarded by our new shareholders and viewed as integral to the delivery of our business plan. The Company has few relevant comparators in either the FTSE 100 or 250, and given the criticality of talent to the Company, the Remuneration Committee took into account a number of reference points during the review including practices at global luxury and automotive businesses as well as UK-listed companies. The automotive sector is of particular relevance given the substantial experience of the President and Group Chief Executive Officer ("CEO") and EVP and Chief Financial Officer ("CFO") and wider senior team in this sector.

The Committee is fully aware of the expectations of both our legacy investors, our new shareholders and the evolving governance and regulatory landscape and so these were also key reference points during the review. Overall remuneration packages for our Executive Directors have been set at levels, which the Remuneration Committee has determined are appropriate for the Company given the very high quality of the team who have the skills and growing track record to deliver the Second Century Plan. Over 80% of the CEO's potential pay opportunity is incentive based pay and so is dependent on the delivery of stretching performance targets.

The salaries, incentive opportunities and Non-Executive Director fee levels are unchanged from the information published in our Prospectus in September 2018.

PAY IN RESPECT OF 2018

Pay for 2018 was predominantly set by the Remuneration Committee that was in place prior to listing and the changes for 2019 are set out in more detail below.

Prior to Admission, the pre-listing Remuneration Committee set the salaries for the CEO and CFO. For Dr Palmer, there will be no increases to his salary until January 2022 at the earliest. The increase made to Mr Wilson's salary on Admission was to better align the approach to remuneration with practices in the listed environment. Where changes are made to Executive Directors' salaries in future years (with the exception of the restriction on the CEO's salary), it is anticipated that these will typically be in line with increases applied across the wider workforce, unless a very strong business rationale exists such as a significant change in role.

The 2018 annual bonus scheme was set pre-listing and pays out based on achievement against Adjusted EBITDA and net debt ratio targets. As noted on page 2, performance exceeded plan with an increase in Adjusted EBITDA of 20% to £247.3m and a net debt ratio of 2.1x resulting in awards of 97% of the maximum bonus for the CEO and CFO. We have provided full details of the bonus targets and achievement against them on page 137.

Team ethos is central to our culture and in recognition of this, both the CEO and CFO have voluntarily elected to forego an element of their 2018 bonus to 'top-up' the bonus pool available to the wider organisation for those individuals that have performed exceptionally in 2018. This has resulted in bonus payments of 80% of the maximum opportunity for both Executive Directors.

SUMMARY OF REVIEW – PROPOSED REMUNERATION POLICY

Following the review outlined above, the Remuneration Policy set out in this Report is being tabled for shareholder approval at our 2019 AGM. I wrote to our larger shareholders and the proxy agencies in January 2019. My letter included a summary of our proposed remuneration policy and information on the proposed approach to performance measurement for the annual bonus and LTIP for our Executive Directors.

The Committee was mindful of the expectations of pay in the listed environment, the evolving governance landscape and the new UK Corporate Governance Code applying from 1 January 2019. There are a number of areas where we are seeking to be an early adopter, including the following.

- Executive Directors' pension provision is already aligned with the majority of the workforce. A maximum 12% employer contribution is available throughout the organisation to employees that joined after 2011, irrespective of level (prior to 2011, there was a defined benefit plan).
- A shareholding policy post-cessation of employment. Any Executive Director who ceases to be employed (including the existing incumbents) will be required to maintain a shareholding of 150% of salary for the CEO and 100% of salary for the CFO or other Executive Director, for a period of 2 years.

These features are being operated alongside a number of other changes we are implementing to recognise our position as a UK-listed Company and the subsequent governance expectations. These include a formal shareholding policy which is set above typical market practice at 800% of salary for the CEO and 300% of salary for the CFO, bonus deferral (linked to the achievement of the shareholding policy), a holding period on the LTIP and malus and clawback provisions on incentives.

The vesting of legacy LTIP awards on Admission and the lock-up arrangements that extend through to 2022 result in the current Executive Directors retaining significant shareholdings in the Company, well above the policy, which are also subject to leaver provisions. This ensures that the Executive Directors are fully aligned with the creation of long-term sustainable value for our fellow shareholders. We have provided an overview of the Legacy LTIP on page 136.

A talented, motivated and engaged workforce is central to the Company and our success over the long-term. We have provided details of our approach to pay throughout the Company in this Report. We have also set out information on what we do beyond pay to invest in and develop our employees such as our in-house Training Academy and participation in high skill apprenticeship schemes.

PROPOSED APPROACH FOR 2019

As already mentioned, there will be no increase to the CEO's salary until January 2022 at the earliest and no changes are proposed to the CFO's salary for 2019.

The 2019 annual bonus builds on the scheme in operation pre-listing and reflects the priorities of the financial year ahead with Adjusted EBITDA retained as a key measure with a weighting of 40%. A reduction in the net debt ratio, described as Net Leverage (expressed as net debt / Adjusted EBITDA) has also featured in previous schemes and it is also retained with a 40% weighting. We are fully committed to transparency on the link between pay and performance and so specific target ranges, and performance against them, will be disclosed on a retrospective basis for each financial measure.

The remaining 20% of the annual bonus will be based on a strategic scorecard with objective, measurable targets linked to the successful execution of critical business activities. We recognise that execution risk remains an area of focus for our shareholders; hence the Committee believes that it is important to address this in the annual bonus plan through the use of such a scorecard. Measures that will apply under this element include objectives linked to forthcoming models, future developments and the readiness of our new manufacturing facility at St Athan. While prospective details on the specific targets are commercially sensitive, the Committee will determine the degree of vesting using a combination of both quantitative and qualitative data and disclosure on the level of performance achieved will be provided in the relevant year's Report.

Given the differences in pay practices in the private and listed environments, a key part of the review was the approach to incentivising and rewarding individuals over the long-term. The Committee agreed that a LTIP which balances longer-term growth in profitability, a focus on the returns generated and shareholder value creation, is the right approach with each measure given the following weighting:

- Earnings Per Share (40% weighting)
- Return on Invested Capital (40% weighting)
- Relative Total Shareholder Return vs. FTSE 51 – 150 (20% weighting)

At the time of publication of this Report, the targets applying under each measure are being finalised, however, we recognise the importance of disclosure and therefore we will include details of the targets in our forthcoming AGM notice.

The targets will reflect the ambition of the Second Century Plan and the Board's expectations for considerable growth and value creation. Over the performance period the Company will launch a number of new car models, including its first SUV, the DBX and much of the development work for a new mid-engine model and the re-introduction of the Lagonda brand as a new all-electric range. Performance will be assessed over the period 1 January 2019 to 31 December 2021. Awards will be subject to a further two-year holding period post-vesting.

The Committee has had a considerable workload over the past few months and has received significant support from the management team. We believe that the proposed approach to Executive Director pay aligns with our strategic priorities of growing profitability and delivering superior returns.

We take our responsibility to our fellow shareholders seriously therefore if you have any questions on any element of the Report, please e-mail, Catherine Sukmonowski (Catherine.sukmonowski@astonmartin.com) in the first instance and I hope we can rely on your support at our forthcoming AGM.

IMELDA WALSH
CHAIR, REMUNERATION COMMITTEE

27 February 2019

AT A GLANCE

KEY STRATEGIC HIGHLIGHTS

Adjusted EBITDA	Net Leverage	Normalised Adjusted EPS	ROIC
£247m	2.1x	27.5p	12.8%

EXECUTIVE DIRECTORS' REMUNERATION

The table below sets out the policy applying from IPO for annual salary and benefits. Actual bonus payments made in respect of 2018 have also been shown.

Element	CEO	CFO
Salary	£1,200k	£425k
Benefits	£20k	£26k
Pension	£127k	£45k
Annual bonus	£1,674k	£210k
Total	**£3,021k**	**£706k**

See Page 136 for the audited single figure table in respect of 2018

2018 ANNUAL BONUS OUTCOME

- Most of the bonus (c. 76%) relates to performance of the non-listed entity, however full-year figures are disclosed voluntarily in the interests of transparency.
- Performance against both Adjusted EBITDA and the net debt ratio has been strong, resulting in an award of 97% of the maximum for the CEO and CFO.
- Reflective of the team culture that is inherent throughout the organisation, both EDs have elected to forego an element of their bonus with the funds used to top-up the bonus pool for the wider organisation.
- Annual bonus payments of 80% of the possible maximum were therefore paid in respect of 2018.

KEY OBJECTIVES OF OUR APPROACH TO REMUNERATION ARE:

Align to the Second Century Plan	Incentivise generation of long-term shareholder value	Reward successful execution	Enable retention and attraction of talent in a global market	Share success throughout the Company

PROPOSED IMPLEMENTATION OF REMUNERATION POLICY IN 2019

Fixed pay	CEO	CFO
Salary[1]	£1,200,000	£425,000
Pension[2]		10.6% of salary

1. There will be no increases to Executive Director salaries in 2019
2. Actual pension contributions are a maximum 12% of salary with employer's National Insurance deducted.

ANNUAL BONUS

- Maximum opportunities (as % of salary) of:
  - CEO – 200%
  - CFO – 150%
- Performance measures:

Adjusted EBITDA (40%) + Net Leverage (Net debt/Adjusted EBITDA) (40%) + Strategic scorecard (20%)

The targets and performance against these targets will be fully disclosed in next year's Report.

- If a Director does not meet their shareholding guideline, 50% of the annual bonus would be deferred into shares for three years.

LONG-TERM INCENTIVE PLAN

- Maximum opportunities (as % of salary) of:
  - CEO – 300%
  - CFO – 200%
- Performance measures:

EPS (40%) + ROIC (40%) + Relative TSR vs. FTSE 51 – 150 (20%)

- Targets applying to each measure above are currently being finalised and will be fully disclosed in the AGM notice.
- Threshold vesting – 20% of maximum.
- Two year holding period post vesting (on a net of tax basis).

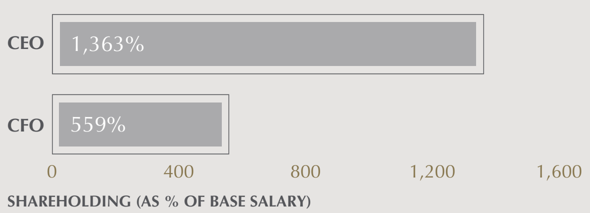
MALUS AND CLAWBACK

- Malus and clawback provisions may be applied to both the annual bonus and LTIP for a period of three years from payout / vesting.

SHAREHOLDING GUIDELINES (AS % OF SALARY)

- Current EDs: CEO – 800%, CFO – 300%
- New EDs: CEO – 300%, Other EDs – 200%
- On cessation of employment, Directors will be required to hold 50% of the holding required for new EDs for two years (i.e. 150% of salary for CEO and 100% of salary for CFO).

ACTUAL SHAREHOLDING AS AT 31 DECEMBER 2018



DIRECTORS' REMUNERATION POLICY

This section sets out the Company's first Directors' Remuneration Policy ("Policy") which has been prepared in accordance with the Large and Medium-sized Companies and Groups Accounts and Reports Regulations (the "Regulations"). The Policy will be subject to a binding shareholder vote at the 2019 AGM and, subject to shareholder approval, will become effective from the date of the AGM. The Policy as set out below is consistent with the information disclosed in the Prospectus published ahead of the Company's Admission to the London Stock Exchange.

The Company is committed to achieving high standards of corporate governance, therefore the principles of the revised UK Corporate Governance Code applying from 1st January 2019 were taken into consideration when developing this first Policy. The views of shareholders and their advisory bodies are also very important and so the Committee engaged with larger shareholders to understand their views during the development of this Policy and its intended implementation. The Committee takes its duty to shareholders seriously and will seek to maintain an open and constructive dialogue on the approach to remuneration. In the event that any material changes to the Policy, or its implementation, are proposed the Committee will consult with shareholders as appropriate.

REMUNERATION POLICY TABLE FOR EXECUTIVE DIRECTORS

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
BASE SALARY			
To attract and retain executives of the right calibre to successfully develop and execute the business strategy. To recognise the market value and responsibilities of the role, experience, ability and personal contribution.	Typically base salaries will be reviewed annually, with any increases normally effective from 1 January. Base salary levels and any increases take account of: • The individual's role, performance and experience; • Business performance, the external environment and cost to the company; • Salary increases for other employees; and • Salary levels for comparable roles at relevant comparators. No recovery or withholding applies.	Whilst there is no prescribed maximum, salary increases will generally be in line with those of the wider workforce. Increases may be made above this level where the Committee considers it appropriate including (but not limited to) a significant increase in the scale, scope, market comparability or responsibilities of the role. Where an individual has been appointed on a salary lower than market levels, increases above those of the wider workforce may be made to recognise experience gained and performance in the role. Such increases will be explained in the relevant Annual Report on Remuneration.	Both Company and individual performance are considered when determining Executive Directors' base salaries and any increases.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
BENEFITS			
To offer market competitive benefits.	Benefits typically include participation in car schemes, private mileage entitlement, private health insurance, travel insurance and life insurance. Where appropriate, other benefits may be offered including, but not limited to, allowances for relocation. Executive Directors are eligible to participate in all-employee share plans on the same basis as other employees in line with prevailing HMRC limits. No recovery or withholding applies.	Benefits provided may vary by role and individual circumstance and are reviewed periodically. There is no overall maximum.	None
PENSION (OR CASH ALLOWANCE)			
To offer market competitive retirement benefits in line with the wider workforce.	Executive Directors may participate in a defined contribution scheme. Individuals may receive a cash allowance in lieu of some or all of their pension contribution. No recovery or withholding applies.	Maximum of 12% of salary. The employer's National Insurance contribution is typically deducted for a cash allowance. This is in line with the maximum pension contribution available to the majority of employees.	None
ANNUAL BONUS			
To focus Executive Directors on, and reward them for, the successful delivery of the annual strategic business priorities.	The bonus is earned based on the achievement of one year performance targets and is delivered in cash or a combination of cash and deferred shares. If an Executive Director does not meet their shareholding guideline, 50% of any bonus will be deferred into shares, typically for a period of three years. Dividend equivalents may be accrued on deferred shares. Malus and clawback provisions may be applied in exceptional circumstances as detailed in the notes to this table.	Maximum (as % of salary): • CEO – 200% • Other Executive Directors – 150%	The bonus will be based on a combination of financial, operational, strategic and individual measures. Performance measures and weightings are reviewed annually to ensure they continue to support the achievement of the Company's key strategic priorities. At least 80% of the bonus will be based on financial measures. The bonus pays out from 20% at threshold to 100% at maximum performance. The Committee retains discretion to adjust the bonus outcomes to ensure they reflect underlying business performance and any other relevant factors. The Committee will consult with shareholders where appropriate before the use of discretion to increase the outcome.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
LONG-TERM INCENTIVE PLAN (LTIP)			
To focus Executive Directors on, and reward them for, long-term delivery of sustained performance and value creation. To provide longer term alignment with the shareholder experience.	LTIP awards will typically be made annually and awards may be in the form of nominal or nil-cost options or conditional shares. Vested shares are typically subject to a holding period of up to two years (shares may be sold at vesting to satisfy any tax-related liabilities). Dividend equivalents may be accrued on shares that vest. Malus and clawback provisions may be applied in exceptional circumstances as detailed in the notes to this table.	Maximum (as % of salary): • CEO – 300% • Other Executive Directors – 200%	LTIP awards will be based on a combination of financial, shareholder return and strategic performance measures aligned with the business priorities, usually measured over a three year period. The Committee prior to award will determine the targets, measures and weightings. For threshold performance, vesting is 20% of maximum. The Committee retains discretion to adjust the vesting levels to ensure they reflect underlying business performance and any other relevant factors. The Committee will consult with shareholders where appropriate before the use of discretion to increase the outcome.
SHAREHOLDING POLICY			
To provide alignment between the interests of Executive Directors and shareholders over the longer term.	For current Executive Directors (as a % of salary): • CEO – 800% • CFO – 300% For newly recruited Executive Directors (as % of salary): • CEO – 300% • Other Executive Directors – 200% Executive Directors are required to retain at least 75% of the shares (net of tax) vesting under the LTIP or deferred bonus until the shareholding guideline is met. They are expected to build up their shareholding guideline within a 5 year period from their date of appointment to the Board. POST-CESSATION SHAREHOLDING POLICY All Executive Directors (including the current Directors) are typically required to retain 50% of the shareholding guideline for newly recruited Executive Directors (or full actual holding if lower) for two years post-cessation of employment, therefore 150% of salary for the CEO and 100% of salary for other Executive Directors. Appropriate enforcement mechanisms exist.	Not applicable.	Not applicable.

NOTES TO THE REMUNERATION POLICY TABLE

OPERATION OF INCENTIVE PLANS

The incentive plans will be operated within the Policy at all times and in accordance with the relevant plan rules and the Listing Rules. There are a number of areas over which the Committee retains flexibility as detailed below:

- Participants in each plan;
- Timing and size of an award and / or payment;
- Performance measures, weightings and targets that will apply each year and any adjustments thereof;
- Treatment of awards in the event of a change of control, restructuring or other corporate event.
- Treatment of leavers; and
- Amendments of plan rules in accordance with their terms.

In the case of Executive Directors, any use of discretion by the Committee will be disclosed in the relevant Annual Report on Remuneration and may be subject to consultation with the Company's shareholders.

PERFORMANCE MEASURES AND TARGETS

Pay for performance and rewarding sustainable success delivered over the longer term have always been central to the Company's remuneration philosophy and this will continue to be the case. As part of the review on Admission, the Committee gave careful consideration to performance measures and targets for the incentive plans to ensure they are aligned with the Company's strategy, performance and the shareholder experience.

The annual bonus measures are selected to provide a balance between rewarding operational excellence and successful execution of the strategy, which are fundamental to the Company's future growth. For the LTIP, the performance measures will align participants with the generation of long-term sustainable value for shareholders with a focus on the key long-term objectives of the Company.

Targets for the incentive plans are set taking into account a number of reference points including the strategic plan, long-term business goals and external consensus forecasts for the Company and the market to ensure the level of performance required is appropriately stretching.

Conditions applying to the LTIP may be varied if the Committee considers this appropriate. If they are varied, they must, in the opinion of the Committee be fair, reasonable and materially no less or more challenging than the original conditions.

MALUS AND CLAWBACK PROVISIONS

Consistent with best practice, malus and clawback provisions will be operated at the discretion of the Committee in respect of both the annual bonus and LTIP where it considers that there are exceptional circumstances. Such exceptional circumstances may include serious reputational damage, a failure of risk management, an error in available financial information, which led to the award being greater than it would otherwise have been or personal misconduct. Clawback may be applied for a period of up to three years from payout or vesting for any bonus and LTIP awards.

LEGACY ARRANGEMENTS

Payments may be made to satisfy commitments made prior to the approval of this Remuneration Policy. This may include, for example, the Legacy LTIP or payments made to satisfy legacy arrangements agreed prior to an employee (and not in contemplation of) being promoted to the Board of Directors. All outstanding obligations may be honoured and payment will be permitted under this Remuneration Policy.

MINOR AMENDMENTS

The Committee may make minor amendments to the Policy (for example for tax, regulatory, exchange control or administrative purposes) without obtaining shareholder approval.

REMUNERATION POLICY TABLE FOR THE CHAIR AND NON-EXECUTIVE DIRECTORS

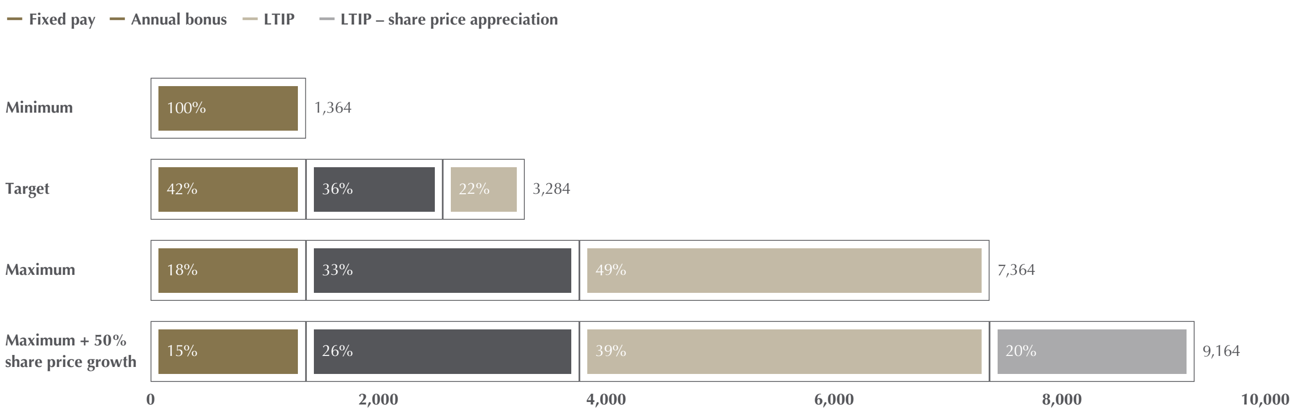
Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
FEES			
To attract and retain high calibre and experienced individuals to serve on the Board by offering market competitive fee arrangements.	The Chair receives an annual fee. Non-Executive Directors receive an annual base fee. They may receive further fees for additional responsibilities including: • Senior Independent Director • Committee Chair • Committee member Fees are subject to review taking into account time commitment, responsibilities and market practice. Non-Executive Directors are entitled to be reimbursed for reasonable expenses incurred during the performance of their duties, including any tax due on these benefits.	Total fees paid will be within the limit stated in the Articles of Association.	None

Non-Executive Directors do not participate in incentive or share schemes or receive a pension provision.

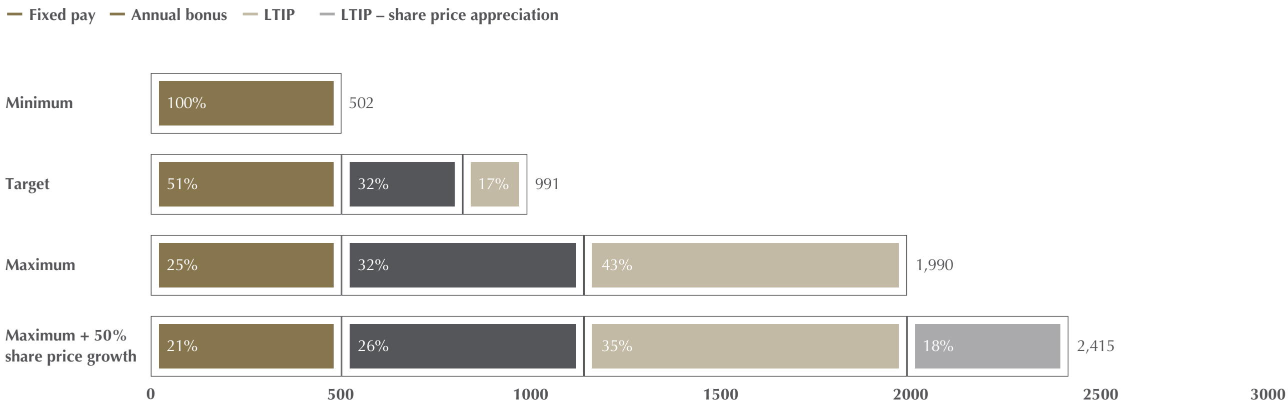
ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY

The graphs below provide estimates of the potential remuneration opportunity for each of the current Executive Directors and the split between the three different elements of remuneration under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'. In line with the reporting regulations, a scenario assuming 50% share price growth over the three year LTIP performance period is also shown below (for the maximum performance scenario). The assumptions used for these charts are set out in the table below.

CEO TOTAL REMUNERATION (£000s)



CFO TOTAL REMUNERATION (£000s)



MINIMUM PERFORMANCE	• Fixed remuneration (salary, pension and benefits) only. • No payout under the annual bonus or LTIP.
TARGET PERFORMANCE	• Fixed remuneration. • 50% of the maximum payout under the annual bonus. • 20% of the maximum vesting under the LTIP.
MAXIMUM PERFORMANCE	• Fixed remuneration. • 100% of the maximum payout under the annual bonus. • 100% of the maximum vesting under the LTIP.
MAXIMUM PERFORMANCE + 50% SHARE PRICE GROWTH	• Fixed remuneration. • 100% of the maximum payout under the annual bonus. • 100% of the maximum vesting under the LTIP. • 50% assumed share price growth over three year LTIP performance period.

Other than the 'Maximum scenario + 50% share price growth', no share price growth or dividend assumptions have been included in the charts above.

SERVICE AGREEMENTS

The Executive Directors are employed under contracts of employment with Aston Martin Lagonda Limited effective from the date of Admission. Consistent with the Company's policy, Executive Directors have service contracts with a notice period of 12 months from the Company and the Executive Director.

The Chair and Non-Executive Directors have letters of appointment. The notice period for the Chair and the Non-Executive Directors is three months.

The appointment of the Chair and each Non-Executive Director may be terminated immediately in certain circumstances such as committing a material breach of duties.

The appointment of the non-independent Non-Executive Directors may be terminated in accordance with the Relationship Agreement by the relevant shareholder that appointed them. The Company may also terminate their appointment if the relevant Relationship Agreement is terminated.

The service contracts and letters of appointment are available for inspection at the Company's registered office.

POLICY ON PAYMENTS FOR LOSS OF OFFICE

The Company may require the Executive Director to work their notice period or may choose to place the individual on 'garden leave' if this is the most commercially sensible approach. In the event of termination certain restrictions may apply for a period of up to 12 months to protect the business interests of the Company.

Payment in lieu of notice may be made for the unexpired portion of the notice period which is limited to the Executive Director's base salary and is subject to mitigation. The Company may make such payments in monthly instalments. The employment of each Executive Director is terminable with immediate effect and without payment in lieu of notice in certain circumstances including gross misconduct.

The treatment of any outstanding incentive awards will be determined based on the relevant plan rules as summarised in the table below:

Element	Policy and operation
ANNUAL BONUS	There is no entitlement to a bonus payment in the event of termination. The Remuneration Committee may exercise its discretion to pay a bonus depending on the circumstances of departure. Generally, leavers will lose entitlement to a bonus unless the individual is considered a 'good leaver'. Good leavers are eligible to be considered for a bonus depending on whether performance conditions have been met and any payment will usually be pro-rated for the period of employment and, where the shareholding guideline has not been met, deferred into shares on the same basis as for a continuing director, with Committee discretion to treat otherwise.
DSBP	Deferred bonus shares will lapse on leaving in the case of summary dismissal by the Company or voluntary resignation, with Committee discretion to treat otherwise. In other circumstances, awards will normally be released at the usual time, although the Committee can apply discretion to allow earlier release. On death, awards typically vest immediately.
LTIP	The default treatment is that any outstanding awards lapse on cessation of employment. In certain circumstances "good leaver"[1] status can be applied. In these circumstances a participant's awards will usually vest subject to the satisfaction of the relevant performance criteria and, ordinarily, on a time pro-rated basis with the Committee's discretion to treat otherwise. The balance of the awards will lapse. Unless the Committee decides otherwise, the holding period will continue to apply. Outstanding shares subject to a holding period will not generally lapse unless the individual is subject to summary dismissal. On death, awards will typically vest subject to the satisfaction of performance conditions as determined by the Committee and no holding period will apply.
CORPORATE EVENT/ CHANGE IN CONTROL	In the event of a change of control or winding up of the Company (other than an internal reorganisation), LTIP Awards will vest subject to the extent to which the performance conditions have been satisfied. Pro-rating for service will apply unless the Committee decides otherwise. Outstanding deferred bonus awards will vest in full as soon as practicable. In the event of an internal corporate reorganisation, deferred bonus and LTIP awards may (with consent from any acquiring Company) be replaced by equivalent awards. Alternatively, the Committee may decide that deferred bonus and LTIP awards will vest as in the case of a change of control described above. In the event of a demerger, special dividend or other corporate event that will materially impact the share price the Committee may, at its discretion, allow deferred bonus and LTIP awards to vest on the same basis as for a change of control as described above. Alternatively, an adjustment may be made to the number of shares if considered appropriate.

1. For the purpose of the table above, a good leaver is generally defined as a participant that ceases employment due to ill-health, injury, disability (in each case evidenced to the satisfaction of the Remuneration Committee), retirement with the agreement of the Company, the participant's employing Company ceasing to be a Group Company, the business or part of the business to which the participant's employment related being transferred to a person who is not a Group Company or any other reason at the Committee's discretion.

The Committee reserves the right to make other payments in connection with an Executive Director's cessation of employment. Any such payment may include paying a reasonable level of fees for outplacement assistance and / or the Director's legal or professional advice fees in connection with his cessation of employment.

No payments are made on termination to any Non-Executive Director of the Company.

POLICY ON RECRUITMENT

Talent is key to the success of the Company and our remuneration framework needs to be able to attract talent of the right calibre to successfully execute the Group's business strategy. When determining remuneration on recruitment, the Committee will take into account an individual's role, experience and relevant data points such as market data and internal relativities. The Committee is mindful to pay no more than is necessary to facilitate recruitment of the right talent. On appointment, remuneration will generally be in line with the Policy and the maximum aggregate value of incentives (excluding buyouts) will be no more than the maximums in the Policy table. The approach on recruitment is summarised below:

Element	Policy and operation
BASE SALARY	Base salary will be determined with reference to the individual's role and responsibilities, experience and skills, relevant market data, internal relativities and their current base salary. Salaries may be set at a level lower than the prevailing market rate with increases made at a higher than usual rate as the individual gains experience and performs in the role.
PENSION	Participation in the Company's defined contribution pension plan or cash alternative in line with the Policy.
BENEFITS	Benefits in line with the Policy, including relocation benefits if appropriate.
ANNUAL BONUS	The structure described in the Policy table will normally apply for new appointees with the relevant maximum typically pro-rated to reflect service during the year. For the first year of appointment, the Committee may determine that the annual bonus may be subject to modified terms considered appropriate in the context of the recruitment.
LTIP	LTIP awards will normally be on the same terms as other executives, as described in the Policy table.
BUYOUT AWARDS	The Committee recognises that it may be necessary, in certain circumstances, to provide compensation for amounts forfeited from a previous employer. Generally any buyout awards will be made on a like-for-like basis in terms of commercial value, form, application of performance conditions and timing of receipt to ensure that they reflect the incentives they are replacing.

The approach for an internal promotion will be consistent with the policy outlined above. Where an individual has contractual commitments or outstanding awards made prior to their promotion, the Company will honour these legacy arrangements. This would include continued participation in the Company's defined benefit pension scheme if the individual was employed prior to 2011.

For interim positions a cash supplement may be paid rather than salary (for example a Non-Executive Director taking on an executive function on a short-term basis).

On appointment of a new Non-Executive Director or Chair, the information set out in the Policy table will apply.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

At a senior level, there is a greater emphasis on long-term, sustainable performance and alignment with the shareholder experience and LTIP awards are made at these levels with delivery in shares. The remuneration arrangements for Executive Directors outlined above are consistent with those for other senior executives, although quantum and award opportunities vary by level. The key difference between executive remuneration and that for the wider workforce is therefore that a higher proportion is at risk and dependent on Company performance.

The philosophy and principles that apply to remuneration at the Company are consistent throughout the organisation. In line with the new UK Corporate Governance Code, the Committee is fully informed of and considers wider employee remuneration and related policies including the following as they apply to the wider workforce:

- salary increases;
- opportunities and payments under annual bonus plans;
- operation of incentive plans; and
- total remuneration levels.

The Company believes open communication with employees is very important and, while the Committee does not formally consult with employees in respect of the design of the Directors' remuneration policy, our employees are able to communicate their views on any topic, including remuneration through either our active Employee Engagement forum or the Trade Union for Non-Management grades, both of which meet regularly. Pay and terms and conditions for this group are subject to Trade Union negotiation and a general pay award was recently concluded for a two-year period giving annual increases above inflation (CPI). These increases reflect the competitive market for skilled labour within the automotive and engineering industries.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee takes the views of and its responsibility to shareholders very seriously and we are committed to building a relationship that allows for an open and constructive dialogue on a wide-range of areas, including executive remuneration. Both the general views of and any direct feedback we receive from our shareholders and their representative bodies is considered by the Committee when determining the appropriate approach to remuneration arrangements for the Company.

ANNUAL REPORT ON REMUNERATION

This section of the Directors' Remuneration Report provides details of:

- how we propose to implement our Policy for 2019 which is our first full financial year as a listed Company; and
- how Directors were paid for the year ending 31 December 2018.

As the Company was incorporated on 27 July 2018 and listed on the London Stock Exchange on 8 October 2018 our formal reporting requirements relate only to part of 2018, however we have chosen to provide supplemental disclosure to assist transparency.

We are committed to an open dialogue with our shareholders and hope that the level of disclosure provided will ensure that the decisions that the Committee has made on remuneration are fully explained, thereby helping us to build a positive relationship with our shareholders.

This section of the Report will be subject to an Advisory vote at the 2019 AGM.

REMUNERATION COMMITTEE

ROLE AND RESPONSIBILITIES

The role of the Remuneration Committee is to establish a formal and transparent procedure for developing the Policy on executive remuneration, and to set or oversee as appropriate the remuneration packages of individual directors, senior management and the wider employee population. The main responsibilities of the Committee are the following.

- Determine the executive remuneration Policy and align the approach to remuneration throughout the Company with long-term sustainable success.
- Determine the individual remuneration packages for the Executive Directors, other members of the senior management team and the Company Chair.
- Review the wider workforce remuneration policies and practices and take these into account when determining the approach for executives.
- Review and approve the design of performance related pay schemes.

The Committee meets at least three times a year and has formal terms of reference which can be viewed on the Company's website www.astonmartinlagonda.com. Committee attendance is set out on page 106.

MEMBERSHIP

The Remuneration Committee was established on Admission and comprises:

Member	Date of appointment to Committee
Imelda Walsh (Chair)*	8 October 2018
Richard Solomons*	8 October 2018
Lord Matthew Carrington*	8 October 2018
Dante Razzano	8 October 2018
Amr Ali Abdallah AbouelSeoud	8 October 2018

* Independent Non-Executive Directors

In line with the Relationship Agreements with the Controlling Shareholder Groups, for the first 12 months after Admission (subject to the relevant minimum shareholding requirements being maintained), a maximum of two non-independent Non-Executive directors (one appointed by each Controlling Shareholder Group) may be members of the Committee. Thereafter they will be invited as observers (subject to maintaining the minimum shareholding requirement). In line with the UK Corporate Governance Code, from 8 October 2019, the Committee will be comprised solely of independent non-executive directors.

MAIN ACTIVITIES

As noted in the Prospectus, there was a review of remuneration for Executive Directors and other members of the senior management team to ensure it continues to support the strategic ambitions of the Company post-listing. From Admission to year-end, the Committee met twice and details are provided below of the Committee's main activities during this period.

NOVEMBER 2018	• Review and agree the work plan to 2019 AGM • Review Draft Remuneration Policy • Initial review of measures and targets for the LTIP and Annual Bonus
DECEMBER 2018	• Review and approve terms of reference • Agree LTIP and Annual Bonus performance measures, subject to consultation • Review draft shareholder letter

ADVICE TO THE COMMITTEE

The Chair of the Board and members of the management team are invited to attend Committee meetings where appropriate, except when their own remuneration is being discussed. During the year Penny Hughes (Chair of the Board), Dr Andy Palmer (President and Group Chief Executive Officer), Mark Wilson (EVP and Chief Financial Officer), Michael Kerr (VP and Chief HR Officer), Michael Marecki (VP and General Counsel) and Catherine Sukmonowski (Company Secretary) attended meetings at the Committee's invitation.

Since Admission, the Committee has received independent advice on remuneration from Willis Towers Watson (WTW). WTW is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice provided by WTW is independent and objective. WTW has no other connection with the Company.Total fees received by WTW in relation to remuneration advice provided that materially assisted the Committee from the point of Admission to 31 December 2018 are £19,250.

The Committee will be undertaking a review of its advisers in 2019.

APPLICATION OF POLICY IN 2019

As noted in the Chair's statement, a review of executive remuneration was undertaken by the newly formed Remuneration Committee in the context of the IPO given the difference in pay practices between the private and listed environment. The key objective of this review was to ensure that the approach continues to support the successful delivery of the Second Century Plan, which will ultimately lead to earnings growth, higher margins and significant value creation for our shareholders. Salaries, incentive opportunities and Non-Executive Director fees are unchanged from the information published in the Prospectus in September 2018.

The salaries applying from Admission were determined pre-listing therefore the newly formed Remuneration Committee reviewed the remuneration framework, including the approach to annual bonus and LTIP, to ensure it continues to attract and retain executives of the right calibre to successfully execute our key strategic objectives.

As outlined in the Chair's statement, the Company is a unique British luxury brand, which is an icon of heritage, world-class engineering and design, with few relevant comparators in either the FTSE 100 or FTSE 250.

A number of reference points were therefore taken into account during the review to provide a rounded view of the market including practices at global luxury and automotive businesses as well as UK listed companies. The automotive sector is of particular relevance given the substantial experience of the CEO, CFO and wider senior team in this sector and their criticality to the successful execution of the business plan. The Committee is fully aware of the expectations of both our legacy investors, our new shareholders and the evolving governance and regulatory landscape and so these were also key reference points during the review.

Overall remuneration packages for our Executive Directors have been set at levels that are considered appropriate given the calibre of talent and criticality of the individuals to the successful execution of the Second Century Plan. In line with the Company's pay for performance philosophy the Executive Directors' packages are heavily weighted towards incentive based pay (over 80% of the total potential pay opportunity for the CEO). Payments under the incentive plans will only be made if the demanding targets linked to the delivery of the Second Century Plan are achieved.

The Committee Chair engaged with our larger shareholders and proxy agencies to understand their views on the proposed Policy and its implementation for 2019. In particular, this engagement provided information on the proposed approach to performance measurement for the annual bonus and LTIP for our Executive Directors. While the Company listed in 2018, the first awards under the LTIP will be made in 2019, subject to shareholder approval of the Policy at the 2019 AGM. As noted in the Chair's statement, at the time of publication the LTIP targets were being finalised and so disclosure on the targets applying to the 2019 LTIP award will be provided in the 2019 AGM notice.

The Remuneration Policy is being tabled for shareholder approval at the 2019 AGM. On the basis that it is approved by shareholders, it will be implemented as set out below.

BASE SALARY

No increases are being made to the Executive Directors' salaries in 2019. As disclosed in the Prospectus, no increases will be made to the CEO's salary until January 2022.

	1 January 2019	8 October 2018	% change
Dr Andy Palmer	£1,200,000	£1,200,000	0%
Mark Wilson	£425,000	£425,000	0%

PENSIONS AND BENEFITS

Both Executive Directors receive a cash allowance in lieu of participation in the defined contribution scheme. For 2019 they will receive an allowance of 10.6% of salary, which is the maximum of 12% of salary with a deduction for an amount equal to the employer's National Insurance contribution. They will continue to participate in the Company's car scheme, receive private health insurance, travel insurance and life insurance.

As disclosed in our Remuneration Policy, the Executive Directors' pension contributions are in line with the majority of employees. The maximum level of employer pension contribution throughout the organisation is the same regardless of seniority at 12% of salary (a defined benefit scheme was operated pre-2011).

ANNUAL BONUS

The maximum bonus opportunity will be 200% of salary for the CEO and 150% of salary for the CFO. The proposed approach to the annual bonus for 2019 balances the achievement of profitability with a leverage measure to ensure EBITDA is not increased at the expense of debt. There is also a focus on successful operational execution through the use of a strategic scorecard. The performance measures and weightings for 2019 are outlined below:

Performance measure	Weighting
Adjusted EBITDA	40%
Net Leverage (Net debt / Adjusted EBITDA)	40%
Strategic scorecard	20%
Assessment of quantitative and qualitative measures that are key performance indicators for 2019 including objectives linked to: • Forthcoming models • Future developments • Readiness of our new manufacturing facility at St Athan	

When setting the targets, the Committee considered the business plan for 2019, emerging global risks and their potential impact and market expectations. Disclosure on the targets and performance against them will be provided in next year's DRR.

In line with the Policy, annual bonus deferral will apply if an Executive Director does not meet their shareholding guideline, with 50% of the bonus deferred into shares for a period of three years.

LONG-TERM INCENTIVE PLAN (LTIP)

Although the Company listed in 2018, the first LTIP awards will be made in 2019, subject to shareholder approval of the Policy at the AGM. LTIP awards up to a maximum of 300% and 200% of salary will be granted to the CEO and CFO respectively.

Following an in-depth review by the Committee, the proposed performance measures aim to provide alignment with shareholders, balanced with a focus on efficiency and profit growth over the longer term. While the proposed targets are yet to be finalised, the Committee is taking into account the business plan presented to potential investors during the summer and early autumn of 2018 in the lead up to our IPO. This plan outlined a demanding future growth agenda. The 3-year performance period will include the launch of the Company's first SUV – DBX – and much of the development of the mid-engine model, including the launch of the Aston Martin Valkyrie models, and the electric vehicle platform for the Lagonda-branded vehicles. Upper levels of vesting will be highly dependent upon the successful achievement of key model launches.

The Committee recognises the importance of disclosure and will therefore include information on performance targets to apply for the 2019 LTIP award in our forthcoming AGM notice.

Performance will be measured over three financial years starting 1 January 2019 and the performance measures are detailed in the table below:

PERFORMANCE MEASURE AND RATIONALE
Earnings Per Share growth (40% of award)[1] • A clear growth strategy based on our 7-model plan. • An increase in longer term earnings will be a key measure of sustainable success. • EPS is a "bottom-line" profit figure to ensure a close reflection of the actual profit delivered.
Return on Invested Capital (40% of award)[2] • Strong future returns and focused and disciplined investment that meets strict criteria. • As a growth business, the use of ROIC ensures that there is a focus on how efficiently returns are generated over and above the Weighted Average Cost of Capital.
Relative TSR vs. FTSE 51 – 150 (20% of award)[3] • The successful execution of the Second Century Plan will result in shareholder returns over and above companies, which our shareholders may otherwise have invested in. • The use of relative TSR ensures that management are aligned with shareholders and the delivery of longer term sustainable value.

1. EPS performance will be calcluated on a Compound Annual Growth basis over the three-year period 31 December 2018 to 31 December 2021. The Normalised Adjusted diluted EPS out-turn for the year-ending 31 December 2018 of 27.5p will be used as the base point for the calculation.
2. Return on Invested Capital at 31 December 2018 is 12.8% and is calculated as Net Operating Profit After Tax £148m (EBIT adjusted for a tax credit or charge) divided by Invested Capital £1,153m (gross debt £704m + equity £449m). The Company's WACC is 8.8%.
3. Excluding investment trusts, oil, gas and mining companies.

Vesting will be on a straight-line basis between threshold and maximum for all performance measures. The Committee retains discretion to adjust the vesting level based on a review of the underlying performance of the Company.

A holding period of two years will apply to vested shares (on a net of tax basis).

MALUS AND CLAWBACK

Malus and clawback provisions will be operated at the discretion of the Committee in respect of both the annual bonus and LTIP where it considers that there are exceptional circumstances. Such exceptional circumstances may include serious reputational damage, a failure of risk management, an error in available financial information, which led to the award being greater than it would otherwise have been or personal misconduct. Clawback may be applied for a period of up to three years for any bonus and LTIP awards.

NON-EXECUTIVE DIRECTOR FEES

Non-Executive Director fees were set on Admission and are summarised in the table below. Fees will not be reviewed until 2022.

Position/role	Fee
Chair of Board	£350,000
Basic Non-Executive Director fee	£75,000
Additional fee for Senior Independent Director	£20,000
Additional fee for Board Committee Chair	£20,000
Additional fee for Committee membership	£10,000

REMUNERATION PAID IN RESPECT OF 2018

SINGLE FIGURE TABLE FOR EXECUTIVE DIRECTORS

The Regulations require the single figure table to include disclosure of amounts paid to individuals for "qualifying services", therefore they are part-year figures and relate to some individuals who ceased to be Directors of the Company before IPO. Information is also required on certain items which vested and were paid prior to IPO, such as the Legacy LTIP.

In the Remuneration Committee's view the required disclosures under the regulations provide a partial or incomplete picture, especially with regard to the future remuneration arrangements. It has therefore decided to provide further detail on the Legacy LTIP in the notes to the single figure table and also disclosed a single figure table for the continuing executive directors that shows on an annualised basis those aspects of pay which relate to the period since the IPO and which is more reflective of our pay policy going forward.

Annualised (non statutory) single figure table for the executive directors

The table below shows the annualised payments for each of the executive directors holding office as at 31 December 2018 as if the remuneration policy operated since IPO had been in place for the entirety of 2018 for salary, benefits and pension. Actual bonus payments in respect of 2018 following the voluntary waiver by the Executive Directors has also been shown.

(£000s)

Director	Salary[1]	Benefits[2]	Pension	Annual Bonus[3]	LTIP[4]	Total
Dr Andy Palmer	1,200	20	127	1,674	N/A	3,021
Mark Wilson	425	26	45	210	N/A	706

1. This is the base salary payable since IPO annualised.
2. Benefits include participation in car schemes, private mileage entitlement, private health insurance, travel insurance and life insurance.
3. This reflects the actual bonus payable in respect of 2018 following the voluntary waiver of a portion of bonus.
4. No long-term incentives in the newly listed entity have yet been awarded.

Statutory single figure table for the executive directors (audited)

This table shows the information required by the Remuneration Reporting Requirements and includes amounts paid to individuals who ceased to be directors prior to IPO based on their respective periods of qualifying service.

(£000s)

Director	Salary	Benefits	Pension	Annual Bonus	LTIP*	Total*
Dr Andy Palmer	363	6	38	532	N/A	939
Mark Wilson	97	7	10	49	N/A	163
Individuals who ceased to be directors prior to IPO						
Michael Marecki[1]	24	2	5	10	N/A	41

1. Mr Marecki was a director of the Company from 27 July to 7 September 2018. Mr Marecki participates in the Company's defined benefit pension scheme which is closed to new members. The plan provides a pension of one 60th of final salary for each year of service up to 31 December 2017 and one 80th of salary based on CARE (Career Average Revalued Earnings) from 1 January 2018. Members of the plan have a normal retirement age of 65 with a normal reduction in pension in the event of early retirement.

* Details of the Legacy LTIP which vested prior to Admission are set out below.

Legacy LTIP

Prior to Admission, the Executive directors and senior managers participated in a long-term incentive plan ("Legacy LTIP"), key details of which were set out in the IPO Prospectus and, in the interests of transparency, are further explained here. The value delivered under the Legacy LTIP was determined based on the value created between the date of grant and the date of Admission and so represents performance prior to listing, achieved over a number of years. The awards vested on listing and the number of shares delivered to participants was determined at this point. There are no outstanding awards under the Legacy LTIP.

The Legacy LTIP was the sole long term incentive in place prior to IPO and was amended shortly prior to Admission so that it worked more effectively to align participants with shareholders and retain critical talent. The pre-Admission shareholders allocated 6,138,431 shares in total to executive directors and senior management (representing 2.7% of the issued share capital). No consideration for the shares was payable by the participants. Entitlements under the plan were specific to each individual participant.

Dr Palmer received 3,273,830 shares (1.4% of the issued share capital) of which 1,538,701 were sold immediately upon Admission (at £19 per share, £29,235,319 in aggregate) to settle tax and national insurance due. Of the remaining shares, Dr Palmer was permitted to sell 347,024 shares (20%) and retain the proceeds (being £6,593,456). The balance of 1,388,105 shares (having an aggregate value at the IPO share price of £19 per share, of £26,373,995) are subject to lock-up arrangements (see below).

Mr Wilson received 458,336 shares (0.2% of the issued share capital) of which 215,418 were sold immediately upon Admission (at £19 per share, £4,092,942 in aggregate) to settle tax and national insurance due. Of the remaining shares, Mr Wilson was permitted to sell 48,583 shares (20%) and retain the proceeds (being £923,077). The balance of 194,335 shares (having an aggregate value at the IPO share price of £19 per share, of £3,692,365) are subject to lock-up arrangements (see below).

Mr Marecki received 200,522 shares (0.1% of the issued share capital) of which 94,245 were sold immediately upon Admission (at £19 per share, £1,790,655 in aggregate) to settle tax and national insurance due. Of the remaining shares, Mr Marecki was permitted to sell 21,256 shares (20%) and retain the proceeds (being £403,864). The balance of 85,021 shares (having an aggregate value at the IPO share price of £19 per share, of £1,615,399) are subject to lock-up arrangements (see below).

The retained shares are subject to lock-up arrangements with release in four equal instalments on successive anniversaries of admission over a four-year period. During this period, leaver provisions apply. A 'bad leaver' will lose all entitlement to any remaining locked-up shares. The terms of the award also permit immediate release from the lock-up if the pre-Admission shareholders' aggregate holdings fall below 10% of the Company's issued share capital.

The terms of the long-term incentive plan were set by the pre-Admission shareholders. Both executive directors now have substantial shareholdings in the Company and this has significantly influenced the shareholding policy proposed by the Remuneration Committee. Dr Palmer and Mr Wilson for the duration of their employment will be required to retain a minimum of 800% and 300% of salary respectively in shares. The leaver provisions also support the retention of both Dr Palmer and Mr Wilson.

ANNUAL BONUS OUT TURN FOR 2018

The pre-listed Remuneration Committee determined the annual bonus performance measures and targets and the majority of the bonus (c. 76%) relates to performance prior to listing on 8th October 2018.

The bonus payments in respect of 2018 for the Executive Directors are subject to a maximum limit and are based on a combination of Adjusted EBITDA and net debt ratio targets, with respective maximum opportunities and weightings as follows:

- CEO – maximum of 200% of salary (no change to bonus opportunity from Admission) based on 80% Adjusted EBITDA; 20% net debt ratio
- CFO – weighted average maximum of 80% of salary (maximum increased to 150% of salary from Admission) based on 50% Adjusted EBITDA; 50% net debt ratio

The table below set out details on the CEO's annual bonus targets and performance achieved during the year[1]:

	Threshold (0% payout)	Target (50% payout)	Maximum (100% payout)	2018 actual achieved	2018 actual achieved (% of maximum)
Adjusted EBITDA	£186.3m	£207.0m	£248.4m	£247.3m	98.7%
Net debt ratio[2]	2.83 x	2.55 x	2.04 x	2.12 x	92.2%
Total bonus payout					**97.4%**

1. The CFO's bonus was subject to accrual at different rates for 2018. Following review by the Remuneration Committee, from 2019 the approach taken for the CEO and CFO will be standardised.
2. Excludes adjusting items associated with the IPO.

The formulaic out-turn based on performance set out on the previous page is a bonus of 97% of maximum for the CEO (£2,037k). The CFO's bonus is 97% of maximum (£256k).

Both Executive Directors have elected to forego an element of their 2018 annual bonus with the funds used to top-up the bonus pool for individuals performing at an exceptional level throughout the wider organisation. This is reflective of the team culture that is key to the success of the Company. Annual bonus payments of 80% of the possible maximum will therefore be made to both Executive Directors, (CEO £1,674k, and CFO £210k).

Prior to listing, any awards made under the annual bonus scheme were paid in cash. Post Admission, annual bonus deferral is linked to the achievement of the share ownership guideline. As both Directors met the requirement at 31 December 2018, the bonuses in respect of the 2018 financial year will be paid in cash.

SINGLE FIGURE TABLE FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The following table sets out the total remuneration for Non-Executive Directors and the Chair of the Board for the year ended 31 December 2018. Remuneration from the date of appointment is shown in the table below:

Current Directors	Total fees[3] (£000s)
Penny Hughes (Chair)	87
Richard Solomons[1]	33
Amr Ali Abdallah AbouelSeoud[5]	542
Najeeb Al Humaidhi[5]	555
Saoud Al Humaidhi	21
Lord Matthew Carrington[2]	21
Mahmoud Samy Mohamed Aly El Sayed[5]	542
Peter Espenhahn[2]	21
Dante Razzano[5]	542
Peter Rogers	21
Imelda Walsh[2]	28
Professor Tensie Whelan[2]	19
Former Directors	
Roberto Maestroni[4,5]	508

1. Senior Independent Non-Executive Director.
2. Independent Non-Executive Director.
3. No taxable benefits were paid to the Non-Executive Directors during the year, therefore the figures above are total payments.
4. Mr Maestroni was a Director of the Company from 7 September to 8 October 2018.
5. These fees include the value at Admission of 26,315 shares in the Company to which these Directors became entitled prior to listing in recognition of past services provided to the Company prior to Admission.

PAYMENTS TO PAST DIRECTORS (AUDITED)

No payments were made to past Directors from Admission to 31 December 2018.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

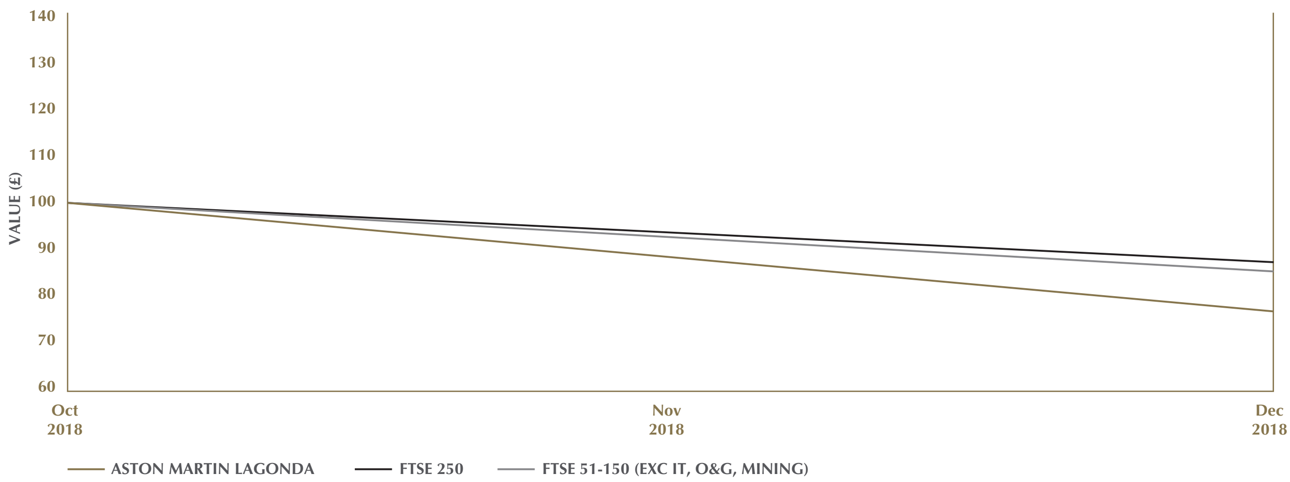
No payments were made for loss of office from Admission to 31 December 2018.

TSR PERFORMANCE GRAPH

The Company's shares started trading on the London Stock Exchange's main market for listed securities on 8 October 2018.

The graph below shows the TSR performance of £100 invested in the Company's shares since listing, compared to the FTSE 250 index which has been chosen because the Company has been a constituent of this index since listing. The peer group used for the purposes of assessing the TSR performance under the LTIP has also been shown in the chart below to provide an additional reference point.

TOTAL SHAREHOLDER RETURN VERSUS FTSE 51-150 & FTSE 250



HISTORIC CEO'S REMUNERATION

	2018
CEO single figure total remuneration (£000s)	£939
Annual bonus (as % of maximum opportunity)	80%
Long-term incentive vesting (as % of maximum opportunity)	N/A[1]

1. No long-term incentives in the new listed entity have yet been awarded.

PERCENTAGE CHANGE IN REMUNERATION OF CEO

As the Company was incorporated on 27 July 2018 and Admission occurred on 8 October 2018 there is no prior year comparison. Full disclosure will be provided in future years.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the Company's expenditure on pay compared to distributions to shareholders by way of dividend and share buyback. Adjusted EBITDA is also shown.

	2018 (£m)
Adjusted EBITDA	£247.3m
Distributions to shareholders	0
Total employee pay	£211.3m

THE APPROACH TO EMPLOYMENT

As outlined in the Prospectus, pay for performance and rewarding sustainable success delivered over the long-term has always been central to our remuneration philosophy and this principle extends throughout the Company. To recognise the contribution our people have made to the Second Century Plan, one-off cash awards were made on Admission to enable employees to buy shares in the Company, if they elected to do so. The take up by employees was encouraging with 39% participating in the share purchase scheme.

Our aim is to foster a culture where everybody feels valued, motivated and rewarded to achieve their best work. The cars we produce require great skill and personal care from every member of the team. At the end of 2018 we employed 2,412 staff in the UK and a further 120 staff across other countries and this is set to expand further during 2019 with the opening of St Athan and further international expansion.

Passionate, motivated and professional people are critical to the success of the Company and to attract and retain the best talent available, our pay and benefits must be competitive. Pay increases over the last five years have been in excess of the Consumer Price Index. The Company undertakes annual salary benchmarking as part of the Motor Industry Industrial

Relations Group and our technician rates are in the upper quartile for the UK based automotive industry. These principles will carry over to St Athan, our newest manufacturing plant in South Wales, which will open in late 2019.

The continuous development of our skilled workforce is key. We have an in-house Academy which is dedicated to training and up-skilling our Manufacturing Technicians. We employed 50 apprentices in 2018 and we currently have over 100 who combine work and study. Our pay levels are again above the national apprentice wage and the programme is a key element of our strategy to grow our own talent. We employ apprentices at Intermediate, Advanced and Higher level across manufacturing, engineering, design and commercial functions and each apprentice will have four years' work experience as well as a qualification up to degree level making them key assets for our business. We have also implemented a global online learning platform with access to a suite of resources to enable our employees to take more ownership of their learning and development.

We believe that culture has played a vital role in our growing success. The Aston Martin Way is a programme of activities which supports working as One Team, with One Vision and One Way of Working together. We measure progress through our annual employee engagement survey, which also gives us feedback on where we can improve our employment offer. This resulted in a full review of our benefits and the introduction of a number of changes including an employee referral scheme, extensive employee discounts with other companies, a cycle to work scheme and future product viewings for all employees.

The Aston Martin Way is also linked to performance. The online appraisal system places equal weight on the delivery of agreed task objectives and how this is achieved by demonstrating the Aston Martin Way behaviours. See Passionate People and Culture on page 52.

Open communication is vital to foster the continuous improvement philosophy critical to the success of the Company. We also have an open and constructive relationship with our recognised Trade Union, Unite, underpinned by regular and transparent communication. Many pay and conditions agreements have been negotiated and smoothly implemented over the years to improve our efficiency and address employees' concerns.

GENDER PAY AND PAY RATIOS

The Committee is fully supportive of the increase in focus on wider workforce pay and conditions and is committed to taking this important context into consideration when making decisions on executive remuneration. The Company is currently analysing the data required for the CEO pay ratios and will be disclosing the figures fully in next year's Report in line with regulatory requirements.

GENDER PAY

The table below provides summary information on the 2018 and 2017 Gender Pay data for the Company.

	2018[1]	2017[1]
Mean Pay Gap (Hourly paid)	**12.1%**	9.4%
Median Pay Gap (Hourly paid)	**6.4%**	3.9%
Mean Bonus Gap	**50.0%**	48.3%
Median Bonus Gap	**0%**	0%

1. Information as at 5 April 2017 and 5 April 2018, respectively.

Operating within the manufacturing and engineering industries means that we have historically had a higher proportion of men than women in our workforce. On the basis of 2,132 total UK employees at 5 April 2018, 14% of employees are women compared to 86% who are men.

We have a mean pay gap of 12.1% and a median gap of 6.4%, both of which compare favourably with the national average of 18.4% and 17.4% respectively. Our 0% median bonus gap is a result of both our median women and men being at a particular job grade and eligible for a bonus at a fixed rate.

Our mean pay gap and bonus gap can primarily be attributed to the higher number of men than women occupying senior leadership positions, which attract higher salaries and bonus payments. Additionally, working within our manufacturing function commands shift premiums, which are awarded to compensate employees for working unsociable hours. For example, in 2018 as a result of increased shift patterns to meet new model demand, a higher number of men volunteered to work shifts during unsociable hours.

To ensure we continue to encourage a diverse workforce, there are a number of ongoing initiatives at the Company to increase the representation of women in the workforce, both in senior positions as well as entry level. We also review our approach to job flexibility regularly to ensure we address any perceived barriers to women in employment.

More information including our full Gender Pay Gap report has been published on our website with the simultaneous publication of the Annual Report at www.astonmartinlagonda.com.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

The table below shows the interests of the Directors and connected persons in shares (owned outright or vested as at 31 December 2018). To ensure close alignment with shareholder interests, the shareholding guidelines for the current CEO and CFO are 800% of salary and 300% of salary respectively. Both Directors met the shareholding guideline at 31 December 2018 with the CEO and CFO holding 1363% of salary and 559% of salary[1] respectively.

	Shares Vested in 2018	Shares owned outright or vested[7]	Shares subject to performance	Total
Executive Directors				
Dr Andy Palmer	3,273,830	1,388,105[2]	–	1,388,105
Mark Wilson	458,336	194,335[2]	–	194,335
Non-Executive Directors				
Penny Hughes	–	526	–	526
Richard Solomons	–	526	–	526
Amr Ali Abdallah AbouelSeoud[3,4]	–	714,284	–	714,284
Najeeb Al Humaidhi[3,5]	–	52,610,289	–	52,610,289
Saoud Al Humaidhi	–	–	–	–
Lord Matthew Carrington	–	–	–	–
Mahmoud Samy Mohamed Aly El Sayed[3,6]	–	16,693,942	–	16,693,942
Peter Espenhahn	–	526	–	526
Dante Razzano[3]	–	26,315	–	26,315
Peter Rogers	–	–	–	–
Imelda Walsh	–	526	–	526
Professor Tensie Whelan	–	–	–	–
Former Directors				
Michael Marecki	200,522	85,021[2]	–	85,021
Roberto Maestroni[3]	–	26,315	–	26,315

1. Calculated as a percentage of base salary, based on the absolute number of shares held and share price as at 31 December 2018.
2. Vested shares under the Legacy LTIP at 31 December 2018 are subject to lock-up arrangements with release in four equal instalments on each anniversary of Admission. During this period, a "bad leaver" will lose all entitlement to any shares subject to this lock-up period. If the Company's pre-Admission shareholders' aggregate holdings fall below 10% of the issued share capital, all remaining shares subject to lock-up will be released immediately.
3. Immediately prior to Admission, these Directors became entitled to shares in the Company in recognition of past services provided to Aston Martin Lagonda prior to Admission. These shares are typically subject to lock-up arrangements for 180 days from the date of Admission.
4. Includes indirect shareholding held through Asmar Limited.
5. Includes indirect shareholding held through Asmar Limited, Adeem Automotive Manufacturing Company Limited, Primewagon (UK) Limited, Primewagon (Jersey) Limited and Stehwaz Automotive Jersey Limited.
6. Includes the shareholding of Adeem Automotive Manufacturing Company Limited as Mahmoud Samy Mohamed Aly El Sayed is a director of Adeem Automotive and CEO of its ultimate parent company Adeem Investment Kuwait and the indirect shareholding held through Asmar Limited.
7. There have been no significant changes in interests in the period between 31 December 2018 and 27 February 2019.

SCHEME INTERESTS AWARDED IN THE YEAR

The table below gives details of shares held by the Executive Directors pursuant to the Legacy LTIP. These shares vested at the time of the IPO but are subject to lock-up arrangements further explained on page 136 and so are treated for the purposes of the Regulations as if they were awarded in the year, even though they relate to awards granted under the Legacy LTIP in previous financial years.

Name	Number of Shares	Face Value of Shares at IPO (£000s)
Dr Andy Palmer	1,388,105	26,374
Mark Wilson	194,335	3,692

DETAILS OF SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The table below presents the current service contracts and terms of appointment for the Executive Directors that were entered into before Admission.

			Notice period	
Executive Director	Title	Effective date of contract	From Company	From Director
Dr Andy Palmer	President and Group Chief Executive Officer	8 October 2018	12 months	12 months
Mark Wilson	EVP and Chief Financial Officer	8 October 2018	12 months	12 months

The Chair and Non-Executive Directors have letters of appointment. All Non-Executive Directors' appointments and subsequent re-appointments are subject to annual re-election at the AGM. Dates of the Directors' letters of appointment are set out below:

Non-Executive Director	Date of appointment	Notice period
Penny Hughes	8 October 2018	3 months
Richard Solomons	8 October 2018	3 months
Amr Ali Abdallah AbouelSeoud	7 September 2018	3 months
Najeeb Al Humaidhi	7 September 2018	3 months
Saoud Al Humaidhi	7 September 2018	3 months
Lord Matthew Carrington	8 October 2018	3 months
Mahmoud Samy Mohamed Aly El Sayed	7 September 2018	3 months
Peter Espenhahn	8 October 2018	3 months
Dante Razzano	7 September 2018	3 months
Peter Rogers	8 October 2018	3 months
Imelda Walsh	8 October 2018	3 months
Professor Tensie Whelan	8 October 2018	3 months

The service contracts for Executive Directors and terms and conditions of appointment for non-executive directors are available for inspection by the public at the registered office of the Company.

EXTERNAL APPOINTMENTS

It is recognised that Non-Executive Directorships can provide a further level of experience that can benefit the Company. As such, Executive Directors may usually take up one Non-Executive Directorship (broadly equivalent in terms of time commitment to a FTSE 350 Non-Executive Directorship role) subject to the Board's approval as long as there is no conflict of interest. A Director may retain any fee received in respect of such Non-Executive Directorship.

Dr Andy Palmer holds three external non-executive roles at companies operating in areas that are highly relevant to the Company's business. Dr Palmer's services to these boards are generally performed outside of normal Company working hours and are considered to be mutually beneficial to both the Company and these businesses. These roles are set out below (including associated fees).

- Ashok Leyland Limited – Non-Executive Director and Chair of the Technology Committee (FY2018 fee of £64,174).
- Secured By Design Limited – Non-Executive Director. In exchange for his services the Company receives consultancy services from Secured by Design Limited in relation to connected and autonomous market trends.
- Pod Point Ltd – Board Observer (no fee).

As part of the review on Admission, the Board approved the CEO's existing external non-executive Directorships (Ashok Leyland Limited, Secure by Design Limited and Pod Point Limited). While the CEO has three appointments, the Board is comfortable that the aggregate time commitment required for these appointments is in line with the Company's Policy. In addition, the Board is satisfied that no conflict of interests arise.

STATEMENT ON SHAREHOLDER VOTING

As Admission occurred on 8 October 2018 there is no historic information to disclose. As referenced in the Chair's statement, the proposed Policy has been subject to consultation with major shareholders and proxy agencies and we are committed to maintaining an open and transparent dialogue on pay at all times. There will be two resolutions on the Directors' Remuneration Report tabled at the 2019 AGM, with full details of voting outcomes disclosed in next year's Report.

IMELDA WALSH
CHAIR, REMUNERATION COMMITTEE

27 FEBRUARY 2019

DIRECTORS' REPORT

ABOUT THE DIRECTORS' REPORT

The Directors' Report comprises the Governance section (pages 98 to 143), the Directors' Report (pages 144 to 147) and the Shareholder Information section (pages 210 to 211). Other information that is relevant to the Directors' Report, and which is incorporated by reference into the Directors' Report, is disclosed as follows.

- Likely future developments of the Company (throughout the Strategic Report)
- Human rights (page 145)
- Greenhouse gas emissions (page 65)
- Relationship with employees (page 52)
- Disabled persons (page 145)
- Health and Safety (page 66)
- Financial instruments (Note 23)
- Post balance sheet events.

STRATEGIC REPORT

Aston Martin Lagonda Global Holdings plc is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Company's business, the development and performance of the Company's business during the period, the position of the Company at the end of period ended 31 December 2018, and a description of the principal risks and uncertainties faced by the Company. The Strategic Report on pages 1 to 97 is incorporated by reference and shall be deemed to form part of this Directors' Report.

RESULTS AND DIVIDEND

Revenue from the continuing business during the period amounted to £1.1bn. A review of the Group's consolidated results is set out from page 70.

It is the Directors' intention during the current phase of the Group's development to retain the Group's cash flow to finance growth and to focus on delivery of the Second Century Plan. The Directors intend to review, on an ongoing basis, the Company's dividend policy and will consider the payment of dividends as the Group's strategy matures, depending upon the Group's free cash flow, financial condition, future prospects and any other factors deemed by the Directors to be relevant at the time.

GOING CONCERN

The going concern statements for the Group and Company are set out on pages 163 and 208 of the Financial Statements and are incorporated by reference and shall be deemed to be part of this Report.

RESEARCH AND DEVELOPMENT

The Group spent £214m on research and development during the period. See note 4 to the Financial Statements.

ARTICLES OF ASSOCIATION

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors, and the conduct of the Board and general meetings. Copies are available from the Company Secretary. In accordance with the Articles of Association, directors can be appointed or removed by the Board or by shareholders in general meeting. Amendments to the Articles of Association must be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company. Subject to UK company law and the Articles of Association, the directors may exercise all the powers of the Company, and may delegate authorities to committees, and may delegate day-to-day management and decision making to individual executive directors. Details of the Board Committees can be found on page 104.

The rules governing the appointment and removal of a director are set out in the Articles of Association of the Company. Specific details relating to the Controlling Shareholder Groups and their right to appoint directors are set out on page 105.

All Directors will stand for re-election on an annual basis, in line with the provisions of the UK Corporate Governance Code.

DIRECTORS

The names and details of the Directors as at the date of this Report are set out on pages 98 to 101.

The names of the individuals who ceased to be Directors during the period from incorporation of the Company (being 27 July 2018) to 31 December 2018 are set out below.

Name	Date of appointment	Date of resignation
Roberto Maestroni	7 September 2018	8 October 2018
Michael Marecki	27 July 2018	7 September 2018

DIRECTORS' INSURANCE AND INDEMNITIES

The Company maintains directors' and officers' liability insurance, which gives cover for legal actions brought against its Directors and officers. Each Director of the Company also has the benefit of prospectus liability insurance which provides cover for liabilities incurred by directors in the performance of their duties or powers in connection with the issue of the Company's prospectus dated 20 September 2018 in relation to the Company's listing on the premium listing segment of the Financial

Conduct Authority's Official List and admission to trading on the Main Market for listed securities of the London Stock Exchange (the "IPO"). No amount was paid under any of these indemnities or insurances during the year other than the applicable insurance premiums. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the period ended 31 December 2018 and up to the date of this Report.

EQUAL OPPORTUNITIES AND EMPLOYMENT OF DISABLED PEOPLE

The Group has policies on equal opportunities and the employment of disabled people 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 disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the Group is continued and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

HEALTH AND WELLBEING

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

The Group continues to educate employees on its approach to, and specific requirements of, human rights in business operations. In 2018, no human rights violations within the Group were reported, nor were any relevant reports received regarding the supply network.

The health and safety of its workforce, visitors and the local community is of paramount importance. The Group aims to be a centre of excellence and for the Aston Martin Health and Safety Management System to be aligned with best practice within the automotive industry. Further details are set out on page 66.

SHARE CAPITAL

Details of the issued share capital, together with details of movements in the issued share capital of the Company during the year, are shown in note 28. This is incorporated by reference and deemed to be part of this Report.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the premium listing segment of the Financial Conduct Authority's Official List and traded on the Main Market for listed securities of the London Stock Exchange. As at 31 December 2018, the Company had 228,002,890 ordinary shares of £0.00904 in issue. The Company does not hold any shares in treasury.

Specific powers relating to the allotment and issuance of ordinary shares and the ability of the Company to purchase its own securities are included within the Articles and such authorities must be submitted for approval by the shareholders at the AGM each year. Since the IPO, the Directors have not exercised any of their powers to issue, or purchase, ordinary shares in the share capital of the Company. Approval for these authorities will be sought at the AGM and full details are set out in the Notice of Meeting.

SHAREHOLDERS' RIGHTS

Holders of ordinary shares have the rights accorded to them under UK company law, including the rights to receive the Company's annual report and accounts, attend and speak at general meetings, appoint proxies and exercise voting rights. No shareholder holds ordinary shares carrying special rights relating to the control of the Company and the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on voting rights.

RESTRICTIONS ON TRANSFER OF ORDINARY SHARES

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. All issued share capital of the Company at the date of this Annual Report is fully paid. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Market Abuse Regulation whereby directors and certain employees of the Company require prior approval to deal in the Company's securities.

Each of the Executive Directors, the Chair, the Independent Non-Executive Directors and certain senior executives have agreed not to dispose of any of the ordinary shares they hold in the Company for a period of 365 days from the IPO. These arrangements are subject to certain customary exceptions. The Non-Executive Directors nominated by the Company's Controlling Shareholder Groups (as set out on page 100 and 101) have agreed not to dispose of any of the ordinary shares they hold in the Company for a period of 180 days from the IPO.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2018, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the following major interests in its issued ordinary share capital:

Shareholder	Number of ordinary shares	% of total voting rights[1]
Adeem/Primewagon Controlling Shareholder Group		
Adeem Automotive Manufacturing Company Limited	15,979,676	7.01
Asmar Limited	19,398,018	8.51
Primewagon (U.K.) Limited	6,696,050	2.94
Primewagon (Jersey) Limited	36,449,182	15.99
Stehwaz Automotive Jersey Limited[2]	3,588,726	1.6
	82,111,652	**36.05**
Investindustrial Controlling Shareholder Group		
Prestige Motor Holdings S. A.	55,050,323	24.14
Preferred Prestige Motor Holdings S. A.	15,564,558	6.83
	70,614,881	**30.97**
Daimler AG	9,529,739	4.18
OppenheimerFunds, Inc.	13,664,959	5.99

1. As at the date in the notification to the Company.
2. Included for completeness.

In the period from 1 January 2019 to 27 February 2019, there have been no changes notified to the Company to the holdings as disclosed above.

SIGNIFICANT CONTRACTS – CHANGE OF CONTROL

At 31 December 2018, the Group had a revolving credit facility of £80 million which contains change of control clauses. The Group also had US$400 million of 6.5% Senior Secured Notes and £230 million of 5.75% Senior Secured Notes which contain change of control provisions. In aggregate, this financing is considered significant to the Group and in the event of a takeover (i.e. a change of control) of the Company, these contracts may be cancelled, become immediately payable or be subject to acceleration.

All the Company's share plans contain provisions relating to a change of control. Further information is set out in the Directors' Remuneration Report.

The Relationship Agreements between the Company and each of the Investindustrial Controlling Shareholder Group and the Adeem/Primewagon Controlling Shareholder Group dated 20 September 2018 will, in each case, terminate upon certain scenarios including upon the ordinary shares ceasing to be admitted to the Financial Conduct Authority's Official List and traded on the Main Market for listed securities of the London Stock Exchange.

The Group has a technical partnership with a major shareholder, Daimler, for the provision of engines, electrical architecture and entertainment systems. The Group's technical and commercial partnership with Daimler began in 2013, when Daimler became one of Aston Martin Holdings (UK) Limited's shareholders. The agreements governing this relationship contain provisions that provide that where a strategic Daimler competitor or one of its affiliates acquires an interest in the Group, Daimler is entitled to terminate these operational agreements on 3 years prior notice.

TRANSACTIONS WITH RELATED PARTIES

The subsisting material transactions which the Company has entered into with related parties are the Underwriting and Sponsors Agreement and the Relationship Agreements each of which was entered into on 20 September 2018.

The Company (for itself and acting as agent for the Other Selling Shareholders), the Directors, the Selling shareholders and the Banks entered into an Underwriting and Sponsors Agreement relating to the sale of shares in connection with the IPO offer among other matters. The Agreement provides for lock-up arrangements agreed to by the Company, the Selling Shareholders, the Other Selling Shareholders and the Directors.

The Relationship Agreements comply with the requirements of the Listing Rules, including LR 9.2.2ADR(2)(a), and LR 6.5.4R. In accordance with the requirements of Listing Rule 9.8.4R(14), the Board confirms that the Company has complied with its obligations under the Relationship Agreements, including in respect of the independence provisions and, so far as the Company is aware, each Controlling Shareholder Group has complied with the provisions of its respective Relationship Agreement (including the independence and non-compete provisions set out therein), at all times since 20 September 2018. Further information on the Relationship Agreements is on page 105.

Other related party transactions are detailed in notes 2 and 32.

POLITICAL DONATIONS

It is the Company's policy not to make political donations and no such political donations were made during the period since the IPO. In line with the practice of many other London-listed companies, the Board will be seeking shareholder approval for political donations at the forthcoming AGM. This is a precautionary measure, for the Company and its subsidiaries to be able to make donations and/or incur expenditure which may be construed as 'political' by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of this year's AGM.

DISCLOSURE TABLE PURSUANT TO LISTING RULE LR 9.8.4R

In accordance with LR 9.8.4R, the table below sets out the location of the information required to be disclosed, where applicable.

Applicable sub-paragraph within LR 9.8.4R	Page(s)
(1) Interest capitalised by the Group	n/a
(2) Unaudited financial information	n/a
(4) Long-term incentive scheme only involving a Director	n/a
(5) Directors' waivers of emoluments	136
(6) Directors' waivers of future emoluments	n/a
(7) Non pro-rata allotments for cash (issuer)	199
(8) Non pro-rata allotments for cash (major subsidiaries)	n/a
(9) Listed company is a subsidiary of another company	n/a
(10) Contracts of significance involving a Director	n/a
(11) Contracts of significance involving a controlling shareholder	105
(12) Waivers of dividends	n/a
(13) Waivers of future dividends	n/a
(14) Agreement with a controlling shareholder	105

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

Each person who is a Director at the date of approval of this report and of the Financial Statements confirms that (i) so far as such Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and (ii) such Director has taken all the steps that they ought to have taken as a Director, in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Strategic Report (from pages 1 to 97) and the Directors' Report (from pages 98 to 147) have been approved by the Board on 27 February 2019.

By order of the Board

CATHERINE SUKMONOWSKI
COMPANY SECRETARY AND DIRECTOR OF GOVERNANCE

27 February 2019

Aston Martin Lagonda Global Holdings Plc
Registered Office:
Banbury Road
Gaydon
Warwick CV35 0DB

Registered in England and Wales
Registered number: 11488166

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report which includes the Strategic Report; the Directors' Report; the Directors' Remuneration Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, 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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies 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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 98 to 101 confirm that, to the best of their knowledge:

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

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

These statements were approved by the Board on 27 February 2019 and signed on its behalf by:

DR ANDY PALMER
PRESIDENT AND GROUP
CHIEF EXECUTIVE OFFICER

MARK WILSON
EVP AND CHIEF FINANCIAL OFFICER

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Aston Martin Lagonda Global Holdings plc ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2.

IN OUR OPINION:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors for the year ended 31 December 2007, prior to the company becoming a public interest entity. The period of total uninterrupted engagement is for the 1 financial year ended 31 December 2018 as a public-interest entity and 12 years in total. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including in respect of the period since the company became a public interest entity the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:		
Group financial statements as a whole	£3m (2017:£3m) 4.4% (2017: 4.1%) of normalised group profit before tax	
Coverage	99% (2017:95%) of Group loss before tax	
Key audit matters		**vs 2017**
Recurring risks	Recognition of capitalised development costs	◀▶
	Impairment of capitalised development costs	▲
	Revenue recognition around the year end and bill and hold sales	◀▶
	Recoverability of parent company investment in subsidiaries	◀▶
Brexit driven	Brexit	▲
	Going concern	▲

2. KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to pages 92 and 95 (Risk and Viability Report)	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in recognition of capitalised development costs, impairment of capitalised development costs and recoverability of parent company investment in subsidiaries below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing recognition of capitalised development costs and impairment of capitalised development costs and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on recognition of capitalised development costs, impairment of capitalised development costs and recoverability of parent company investment in subsidiaries, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** • As reported under recognition of capitalised development costs, impairment of capitalised development costs and recoverability of parent company investment in subsidiaries, we found the resulting estimates and related disclosures of intangibles, investments and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Subjective assessment of timing for meeting capitalisation criteria (£653 million; 2017: £511 million) Refer to pages 93 and 95 (Risk and Viability Report), page 113 (Audit and Risk Committee Report), page 165 (accounting policy) and page 178 (financial disclosures).	**Accounting treatment:** Accuracy of costs capitalised must be assessed through ensuring compliance with the criteria of relevant accounting standards.	Our procedures included: • **Accounting analysis:** Assessing the Group's policy for the capitalisation of development costs against criteria in relevant accounting standards to assess whether the timing of capitalisation of costs is appropriate. • **Testing application:** We select a sample of capitalised costs and agree to supporting documentation such as time recording records and purchase invoices to obtain confirmation that the cost is properly recorded from the point at which capitalisation is allowable in the standard. **Our results** • We found the level of capitalised development costs to be acceptable.
Impairment of capitalised development costs due to unprofitable projects (£nil; 2017: £nil) Refer to page 93 (Risk and Viability Report), page 113 (Audit and Risk Committee Report), page 166 (accounting policy) and page 179 (financial disclosures).	**Forecast-based valuation:** The value of development costs is supported by the future profitability of the vehicles to which they are attributed. An impairment assessment is carried out annually and when there is an indicator of impairment. The valuation assessment uses a net present value of forecast cash flows for each vehicle to which the capitalised costs relate.	Our procedures included: • **Our sector experience:** Assessing through consideration of our business understanding and assessment of specific projects and the associated cash flows, whether any trigger events have arisen which would indicate a possible impairment. • **Benchmarking assumptions:** Challenging the Group's valuation assumptions by comparing to externally derived data in relation to key inputs such as projected economic growth, discount rates. In addition to this, we looked at the level of competition in the luxury car market to assess whether the assumptions used appeared reasonable. • **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation. **Our results** • We found the resulting estimate of the recoverable amount of capitalised development costs to be acceptable.

	The risk	Our response
Revenue recognition around the year end and bill and hold sales (£1,097 million; 2017: £876 million) Refer to page 164 (accounting policy) and page 172 (financial disclosures).	**2018 year end sales:** There may be pressure on management to increase revenue as this is a key performance indicator of the Group and could be subject to internal and external targets which increases the risk of fraudulently recording fictitious revenues. Vehicles may be sold on a 'bill and hold' basis whereby revenue is recognised before delivery to the customer, and therefore there is a risk that revenue is not recognised in line with the inco terms of the dealership agreement, thus resulting in a potential cut off misstatement (whether caused by fraud error).	Our procedures included: • **Controls testing:** Reviewing the process for identifying completeness of sales made on a bill and hold basis. • **Tests of detail:** Testing, on a sample basis, whether specific revenue transactions around the year end have been recognised in the appropriate period by assessing whether the significant risks and rewards of ownership and control have passed, with reference to the nature of the products, the terms of sale within the associated contracts and the status of acceptance of the product. • **Tests of detail:** Considering whether a sample of credit notes issued after the year end should reduce revenue in the period and challenging those that do not by obtaining evidence that they relate to 2019 revenue items. • **Tests of detail:** Where vehicles have been sold using a bill and hold agreement, inspecting the supporting documentation and agreeing that this is signed by the customer and appropriately sets out that the vehicle was ready for sale, that control had passed and that the vehicle was in a saleable condition. • **Tests of detail:** Agreeing manual journals impacting the revenue financial statement caption to supporting documentation, in order to understand whether the transaction is genuine and appropriately recognised. **Our results** • We found the recognition of revenue to be acceptable.
Going concern Refer to pages 94 and 95 (Risk and Viability Report), page 163 (accounting policy).	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.	Our procedures included: • **Historical comparisons:** We compared management's forecasts for the financial year against actuals to understand how well management had budgeted. • **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. This included stress testing the facilities in place to assess the level of headroom available in the Group and the mitigating actions management could take in the event of a reduction in the financial resources of the Group. We considered whether the mitigating actions were reasonable and within the control of management.

	The risk	Our response
Going concern (continued) Refer to pages 94 and 95 (Risk and Viability Report), page 163 (accounting policy).	The risk most likely to adversely affect the Group's and Company's available financial resources over this period was the impact of Brexit on the Group's supply chain. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	• **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosures in the financial statements. **Our results** • We found the application of the going concern basis and disclosures to be acceptable.
Recoverability of parent company investment in subsidiaries (£815 million) Refer to page 208 (accounting policy) and page 209 (financial disclosures).	**Forecast-based valuation:** The carrying amount of the parent company's investments in subsidiaries represents 100% of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement due to the value of the Group and the headroom in the Group impairment calculations. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • **Tests of detail:** Comparing the carrying amount of the investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit- making. • **Tests of detail:** Reviewing the market capitalisation of the group against the value of the parent company investment in the group to understand if there are any indications of impairment. • **Tests of detail:** Reviewing the value in use calculation performed by management against the value of the parent company investment in the group to understand if there are any indications of impairment. **Our results** • We found the resulting estimate of the recoverable amount of the parent company's investment in subsidiaries to be acceptable.

We continue to perform procedures over the valuation of defined benefit scheme obligations. However, following our revised risk assessment, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the group financial statements as a whole was set at £3m (2017: £3m), determined with reference to a benchmark of Group profit before tax (of which it represents 4.4% (2017: 4.1%) normalised to exclude significant non-recurring items being £61m in relation to management/staff incentive costs, £62m in relation to preferential share costs, and £13m of bank/advisor fees related to the IPO, as disclosed in note 6. Last years profit before tax figure was normalised to exclude significant non- recurring items being £24 million gain on transition of pension scheme to CARE basis, and £13 million of costs in relation to bond issue. The group team performed procedures on the items excluded from normalised Group profit before tax.

Materiality for the parent company financial statements as a whole was set at £2.4m, determined with reference to a benchmark of company total assets, of which it represents 0.5%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £150,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 12 (2017: 11) reporting components, we subjected 7 (2017: 6) to full scope audits for group purposes and 1 (2017: 0) to specified risk-focused audit procedures over revenue. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. We conducted reviews of financial information (including enquiry) at a further 4 non-significant components to obtain an understanding of the activity in the year.

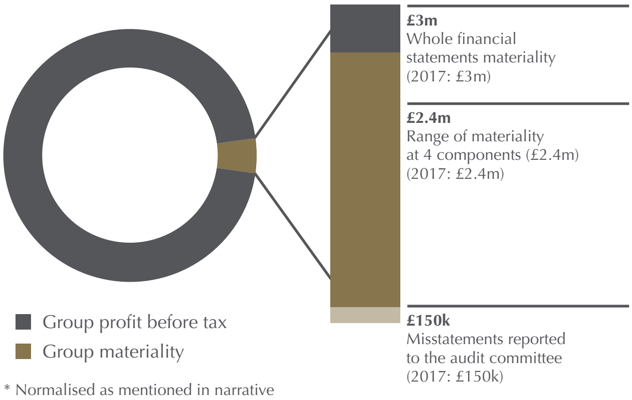
The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality, which was set at £2.4m for all components, having regard to the mix of size and risk profile of the Group across the components. The Group team visited 1 (2017: 1) component location in China (2017: China). Telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

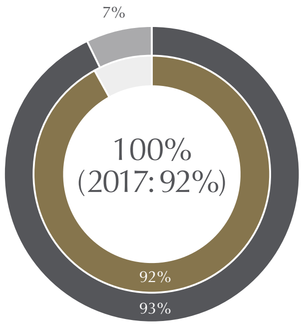
The work on 1 of the 3 components (2017: 1 of the 3 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

Normalised Group Profit before tax £68m (2017: £73m)

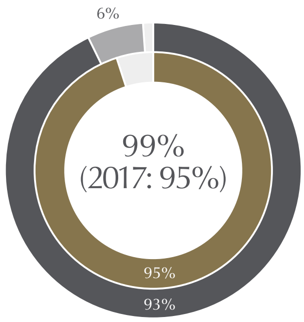
Group materiality £3m (2017: £3m)



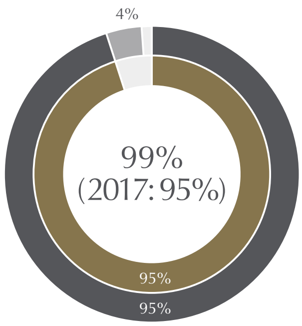
Group revenue



Group profit before tax based on absolute values



Group total assets



- Full scope for Group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Full scope for Group audit purposes 2017
- Residual components

4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements ; or
- if the same statement is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

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

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

STRATEGIC REPORT AND DIRECTORS' REPORT

Based solely on our work on the other information:

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

DIRECTORS' REMUNERATION REPORT

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 95 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

CORPORATE GOVERNANCE DISCLOSURES

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- a corporate governance statement has not been prepared by the company.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
  - we have not identified material misstatements therein; and
  - the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in these respects.

7. RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 148, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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

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

IRREGULARITIES – ABILITY TO DETECT

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

GREG WATTS (SENIOR STATUTORY AUDITOR)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

27 February 2019

FINANCIAL STATEMENTS

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

		2018			2017 *(restated **)*		
	Notes	Adjusted £m	Adjusting items* £m	Total £m	Adjusted £m	Adjusting items* £m	Total £m
Revenue	3	**1,096.5**	**–**	**1,096.5**	876.0	–	876.0
Cost of sales		**(660.7)**	**–**	**(660.7)**	(496.2)	–	(496.2)
Gross profit		**435.8**	**–**	**435.8**	379.8	–	379.8
Selling and distribution expenses		**(89.8)**	**–**	**(89.8)**	(60.0)	–	(60.0)
Administrative and other expenses	6	**(219.1)**	**(74.1)**	**(293.2)**	(195.3)	24.3	(171.0)
Other income	5	**20.0**	**–**	**20.0**	–	–	–
Operating profit	4,6	**146.9**	**(74.1)**	**72.8**	124.5	24.3	148.8
Finance income	8	**4.2**	**–**	**4.2**	35.6	–	35.6
Finance expense	9	**(83.3)**	**(61.9)**	**(145.2)**	(87.0)	(12.9)	(99.9)
(Loss)/profit before tax		**67.8**	**(136.0)**	**(68.2)**	73.1	11.4	84.5
Income tax credit/(charge)	10	**0.6**	**10.5**	**11.1**	(3.6)	(4.1)	(7.7)
(Loss)/profit for the year		**68.4**	**(125.5)**	**(57.1)**	69.5	7.3	76.8
Earnings per ordinary share							
Basic	12			**(31.0p)**			38.3p
Diluted	12			**(31.0p)**			36.5p
(Loss)/profit attributable to:							
Owners of the group				**(62.7)**			74.2
Non-controlling interests				**5.6**			2.6
				(57.1)			76.8
Other comprehensive income							
Items that will never be reclassified to the Income Statement							
Remeasurement of defined benefit liability	27			**5.4**			2.9
Related income tax	10			**(0.9)**			(0.5)
Items that are or may be reclassified to the Income Statement							
Foreign exchange translation differences				**0.7**			(0.7)
Fair value adjustment on cash flow hedges and secured loan, net of tax				**(23.5)**			–
Other comprehensive income for the period, net of income tax				**(18.3)**			1.7
Total comprehensive income for the period				**(75.4)**			78.5
Total comprehensive income for the period attributable to:							
Owners of the group				**(81.0)**			75.9
Non-controlling interests				**5.6**			2.6
				(75.4)			78.5

All operations of the Group are continuing.

* Adjusting items are defined in note 2 with further detail shown in notes 6 and 9.

** The 2017 comparative period has been restated to reflect the adoption of IFRS 15 – see note 2.

The notes on pages 163 to 205 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share Capital £m	Share Premium £m	Share Warrants £m	Capital Reserve £m	Non-controlling Interest £m	Translation Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
At 1 January 2018 (restated – note 2)	–	353.7	18.5	94.1	7.6	1.6	–	(339.4)	136.1
Total comprehensive income for the period									
(Loss)/profit for the year	–	–	–	–	5.6	–	–	(62.7)	(57.1)
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	–	0.7	–	–	0.7
Fair value adjustment on cash flow hedges and secured loan	–	–	–	–	–	–	(27.0)	–	(27.0)
Income tax on fair value adjustment on cash flow hedges and secured loan	–	–	–	–	–	–	3.5	–	3.5
Remeasurement of defined benefit liability (note 27)	–	–	–	–	–	–	–	5.4	5.4
Dividend paid to non-controlling interest	–	–	–	–	(3.0)	–	–	–	(3.0)
Income tax on other comprehensive income (note 10)	–	–	–	–	–	–	–	(0.9)	(0.9)
Total other comprehensive income	–	–	–	–	(3.0)	0.7	(23.5)	4.5	(21.3)
Total comprehensive income for the period	–	–	–	–	2.6	0.7	(23.5)	(58.2)	(78.4)
Transactions with owners, recorded directly in equity									
Shares issued during the year	2.1	–	–	–	–	–	–	–	2.1
Share premium on shares issued	–	352.2	–	–	–	–	–	–	352.2
Capital reduction (note 28)	–	(353.6)	–	(87.5)	–	–	–	441.1	–
Exercise of share warrants (note 28)	–	–	(18.5)	–	–	–	–	18.5	–
Charge for the year under equity settled share based payments	–	–	–	–	–	–	–	24.1	24.1
Tax on items credited to equity	–	–	–	–	–	–	–	13.3	13.3
Total transactions with owners	2.1	(1.4)	(18.5)	(87.5)	–	–	–	497.0	391.7
At 31 December 2018	2.1	352.3	–	6.6	10.2	2.3	(23.5)	99.4	449.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Group	Share Capital £m	Share Premium £m	Share Warrants £m	Capital Reserve £m	Non-controlling Interest £m	Translation Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
At 1 January 2017	–	368.8	18.5	94.1	5.0	2.3	–	(416.0)	72.7
Prior period adjustment (note 2)	–	(15.1)	–	–	–	–	–	–	(15.1)
At 1 January 2017 (restated)	–	353.7	18.5	94.1	5.0	2.3	–	(416.0)	57.6
Total comprehensive income for the period									
Profit for the year (restated)	–	–	–	–	2.6	–	–	74.2	76.8
Other comprehensive income									
Foreign currency translation differences	–	–	–	–	–	(0.7)	–	–	(0.7)
Remeasurement of defined benefit liability (note 27)	–	–	–	–	–	–	–	2.9	2.9
Income tax on other comprehensive income (note 10)	–	–	–	–	–	–	–	(0.5)	(0.5)
Total other comprehensive income	–	–	–	–	–	(0.7)	–	2.4	1.7
Total comprehensive income for the period	–	–	–	–	2.6	(0.7)	–	76.6	78.5
Transactions with owners, recorded directly in equity (Prior period adjustment – note 2)	–	–	–	–	–	–	–	–	–
At 31 December 2017	–	353.7	18.5	94.1	7.6	1.6	–	(339.4)	136.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Notes	2018 £m	2017 *restated* £m
Non-current assets			
Intangible assets	13	**1,071.7**	930.7
Property, plant and equipment	15	**313.0**	243.9
Other receivables	19	**1.8**	2.1
Deferred tax asset	10	**123.1**	37.1
		1,509.6	1,213.8
Current assets			
Inventories	17	**165.3**	127.8
Trade and other receivables	19	**241.6**	115.7
Other financial assets	18	**0.1**	7.0
Cash and cash equivalents	20	**144.6**	167.8
		551.6	418.3
Total assets		**2,061.2**	1,632.1
Current liabilities			
Borrowings	23	**99.4**	13.5
Trade and other payables	21	**696.1**	483.1
Income tax payable		**4.9**	2.7
Other financial liabilities	22	**4.2**	18.2
Provisions	26	**10.8**	12.0
		815.4	529.5
Non-current liabilities			
Borrowings	23	**604.7**	827.4
Trade and other payables	21	**12.2**	17.7
Other financial liabilities	22	**4.4**	–
Employee benefits	27	**38.7**	46.9
Provisions	26	**25.4**	13.9
Deferred tax liabilities	10	**111.0**	60.6
		796.4	966.5
Total liabilities		**1,611.8**	1,496.0
Net assets		**449.4**	136.1
Capital and reserves			
Share capital	28	**2.1**	–
Share premium		**352.3**	353.7
Share warrants		**–**	18.5
Capital reserve		**6.6**	94.1
Translation reserve		**2.3**	1.6
Hedge reserve		**(23.5)**	–
Retained earnings		**99.4**	(339.4)
Equity attributable to owners of the group		**439.2**	128.5
Non-controlling interests		**10.2**	7.6
Total shareholders' equity		**449.4**	136.1

The financial statements were approved by the board of directors on 27 February 2019 and were signed on its behalf by:

DR ANDREW PALMER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MARK WILSON
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Company Number: 11488166

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

	Notes	2018 £m	2017 restated £m
Operating activities			
(Loss)/profit for the year		**(57.1)**	76.8
Adjustments to reconcile (loss)/profit for the year to net cash inflow from operating activities			
Tax on continuing operations	10	**(11.1)**	7.7
Net finance costs		**141.0**	64.3
Other non-cash movements		**13.3**	(25.1)
Loss/(profit) on sale of property, plant and equipment	4	**0.4**	(0.1)
Depreciation and impairment of property, plant and equipment	4,15	**32.4**	27.4
Amortisation and impairment of intangible assets	4,13	**67.6**	54.7
Difference between pension contributions paid and amounts recognised in Income Statement		**(3.8)**	(21.8)
Increase in inventories		**(37.5)**	(10.6)
Increase in trade and other receivables		**(122.4)**	(7.8)
Increase in trade and other payables		**197.7**	166.7
Movement in provisions	26	**10.0**	12.5
Cash generated from operations		**230.5**	344.7
Income taxes paid	10	**(7.9)**	(0.7)
Net cash inflow from operating activities		**222.6**	344.0
Cash flows from investing activities			
Interest received	8	**4.2**	3.1
Proceeds on the disposal of property, plant and equipment		**–**	0.2
Loan to shareholders		**–**	(5.6)
Payment to acquire subsidiary undertaking	16	**–**	(50.1)
Payments to acquire property, plant and equipment		**(101.9)**	(75.0)
Payments to acquire intangible assets		**(208.6)**	(219.2)
Net cash used in investing activities		**(306.3)**	(346.6)
Cash flows from financing activities			
Interest paid		**(42.2)**	(49.8)
Proceeds from equity share issue		**4.6**	–
Dividend paid to non-controlling interest		**(3.0)**	–
Movement in existing borrowings	23,24	**0.3**	(474.3)
New borrowings	23,24	**98.1**	606.1
Transaction fees on new borrowings	24	**–**	(12.1)
Net cash inflow from financing activities		**57.8**	69.9
Net (decrease)/increase in cash and cash equivalents	24	**(25.9)**	67.3
Cash and cash equivalents at the beginning of the year		**167.8**	101.7
Effect of exchange rates on cash and cash equivalents	24	**2.7**	(1.2)
Cash and cash equivalents at the end of the year		**144.6**	167.8

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

1 BASIS OF ACCOUNTING

Aston Martin Lagonda Global Holdings plc (the "Company") is a Company incorporated in England and Wales and domiciled in the UK. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). In preparing the Parent Company Financial Statements the Company has applied the s408 of the Companies Act 2006 exemption allowing it to not present an individual Income Statement and related notes.

The Group Financial Statements have been prepared under the historical cost convention except where the measurement of balances at fair value is required as explained below. The financial statements are prepared in Sterling which is the Company's functional currency.

An overview of the business activities of Aston Martin Lagonda, including a review of the key business risks that the Group faces, is given in the Strategic Report on pages 26 to 57. The debt facilities available to the Group and the maturity profile of this debt is shown in note 23 of the financial statements.

The Group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes ($400m 6.5%, £230m and £55m at 5.75%) which mature in April 2022, a revolving credit facility (£80m) of which £10m was undrawn at 31 December 2018 which matures January 2022, facilities to finance inventory, back-to-back loans and a wholesale vehicle financing facility.

The amounts outstanding on all the borrowings are shown in note 23 to the financial statements.

The Directors have prepared trading and cash flow forecasts for the period to 2023 from the date of approval of these financial statements. These forecasts show that the Group has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date that these financial statements were approved.

The forecasts make assumptions in respect of future trading conditions and in particular, the launch of future models. The nature of the Group's business is such that there can be variation in the timing of cash flows around the development and launch of new models and the availability of funds provided through the vehicle wholesale finance facility as the availability of credit insurance and sales volumes vary, in total and seasonally. The forecasts take into account the aforementioned factors to an extent which the Directors consider to represent their best estimate of future events, based on the information that is available to them at the time of approval of these financial statements.

The Group plans to make continued investment for growth in the next 12 months, 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, for instance, an extreme 'Brexit' scenario, actions such as constraining capital spending would be taken to safeguard its financial position.

The Directors have also prepared downside forecasts which incorporate certain adverse sensitivities which while not expected, still represent reasonably possible scenarios. In these forecasts the Group still has sufficient financial resources to meet its obligations as they fall due for the period of at least 12 months from the date these financial statements are approved. The Directors have taken into account reasonably foreseeable 'Brexit' scenarios in concluding on the adequacy of the funds available to them in the forecast period.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the Directors continue to adopt the going concern basis in preparing the financial statements.

2 ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

On 3 September 2018 the Company obtained control of the entire share capital of Aston Martin Holdings (UK) Limited by way of a share for share exchange with one share in the Company being exchanged for one share in Aston Martin Holdings (UK) Limited (see note 28).

Consequently, the Group incorporated the assets and liabilities of Aston Martin Holdings (UK) Limited at their pre-combination carrying amounts without fair value uplift from the first date presented in these financial statements. The opening equity balance as of 1 January 2017 reflects the equity of Aston Martin Holdings (UK) Limited. The share capital of £2.1m as of 31 December 2018 reflects the share capital of the Company.

Although the share for share exchange resulted in a change in legal ownership, in substance these Consolidated Financial Statements reflect the continuation of the pre-existing group headed by Aston Martin Holdings (UK) Limited. The transaction has been accounted for as a reverse acquisition in line with IFRS 3. The comparatives presented in these financial statements are the consolidated results of Aston Martin Holdings (UK) Limited. The prior year Consolidated Statement of Financial Position reflects the share capital structure of Aston Martin Holdings (UK) Limited. The current year Consolidated Statement of Financial Position presents the legal change in the ownership of the Group. The Consolidated Statement of changes in equity explains the impact of these transactions in more detail.

2 ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the Consolidated Financial Statements are prepared for the same reporting year as the Company and are based on consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are initially recorded in the functional currency of the operation by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Income Statement, except for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in other comprehensive income.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the reporting date. Income and expenses are translated at average exchange rates for the period. The resulting exchange differences are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to the foreign operation is recognised in the Income Statement.

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.

REVENUE RECOGNITION

Revenue is recognised when the Group 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 wholesale and any anticipated retail discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Sale of vehicles

Revenue from the sale of vehicles is recognised when control of the vehicle is passed to the buyer, which is normally considered to be at the point of despatch to the dealer, distributor or any other party or when the vehicles are adopted by the dealer, distributor or other party. Control of a vehicle allows the buyer to direct the use of and obtain substantially all of the remaining benefits typically at the point of despatch. When despatch is deferred at the formal request of the buyer, revenue is recognised when the vehicle is ready for despatch and a written request to hold the vehicle until a specified delivery date has been received.

Where deposits have been taken for vehicles and the expected sale will take place in excess of one year from the deposit being taken, an imputed interest expense is calculated on the vehicle deposit to reflect the time value of money and held as a liability in the Statement of Financial Position. When the vehicles are sold, the liability is released and the revenue relating to these vehicle sales is credited to the Income Statement. Warranties are issued on new vehicles sold with no separate purchase option available to the customer. On this basis warranties are accounted for in accordance with IAS 37.

Sales of parts

Revenue from the sale of parts is generally recognised upon despatch to the dealer or any other party. Where the dealer is Aston Martin Works Limited or Aston Martin Italy S.r.l, both indirect subsidiaries of the Company, revenue is recognised at the point of despatch to a buyer outside of the Group.

Servicing and restoration of vehicles and bodyshop sales

Income from servicing and restoration of vehicles and bodyshop sales is recognised as the services are completed.

Brands and motorsport

Income from brands and motorsport is recognised when the performance obligations under the contract have been fulfilled. Revenue in relation to these contracts is recognised either at a point in time or over a period of time in line with IFRS 15 according to the terms and performance obligations of the contract.

OTHER INCOME

Other income consists of income not directly related to the main activities of the Group.

FINANCE INCOME

Finance income comprises interest receivable on funds invested calculated using the effective interest rate method, net interest income on the net defined benefit liability or asset and gains on financial instruments that are recognised in the Income Statement.

FINANCE EXPENSE

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, net interest expense on the net defined benefit liability or asset, losses on financial instruments that are recognised in the Income Statement and net losses on financial liabilities measured at amortised cost.

CURRENT/NON-CURRENT CLASSIFICATION

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in the Group's ordinary course of business. Current assets also include assets classified as held for sale. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled as part of the Group's normal course of business and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

GOODWILL

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

2 ACCOUNTING POLICIES (CONTINUED)

For the purpose of impairment testing, goodwill is allocated to the related cash-generating unit. The only cash generating unit of the Group is that of Aston Martin Lagonda Group Limited as there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Income Statement.

INTANGIBLE ASSETS

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. 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.

BUSINESS COMBINATIONS

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Purchased intellectual property

Purchased intellectual property that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. It is stated at cost less accumulated depreciation.

Brands

An acquired brand is only recognised in the Statement of Financial Position as an intangible asset where it is supported by a registered trademark, is established in the market place, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products. The value of an acquired brand is determined by allocating the purchase price consideration of an acquired business between the underlying fair values of the tangible assets, goodwill, brands and other intangible assets acquired, using an income approach following the multi-period excess earnings methodology.

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 all of the following criteria have been met:

- The project's technical feasibility and commercial viability, based on management judgement derived from estimated future cashflows, can be demonstrated when the project has reached a defined milestone according to the Group's established product development model;
- the availability of adequate technical and financial resources for the project;
- an intention to complete the project has been confirmed; and
- the correlation between development costs and future revenues has been established.

See note 13 for further detail.

Technology

Patented and unpatented technology acquired in business combinations is valued using the cost approach. The value is determined using the substitution principle by adjusting the actual costs incurred by the loss due to obsolescence at the date of acquisition of Aston Martin Lagonda Group Limited. The obsolete element is determined by reference to the proportion of the product life cycle that had expired at the acquisition date.

Technology acquired from third parties is included at fair value.

Dealer network

Save for certain direct sales of some special edition and Q Commissions, the Group sells its vehicles exclusively through a network of dealers. All dealers in the dealer network are independent dealers, with the exception of Aston Martin Works Limited or Aston Martin Italy S.r.l. To the extent that the Group benefits from the network as its only means of distribution, the dealer network has been valued based on costs incurred by the Group.

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 with charges included in the Income Statement as follows:

	Years
Purchased intellectual property	5
Brands	Indefinite life
Development costs	1 to 10
Technology	10
Dealer network	20

The useful lives and residual values of capitalised development costs are determined by management at the time of capitalisation and are reviewed annually for appropriateness and recoverability. The lives are based on historic similar assets as well as anticipated future events which may have an impact on their useful life.

PROPERTY, PLANT AND EQUIPMENT

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

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

	Years
Freehold buildings	30
Plant, machinery, fixtures, fittings and tooling	3 to 30
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.

No depreciation is provided on freehold land.

2 ACCOUNTING POLICIES (CONTINUED)

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

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

INVESTMENTS IN SUBSIDIARIES

The Company recognises investments in subsidiaries at cost in its individual Financial Statements. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of investment.

IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset, 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 in a category appropriate to the function.

For goodwill and brands that have an indefinite life, and capitalised development costs not yet available for use, recoverable amount is estimated annually or more frequently when there is an indication that the asset is impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of 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.

Impairment losses recognised on goodwill cannot be reversed.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. For service and restoration projects, net realisable value is the price at which the project can be invoiced in the normal course of business after allowing for the costs of realisation. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials, service parts and spare parts – purchase cost on a first-in, first-out basis;
- Work in progress and finished vehicles – cost of direct materials and labour plus attributable overheads based on a normalised level of activity, excluding borrowing costs.

Provisions are made, on a specific basis, for obsolete, slow moving and defective stocks and if the cost of the service or restoration project cannot be fully recovered.

LEASES

Operating lease payments

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

CASH AND CASH EQUIVALENT

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks, in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Where consignment and deposit monies have been received from customers or dealers, these are included in trade and other payables and released to the Income Statement on completion of the sale. The financial liability on deposits is derecognised when the entity does not have any obligation with respect to these deposits.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets and liabilities are recognised on the Statement of Financial Position at fair value when the Group becomes a party to the contractual provisions of the instrument. The Group uses derivative instruments to manage its exposure to foreign exchange risk arising from operating and financing activities. Movements in the fair value of foreign exchange derivatives are recognised in finance income or expense and realised gains and losses in cost of sales in the Income Statement, with movements in the fair value of interest rate derivatives taken through finance income or finance expense, as appropriate. A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

FINANCIAL ASSETS AND LIABILITIES

Financial assets are cash or a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity. In addition, contracts that result in another entity delivering a variable number of its own equity instruments are financial assets.

TRADE AND OTHER RECEIVABLES

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

2 ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL ASSETS

A derivative financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A derivative financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised and carried at their original invoiced value. Payables are not discounted to take into account the time value of money, as the effect is immaterial.

HEDGE ACCOUNTING

Cash flow hedge

Where a derivative is designated and qualifies as a hedge of a foreign transaction, any effective portion of the change in fair value is recognised in equity. Any ineffective portion is recognised in the Income Statement. Amounts accumulated in equity are recycled to the Income Statement in the period when the hedged item affects the Income Statement.

Financial Liability as a hedge

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Income Statement.

PREFERENCE SHARES

Preference shares are initially recognised at fair value at the date of issue and thereafter carried at amortised cost.

The classification of preference shares between debt and equity is based on an assessment of the substance of their contractual arrangements and the definition of a financial liability and an equity instrument.

Preference shares that exhibit characteristics of a liability are recognised as a liability in the Statement of Financial Position, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the Income Statement.

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 over the period of the borrowings on an effective interest basis.

PENSIONS

The Group operates a defined contribution pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

The Group operates a defined benefit pension plan, which is contracted out of the state scheme. The Group's net obligation in respect of defined benefit plans is calculated for the plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit asset or liability, which comprise actuarial gains and losses, the interest on plan assets, and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense (income) on the net defined benefit asset or liability, taking into account any changes in the net defined asset or liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Income Statement.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service cost or the gain or loss on curtailment is recognised immediately in the Income Statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of share-based awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the shares. The amount recognised as an expense is adjusted to reflect the actual number of shares awarded when the related service and non-market vesting conditions are met.

WARRANTY AND SERVICE PLAN PROVISION

The Group provides product warranties on all new vehicle sales and service plans on certain new vehicle sales. Provisions are generally 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 and customer goodwill, as well as on possible recall campaigns. These assessments are based on experience of 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.

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, in which case it is recognised in Other Comprehensive Income.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

2 ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends and distributions relating to equity instruments are debited direct to equity.

ADJUSTING ITEMS

An adjusting item is disclosed separately in the Consolidated Statement of Comprehensive Income where the quantum, nature or volatility of such items would otherwise distort the underlying trading performance of the Group. The tax effect is also included.

Details in respect of adjusting items recognised in the current and prior year are set out in notes 6 and 9 to the Financial Statements.

CRITICAL ACCOUNTING ASSUMPTIONS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, which are described in this note, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- the point of capitalisation and amortisation of development costs; and
- the recognition of deferred tax assets.

Management apply judgement in determining the point in the vehicle development life cycle that the criteria under IAS 38 are satisfied.

Based on future profit forecasts management have exercised judgement and determined that all tax losses and other timing differences will reverse in the foreseeable future crystallising the benefit of the deferred tax assets.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

- the measurement and impairment of indefinite life intangible assets (including goodwill); and
- the measurement of defined benefit pension assets and obligations.

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value which includes the estimation of future cash flows and choosing a suitable discount rate (see note 14). The result of the calculation of the value in use is sensitive to the assumptions made and is a subjective estimate.

The Group has determined that there is one cash-generating unit. This is on the basis that there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

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 27 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 27).

2 ACCOUNTING POLICIES (CONTINUED)

PRIOR YEAR RESTATEMENT

In 2013 Prestige Motor Holdings S.A., which is controlled by Investindustrial V L.P., acquired an equity interest in the group for a consideration of £150.0m. The agreement provided for a potential partial refund of this consideration or the issue of additional ordinary shares, dependent upon the average deficit of the defined benefit pension scheme over the four year period to June 2017. In the event a refund of £15.1m was made to Prestige Motor Holdings S.A with £5.6m paid in 2017 and £9.5m paid in 2018. The Group's share premium account at 1 January 2017 and therefore 1 January 2018 has been restated by £15.1m to reflect the total adjustment.

The £5.6m is shown as a receivable from shareholder at 31 December 2017 as this liability could not be settled until completion of the capital reduction undertaken during 2018 as distributable reserves were required to allow such settlement.

The impact on the Group Consolidated Financial Statements is:

As at 31 December 2017	£m
Other financial assets before correction	1.4
Other financial assets as restated in the Consolidated Statement of Financial Position and note 18	7.0
	5.6
Other financial liabilities before correction	(3.1)
Other financial liabilities as restated in the Consolidated Statement of Financial Position and note 22	(18.2)
	(15.1)
Impact on Net assets	**(9.5)**
Share premium before correction	368.8
Share premium as restated in the Consolidated Statement of Financial Position	353.7
	(15.1)
Transactions with owners, recognised directly in equity before correction	(5.6)
Transactions with owners, recognised directly in equity as restated in the Consolidated Statement of Financial Position	–
	5.6
Impact on equity attributable to owners of the Group	**(9.5)**

There is no impact on the 2017 Income Statement, earnings per share or retained earnings as a result of this prior year adjustment.

NEW ACCOUNTING STANDARDS

In 2018 the following standards and amendments were endorsed by the EU, became effective and hence have been adopted by the Group:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRS 2 Share Based Payments (amendments to)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

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

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

The impact on the results of the Group for 2017 and 2018 is the recognition of an interest expense on customer deposits held for a period in excess of one year. IFRS 15 did not have a material impact on the Group's accounting policies with respect to the timing of revenue recognition.

The Group has imputed an interest expense on deposits held for greater than 12 months to reflect the time-value of the funds at the Group's cost of borrowing. This deposit is held as a liability in the Statement of Financial Position with the imputed interest charged to the Income Statement within finance expenses. When the vehicles are sold, the liability will be released and the revenue relating to these vehicle sales will be credited to the Income Statement. The Group has fully retrospectively adopted the standard for 2017.

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS (CONTINUED)

The following tables summarise the impact of adopting IFRS 15 on the Group's Consolidated Statement of Financial Position as at 31 December 2017, its Consolidated Income Statement and Consolidated Statement of Cash Flows for the year then ended for each of the line items affected.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 £m	Pre-adoption of IFRS 15	IFRS 15 Adjustment	As restated
Trade and other payables (note 21)	480.9	2.2	483.1

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017 £m	Pre-adoption of IFRS 15	IFRS 15 Adjustment	As restated
Finance expense (note 9)	(97.7)	(2.2)	(99.9)
Profit before tax	86.7	(2.2)	84.5
Basic earnings per share	39.4p	(1.1p)	38.3p
Diluted earnings per share	37.6p	(1.1p)	36.5p

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017 £m	Pre-adoption of IFRS 15	IFRS 15 Adjustment	As restated
Profit for the year	79.0	(2.2)	76.8
Other non-cash movements	(27.3)	2.2	(25.1)

The impact of adopting IFRS 15 on the Group's Consolidated Statement of Financial Position as at 31 December 2018, its Consolidated Income Statement and Consolidated Statement of Cash Flows for the year then ended for each of the line items affected is detailed below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 £m	**Pre-adoption of IFRS 15**	**IFRS 15 Adjustment**	**As reported**
Trade and other payables (note 21)	**690.5**	**5.6**	**696.1**

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018 £m	**Pre-adoption of IFRS 15**	**IFRS 15 Adjustment**	**As reported**
Finance expense (note 9)	**(139.6)**	**(5.6)**	**(145.2)**
Loss before tax	**(62.6)**	**(5.6)**	**(68.2)**
Basic earnings per share	**(28.2p)**	**(2.8p)**	**(31.0p)**
Diluted earnings per share	**(28.2p)**	**(2.8p)**	**(31.0p)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 £m	**Pre-adoption of IFRS 15**	**IFRS 15 Adjustment**	**As reported**
Loss for the year	**(51.5)**	**(5.6)**	**(57.1)**
Other non-cash movements	**7.7**	**5.6**	**13.3**

No significant deposits were held for periods in excess of one year prior to 2017 and therefore there is no restatement to retained earnings at 1 January 2017.

There is no impact on the non-controlling interest for the periods ending 31 December 2018 and 31 December 2017.

2 ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS (CONTINUED)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments became effective on 1 January 2018 and the Group has adopted the standard from this date. The Group meets requirements for adopting hedge accounting in certain scenarios.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group had no hedging relationships designated under IAS 39 at 31 December 2017.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The need for designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through Profit or Loss.
- Changes to hedge accounting policies have been applied prospectively.
- There is no impact on the 2017 comparative Earnings per Share as a result of adopting IFRS 9.

From 1 January 2018, changes in the fair value of financial assets and liabilities are now included in the Other Comprehensive Income and the hedging reserve whereas previously they were included in finance interest or expense within the Income Statement.

Changes in the fair value of foreign currency contracts and the US Dollar denominated loan, to the extent determined to be an effective hedge, will be shown within Other Comprehensive Income and reserves as a hedge reserve, with the respective financial liability shown in the Consolidated Statement of Financial Position.

The Group has adopted the simplified approach to credit losses relating to trade receivables. Having used a lifetime expected loss allowance for all amounts not covered by the Group's trade receivable insurance policy there has been no material change to the Group Consolidated Financial Statements (see note 23).

IFRS 2 Share Based Payments (amendments to)

The adoption of IFRS 2 'Share Based Payments (amendments to)' has not had a material impact on the Group.

The following standards and interpretations, which were endorsed but not effective at 31 December 2018 and have not been early adopted by the Group, will be adopted in future accounting periods:

IFRS 16 Leases (effective 1 January 2019)

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. Under IFRS 16 a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group will apply the exemptions for short-term leases and leases of low value items and has chosen to adopt the modified retrospective approach.

The Group has assessed the impact of IFRS 16 and expects to recognise a right-of-use asset of c.£86m in the Statement of Financial Position at 1 January 2019 with a reduction in accruals due to lease incentives received from the lessor, and a lease liability of c.£118m. It is estimated that a corresponding right-of-use depreciation charge of c.£11m and a lease liability interest charge of c.£5m will be recognised in the 2019 Consolidated Income Statement in place of a 2019 estimated IAS 17 operating lease charge of c.£12m (2018: £10m).

Significant lease incentive payments received will be deducted from the value of the right-of-use asset with a corresponding entry to deferred income.

Lease payments for short-term leases, low-value assets and variable lease payments have not been included in the measurement of the lease liability and will be classified in the Statement of Consolidated Cash Flows as cash flows from operating activities. The principal portion of the lease payments will be recognised within cash flows from financing activities and the interest portion within cash flows from operating activities.

Management have implemented new processes and procedures throughout the Group to ensure compliance with the new accounting standard.

3 SEGMENTAL REPORTING

Operating segments are defined as components of the Group about which separate financial information is available and is evaluated regularly by the chief operating decision-maker in assessing performance. The Group operates in the automotive segment. The automotive segment includes all activities relating to design, development, manufacture and marketing of vehicles, as well as the servicing and sale of related parts from which the Group derives its revenues. The Group has only one operating segment, so no separate segment reporting is given.

Revenue	2018 £m	2017 £m
Analysis by category		
Sale of vehicles	**1,010.7**	810.1
Sale of parts	**61.1**	56.0
Servicing of vehicles	**14.6**	9.9
Brands and motorsport	**10.1**	–
	1,096.5	876.0

Revenue	2018 £m	2017 £m
Analysis by geographic location		
United Kingdom	**255.4**	227.9
The Americas	**305.7**	242.1
Rest of Europe, Middle East & Africa	**247.1**	201.2
Asia Pacific	**288.3**	204.8
	1,096.5	876.0

NON-CURRENT ASSETS OTHER THAN FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS BY GEOGRAPHIC LOCATION

As at 31 December 2018	Property, Plant and equipment £m	Goodwill £m	Intangible Assets £m	Other Receivables £m	Total £m
United Kingdom	**310.1**	**84.8**	**967.9**	**–**	**1,362.8**
The Americas	**0.1**	**–**	**–**	**–**	**0.1**
Rest of Europe	**2.7**	**–**	**19.0**	**1.8**	**23.5**
Asia Pacific	**0.1**	**–**	**–**	**–**	**0.1**
	313.0	**84.8**	**986.9**	**1.8**	**1,386.5**

As at 31 December 2017	Property, Plant and equipment £m	Goodwill £m	Intangible Assets £m	Other Receivables £m	Total £m
United Kingdom	240.4	84.8	825.1	–	1,150.3
The Americas	0.1	–	–	–	0.1
Rest of Europe	2.8	–	20.8	2.1	25.7
Asia Pacific	0.6	–	–	–	0.6
	243.9	84.8	845.9	2.1	1,176.7

4 OPERATING PROFIT

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

		2018 £m	2017 £m
Depreciation and impairment of property, plant and equipment (note 15)		32.4	27.4
Amortisation and impairment of intangible assets (note 13)		67.6	54.7
Loss/(profit) on sale of property, plant and equipment		0.4	(0.1)
Provision for the impairment of trade receivables (note 23)		0.1	–
Net foreign currency differences		1.7	3.8
Cost of inventories recognised as an expense		552.9	435.9
Write-down of inventories to net realisable value		1.1	1.9
Operating lease payments (gross of sublease receipts)			
	• Land and buildings	7.5	5.3
	• Plant and machinery	2.2	1.6
Operating sublease receipts	• Land and buildings	(0.3)	(0.3)
Auditor's remuneration:			
	• Audit of these financial statements	0.2	–
	• Audit of financial statements of subsidiaries pursuant to legislation	0.3	0.2
	• Taxation compliance	0.3	0.4
	• Taxation advisory services	0.6	–
	• Other corporate finance services	1.0	–
	• All other services	0.2	0.6
Research and development expenditure recognised as an expense		11.5	11.1

	2018 £m	2017 £m
Research and development expenditure is further analysed as follows:		
Total research and development expenditure	213.8	224.4
Capitalised research and development expenditure (note 13)	(202.3)	(213.3)
Research and development expenditure recognised as an expense	11.5	11.1

5 OTHER INCOME

	2018 £m	2017 £m
Sale of intellectual property	20.0	–

During the year ended 31 December 2018 other income of £20.0m was recognised from the sale of certain legacy intellectual property.

6 ADJUSTING ITEMS

	2018 £m	2017 restated £m
Adjusting operating expenses:		
Initial Public Offering costs:		
Staff incentives	(61.2)	–
Professional fees	(12.9)	–
	(74.1)	–
Past service pension benefit	–	24.3
Adjusted items before tax	(74.1)	24.3
Tax on adjusting items	10.5	(4.1)
Adjusted items after tax	(63.6)	20.2

On 8 October 2018 the Company listed on the London Stock Exchange for which costs of £74.1m were incurred.

In 2017 the benefits provided by the defined benefit pension scheme were agreed to change from being based on final salary to benefits based on career average revalued earnings (CARE) which resulted in a past service pension benefit.

7 STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2018 £m	2017 £m
(a) Staff costs (including directors)		
Wages and salaries[1]	164.6	93.8
Social security costs[1]	32.3	9.9
Expenses related to post-employment defined benefit plan	8.2	12.4
Contributions to defined contribution plans	6.3	3.7
	211.4	119.8

1. Includes £61.2m of Initial Public Offering related staff incentive costs incurred during the year ended 31 December 2018.

The average monthly number of employees during the years ended 31 December 2018 and 31 December 2017 were:

By activity	2018 Number	2017 Number
Production	1,024	827
Selling and distribution	265	227
Administration	974	699
	2,263	1,753

	2018 £m	2017 £m
(b) Directors' emoluments and transactions		
Directors' emoluments	3.5	–
Company contributions to pension schemes	0.1	–
Gains on the exercise of share options (legacy LTIP)[2]	40.8	–

2. This amount comprises the figures disclosed in the Legacy LTIP section of the Directors' Remuneration Report on page 136 relating to those shares exercised in the period not the shares subject to lock up arrangements, as follows. Dr Palmer received 3,273,830 shares (1.4% of the issued share capital) of which 1,538,701 were sold immediately upon Admission (at £19 per share, £29,235,319 in aggregate) to settle tax and national insurance due. Of the remaining shares, Dr Palmer was permitted to sell 347,024 shares (20%) and retain the proceeds (being £6,593,456). The balance of 1,388,105 shares (having an aggregate value at the IPO share price of £19 per share, of £26,373,995) are subject to lock-up arrangements (see below). Mr Wilson received 458,336 shares (0.2% of the issued share capital) of which 215,418 were sold immediately upon Admission (at £19 per share, £4,092,942 in aggregate) to settle tax and national insurance due. Of the remaining shares, Mr Wilson was permitted to sell 48,583 shares (20%) and retain the proceeds (being £923,077). The balance of 194,335 shares (having an aggregate value at the IPO share price of £19 per share, of £3,692,365) are subject to lock-up arrangements.

As the company was incorporated on 27 July 2018 there are no comparative figures for 2017.

Further information relating to directors' remuneration is set out in the Directors' Remuneration Report on pages 118 to 143.

	2018 £m	2017 £m
(c) Compensation of key management personnel (including directors)		
Short-term employee benefits	8.0	7.5
Share related awards	28.6	–
Post-employment benefits	0.3	0.4
	36.9	7.9

Compensation for loss of office payments included above amounted to £nil (2017: £nil).

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

8 FINANCE INCOME

	2018 £m	2017 £m
Bank deposit and other interest income	4.2	3.1
Net gain on financial instruments recognised at fair value through the Income Statement	–	7.6
Net foreign exchange gain	–	24.9
Total finance income	4.2	35.6

9 FINANCE EXPENSE

	2018 £m	2017 restated £m
Bank loans and overdrafts	**44.6**	45.1
Net interest expense on the net defined benefit liability	**1.1**	1.8
Interest on preference shares classified as financial liabilities	**32.0**	37.9
Interest on long-term deposits held (note 2)	**5.6**	2.2
Finance expense before adjusting items	**83.3**	87.0
Adjusted finance expense items:		
Premium paid on the redemption of preference shares	**46.8**	–
Preference share fee write-off	**15.1**	–
Loan interest on the redemption of Senior Secured Loan notes and Senior Subordinated PIK notes	**–**	10.5
Write-off of capitalised arrangement fees on Senior Secured Loan notes and Senior Subordinated PIK notes	**–**	2.4
Total finance expense	**145.2**	99.9

10 TAX EXPENSE ON CONTINUING OPERATIONS

Current tax (credit)/charge	2018 £m	2017 £m
UK corporation tax on profits	**1.3**	3.1
Overseas tax	**6.4**	1.4
Prior period movement	**0.9**	–
Total current income tax charge	**8.6**	4.5
Deferred tax (credit)/charge		
Origination and reversal of temporary differences	**(13.5)**	4.2
Prior period movement	**(6.2)**	(1.0)
Total deferred tax (credit)/charge	**(19.7)**	3.2
Total tax (credit)/charge in the Income Statement	**(11.1)**	7.7
Tax relating to items charged in other comprehensive income		
Deferred tax		
Actuarial gains on defined benefit pension plan	**0.9**	0.5
Fair value adjustment on cash flow hedges	**(3.5)**	–
	(2.6)	0.5
Tax relating to items charged in equity		
Deferred tax		
Share based payments	**(13.3)**	–

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

The tax (credit)/charge in the Consolidated Statement of Comprehensive Income for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

		2018 £m		2017 restated £m
(Loss)/profit from operations before taxation		**(68.2)**		84.5
(Loss)/profit on operations before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	**19.00%**	**(13.0)**	19.25%	16.3
Difference to current tax (credit)/charge due to effects of:				
Recognition of previously unrecognised tax losses		**(18.9)**		(13.0)
Expenses not deductible for tax purposes		**21.3**		8.6
Adjustments in respect of prior periods		**(5.3)**		(1.0)
Effect of change in tax laws		**(0.1)**		(2.3)
Difference in overseas tax rates		**1.5**		(0.9)
Other		**3.4**		–
Total tax (credit)/charge		**(11.1)**		7.7

The adjustments in respect of prior periods for 2018 primarily related to additional tax allowances claimed in the tax return for 2017 which were not assumed at the time of preparing the 31 December 2017 financial statements. The previously unrecognised tax losses relate to losses that became available for utilisation following the group reorganisation prior to the Initial Public Offering.

10 TAX EXPENSE ON CONTINUING OPERATIONS (CONTINUED)

(c) Tax paid

Total net tax paid during the year of £7.9m (2017: £0.7m) comprises £7.7m (2017: £0.7m) paid in respect of operating activities and £0.2m (2017: £nil) paid in respect of investing activities. A reconciliation of tax paid to the current tax credit in the Income Statement follows:

	2018 £m	2017 £m
Current tax credit in the Income Statement	**(8.6)**	(4.5)
Total current tax charge	**(8.6)**	(4.5)
Timing differences of cash tax paid and foreign exchange differences	**0.7**	5.2
Tax paid per cash flow	**7.9**	0.7
Cash tax rate on total profits	**n/a**	0.9%

(d) Factors affecting future tax charges

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2018 have been calculated based on this rate.

(e) Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £m	Assets 2017 £m	**Liabilities 2018 £m**	Liabilities 2017 £m
Property, plant and equipment	**(49.3)**	–	**–**	8.8
Intangible assets	**–**	–	**111.0**	51.8
Employee benefits	**(6.6)**	(8.0)	**–**	–
Provisions	**(0.6)**	(1.4)	**–**	–
Interest deductible in future periods	**(7.6)**	–	**–**	–
Losses	**(59.0)**	(27.7)	**–**	–
Tax (assets)/liabilities	**(123.1)**	(37.1)	**111.0**	60.6
Set off of tax liabilities/(assets)	**111.0**	37.1	**(111.0)**	(37.1)

Movement in deferred tax in 2018	**1 January 2018 £m**	**Recognised in income and OCI £m**	**Recognised in equity £m**	**Acquisition of subsidiary £m**	**31 December 2018 £m**
Property, plant and equipment	**8.8**	**(58.1)**	**–**	**–**	**(49.3)**
Intangible assets	**51.8**	**59.2**	**–**	**–**	**111.0**
Employee benefits	**(8.0)**	**1.4**	**–**	**–**	**(6.6)**
Provisions	**(1.4)**	**0.8**	**–**	**–**	**(0.6)**
Interest deductible in future periods	**–**	**(7.6)**	**–**	**–**	**(7.6)**
Losses	**(27.7)**	**(18.0)**	**(13.3)**	**–**	**(59.0)**
	23.5	**(22.3)**	**(13.3)**	**–**	**(12.1)**

Movement in deferred tax in 2017	1 January 2017 £m	Recognised in income and OCI £m	Recognised in equity £m	Acquisition of subsidiary £m	31 December 2017 £m
Property, plant and equipment	(0.3)	9.1	–	–	8.8
Intangible assets	42.6	(0.2)	–	9.4	51.8
Employee benefits	(11.9)	3.9	–	–	(8.0)
Provisions	(1.7)	0.3	–	–	(1.4)
Losses	(18.2)	(9.5)	–	–	(27.7)
	10.5	3.6	–	9.4	23.5

10 TAX EXPENSE ON CONTINUING OPERATIONS (CONTINUED)

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

	2018 £m	2017 £m
Tax losses	–	18.9

Deferred tax assets have not been recognised where it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

A deferred tax asset has been recognised in respect of losses in trading companies where future trading profits are probable.

11 DIVIDENDS

No dividends have been paid or proposed during either the year ended 31 December 2018 or the year ended 31 December 2017.

12 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the (loss)/profit for the year available for equity holders by the weighted average number of ordinary shares in issue in the year. See note 28 for detail on the ordinary share movements as part of the initial public offering process during the year ended 31 December 2018.

Diluted earnings per ordinary share is calculated by adjusting basic earnings per ordinary share to reflect the notional exercise of the weighted average number of dilutive ordinary share awards outstanding during the year.

Information concerning non-GAAP measures can be found in note 34.

Continuing and total operations	2018	2017 restated
Basic earnings per ordinary share		
(Loss)/profit available for equity holders (£m)	**(62.7)**	74.2
Basic weighted average number of ordinary shares (million)	**202.1**	193.8
Basic earnings per ordinary share (pence)	**(31.0p)**	38.3p
Diluted earnings per ordinary share		
(Loss)/profit available for equity holders (£m)	**(62.7)**	74.2
Diluted weighted average number of ordinary shares (million)	**202.1**	203.2
Diluted earnings per ordinary share (pence)	**(31.0p)**	36.5p

	2018 Number	2017 Number
Diluted weighted average number of ordinary shares is calculated as:		
Basic weighted average number of ordinary shares[1] (million)	**202.1**	193.8
Adjustments for calculation of diluted earnings per share[2]:		
Options[3]	–	1.3
Warrants	–	8.1
Weighted average number of ordinary shares and potential ordinary shares (million)	**202.1**	203.2

1. Additional ordinary shares issued as a result of the share split conducted in 2018 (see note 28), have been incorporated in the earnings per share calculation in full without any time apportionment.
2. The adjustments made in calculating the weighted average number of ordinary and potential ordinary shares have been increased to reflect the share split in full without any time apportionment in the comparative period.
3. The number of options disclosed in the year ended 31 December 2017 does not include the ordinary shares awarded under the executive legacy Long Term Incentive Plan in 2018. The vesting condition at the year ended 31 December 2017 was not considered probable in accordance with IFRS 2.

Adjusted earnings per share is disclosed in note 34 to show performance undistorted by adjusting items and give a more meaningful comparison of the Group's performance.

13 INTANGIBLE ASSETS

	Brands £m	Technology £m	Dealer Network and Other £m	Deferred Development Cost £m	Goodwill £m	Total £m
Cost						
Balance at 1 January 2017	242.6	21.2	59.2	616.5	85.4	1,024.9
Additions	–	–	5.9	213.3	–	219.2
Acquisitions (note 16)	55.0	–	4.4	–	–	59.4
Disposals	–	–	(1.5)	–	–	(1.5)
Balance at 31 December 2017	297.6	21.2	68.0	829.8	85.4	1,302.0
Balance at 1 January 2018	**297.6**	**21.2**	**68.0**	**829.8**	**85.4**	**1,302.0**
Additions	**–**	**–**	**6.3**	**202.3**	**–**	**208.6**
Balance at 31 December 2018	**297.6**	**21.2**	**74.3**	**1,032.1**	**85.4**	**1,510.6**
Amortisation						
Balance at 1 January 2017	–	0.5	47.9	269.2	0.5	318.1
Amortisation for the year	–	1.9	3.6	49.1	0.1	54.7
Disposals	–	–	(1.5)	–	–	(1.5)
Balance at 31 December 2017	–	2.4	50.0	318.3	0.6	371.3
Balance at 1 January 2018	**–**	**2.4**	**50.0**	**318.3**	**0.6**	**371.3**
Amortisation for the year	**–**	**1.9**	**5.1**	**60.6**	**–**	**67.6**
Balance at 31 December 2018	**–**	**4.3**	**55.1**	**378.9**	**0.6**	**438.9**
Net book value						
At 1 January 2017	242.6	20.7	11.3	347.3	84.9	706.8
At 31 December 2017	297.6	18.8	18.0	511.5	84.8	930.7
At 1 January 2018	**297.6**	**18.8**	**18.0**	**511.5**	**84.8**	**930.7**
At 31 December 2018	**297.6**	**16.9**	**19.2**	**653.2**	**84.8**	**1,071.7**

The automotive Brand identified above and valued through the acquisition of Aston Martin Lagonda Group Limited at £242.6m has been identified as having an indefinite life due to the long history and wide recognition of the brand.

The fair value of the remaining rights to the brand acquired in December 2017 was £59.4m (see note 16).

Dealer Network and Other intangible assets of £19.2m (2017: £18.0m) include £6.7m (2017: £7.2m) relating to the dealer network, £6.6m relating to software development (2017: £4.3m), £4.0m relating to the right of use of a trade mark "Aston Martin" for automotive activities (2017: £4.3m) and £1.9m relating to other items (2017: £2.2m).

Goodwill of £85.4m (2017: £85.4m) relates to the following: £84.1m (2017: £84.1m) arose on the acquisition of Aston Martin Lagonda Group Limited by Aston Martin Holdings (UK) Limited (via Aston Martin Investments Limited) in 2007. £0.4m (2017: £0.4m) results from the acquisition of AMWS Limited, the parent company of Aston Martin Works Limited in 2014. £0.9m (2017: £0.9m) results from a transfer-in when Aston Martin Works Limited became part of the Group in 2014.

14 IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE FIXED ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and brands acquired through business combinations have been allocated for impairment testing purposes to one cash generating unit – the Aston Martin Lagonda Group Limited business. This represents the lowest level within the Group at which goodwill and brands are monitored for internal purposes. Furthermore, there are no smaller groups of assets that can be identified with certainty which generate specific cash flows that are independent of the inflows generated by other assets or groups of assets.

The Group tests the carrying value of goodwill and brands at the cash-generating unit level for impairment annually or more frequently if there are indications that goodwill or brands might be impaired. At the year end reporting date, a review was undertaken on a value-in-use basis, assessing whether the carrying values of goodwill and brands were supported by the net present value of future cash flows derived from those assets.

KEY ASSUMPTIONS USED IN VALUE-IN-USE CALCULATIONS

The calculation of value-in-use for the cash-generating unit is most sensitive to the following assumptions:

Cash flows were projected based on actual operating results and the five-year business plan. Beyond this, cash flows were extrapolated using a constant growth rate of 2% per annum. Key assumptions such as revenue, gross margin and fixed costs within the forecasts are based on past experience and current business strategy.

Discount rates are calculated using a weighted average cost of capital approach. They reflect the individual nature and specific risks relating to the business and the market in which it operates. The post-tax discount rate used was 8.8% (2017: 12.3%)[1]. An exchange rate of $1.40/£ has been used in the forecast.

SENSITIVITY ANALYSIS

- the post-tax discount rate would need to increase to 16.7% in order for the assets to become impaired
- the rate of growth of 2% per annum beyond the five-year plan would need to be a decline of 13.0% in order for the assets to become impaired
- the exchange rate would need to increase to $1.88/£ (with all other currencies moving against the £ in line with the $) in order for the assets to become impaired.

1. The post-tax discount rate used for the period ended 31 December 2018 reflects the capital structure of the Group post initial public offering.

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and Buildings £m	Plant, machinery, fixtures, fittings and tooling £m	Motor Vehicles £m	Total £m
Cost				
Balance at 1 January 2017	68.5	413.8	0.7	483.0
Additions	–	74.9	0.1	75.0
Disposals	–	–	(0.1)	(0.1)
Effect of movements in exchange rates	0.1	0.1	–	0.2
Balance at 31 December 2017	68.6	488.8	0.7	558.1
Balance at 1 January 2018	**68.6**	**488.8**	**0.7**	**558.1**
Additions	**0.1**	**101.7**	**0.1**	**101.9**
Disposals	**–**	**(0.6)**	**(0.1)**	**(0.7)**
Effect of movements in exchange rates	**–**	**0.1**	**–**	**0.1**
Balance at 31 December 2018	**68.7**	**590.0**	**0.7**	**659.4**
Depreciation				
Balance at 1 January 2017	20.6	265.9	0.2	286.7
Charge for the year	2.3	25.1	–	27.4
Disposals	–	–	–	–
Effect of movements in exchange rates	0.1	–	–	0.1
Balance at 31 December 2017	23.0	291.0	0.2	314.2
Balance at 1 January 2018	**23.0**	**291.0**	**0.2**	**314.2**
Charge for the year	**2.3**	**30.1**	**–**	**32.4**
Disposals	**–**	**(0.3)**	**–**	**(0.3)**
Effect of movements in exchange rates	**–**	**0.1**	**–**	**0.1**
Balance at 31 December 2018	**25.3**	**320.9**	**0.2**	**346.4**
Net book value				
At 1 January 2017	47.9	147.9	0.5	196.3
At 31 December 2017	45.6	197.8	0.5	243.9
At 1 January 2018	**45.6**	**197.8**	**0.5**	**243.9**
At 31 December 2018	**43.4**	**269.1**	**0.5**	**313.0**

Property, plant and equipment above provides security for a fixed and floating charge in favour of the holders of the Senior Secured Notes.

Assets in the course of construction at a cost of £nil (2017: £nil) are included within land and buildings. Assets in the course of construction at a cost of £51.1m (2017: £52.9m) are included within plant and machinery.

Capital expenditure contracts to the value of £94.2m have been placed but not provided for as at 31 December 2018 (2017: £58.5m).

The carrying value of property, plant and equipment held under finance leases at 31 December 2018 was £nil (2017: £nil).

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The table below analyses the net book value of the Group's property, plant and equipment by geographic location at 31 December 2018.

	United Kingdom £m	**Rest of Europe £m**	**The Americas £m**	**Asia Pacific £m**	**Total £m**
Land and buildings	**41.0**	**2.4**	**–**	**–**	**43.4**
Fixtures, fittings and equipment	**268.6**	**0.3**	**0.1**	**0.1**	**269.1**
	309.6	**2.7**	**0.1**	**0.1**	**312.5**

The table below analyses the net book value of the Group's property, plant and equipment by geographic location at 31 December 2017

	United Kingdom £m	Rest of Europe £m	The Americas £m	Asia Pacific £m	Total £m
Land and buildings	43.2	2.4	–	–	45.6
Fixtures, fittings and equipment	196.7	0.4	0.1	0.6	197.8
	239.9	2.8	0.1	0.6	243.4

16 BUSINESS COMBINATIONS

In December 2017 the group acquired 100% of the voting shares of AM Brands Limited, a company incorporated in Jersey, for a consideration of £57.8m settled in cash.

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

	Book value £m	Fair value adjustments £m	Fair value to group £m
Intangible assets	4.4	55.0	59.4
Trade and other receivables	0.8	–	0.8
Cash at bank	7.7	–	7.7
Trade and other payables	(0.7)	–	(0.7)
Deferred tax	–	(9.4)	(9.4)
Net assets	12.2	45.6	57.8

Cash consideration	57.8
Cash acquired	(7.7)
Net cash outflow from acquisition	50.1

17 INVENTORIES

	2018 £m	2017 £m
Service parts, spares and production stock	**86.5**	49.6
Work in progress	**15.5**	17.5
Finished cars and parts for resale	**63.3**	60.7
	165.3	127.8

Finished cars and parts for resale includes Group owned service vehicles at a net realisable value of £30.3m (31 December 2017: £25.0m). These are vehicles used by employees of the Group and are not retained by the Group for periods in excess of one year.

18 OTHER FINANCIAL ASSETS

	2018 £m	2017 restated £m
Cash flow hedge contracts	**0.1**	1.4
Amount due from shareholder	**–**	5.6
	0.1	7.0
Analysed as:		
Current	**0.1**	7.0
Non-current	**–**	–
	0.1	7.0

The amount due from shareholder at 31 December 2017 represents initial payment under the pension deficit adjustment as discussed in note 2.

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

19 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Amounts included in current assets		
Trade receivables	**191.5**	72.0
Other receivables including taxation	**29.8**	22.7
Prepayments	**20.3**	21.0
	241.6	115.7
Amounts included in non-current assets		
Trade receivables	**1.8**	2.1

Trade receivables and other receivables are non-interest bearing and generally have terms between 10 and 30 days, with amounts financed through the trade finance facility with Standard Chartered Bank plc (see below) having terms between 30 and 60 days. Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

The majority of the Group's receivables are derived from sales to franchised dealers who are appointed by the Group. The receivables are supported by credit risk insurance up to a credit limit for each franchised dealer as set by the Insurance company in consultation with the Group. Credit risk is discussed further in note 23.

All financed vehicle sales are made directly to third-party Aston Martin franchised dealers, and a large proportion are financed through a £200m trade finance facility with Standard Chartered Bank plc with an associated credit insurance policy. Under the trade finance facility Standard Chartered Bank plc advance to the Group the sales value of vehicles which have been despatched upon receipt of transportation documentation. Substantially all of the risks of the associated receivables reside with Standard Chartered Bank plc and taking into consideration the Group's exposure to variability in cash flows both before and after the transfer, the financing arrangement is treated as off-balance sheet. The utilisation of the facility at 31 December 2018 is £159.1m (2017: £147.0m).

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

	2018 £m	2017 £m
Sterling	**116.5**	59.5
Chinese Renminbi	**13.2**	4.6
Euro	**42.1**	7.5
US Dollar	**41.4**	22.0
Other	**9.9**	3.2
	223.1	96.8

20 CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash at bank and in hand	**144.6**	167.8

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

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

	2018 £m	2017 £m
Sterling	**28.0**	65.0
Chinese Renminbi	**59.6**	52.1
Euro	**18.0**	4.9
US Dollar	**36.5**	38.4
Other	**2.5**	7.4
	144.6	167.8
Restricted cash	**25.7**	13.7

The Group has entered into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to the value of £25.5m have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2018 to £25.7m (31 December 2017: £13.7m) and is shown in the total of cash and cash equivalents above.

21 TRADE AND OTHER PAYABLES

CURRENT TRADE AND OTHER PAYABLES

	2018 £m	2017 restated £m
Trade payables	**167.7**	54.8
Due to related parties (note 32)	**1.1**	0.6
Accruals and other payables	**527.3**	427.7
	696.1	483.1

Trade payables are non-interest bearing and it is the Group's policy to pay within the stated terms which vary from 14 to 60 days.

Trade payables are expected to mature within 12 months of the year end.

NON-CURRENT TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Accruals and other payables	**12.2**	17.7

22 OTHER FINANCIAL LIABILITIES

	2018 £m	2017 restated £m
Financial liabilities held for trading	**8.6**	3.1
Amount due to shareholder	**–**	15.1
	8.6	18.2
Analysed as:		
Current	**4.2**	18.2
Non-current	**4.4**	–
	8.6	18.2

The amount due to shareholder at 31 December 2017 represents a liability under the pension deficit adjustment as discussed in note 2.

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

23 FINANCIAL INSTRUMENTS

GROUP

The Group's principal financial instruments comprise Senior Secured Notes, Preference Shares, a Revolving Credit Facility, inventory financing facilities, a back-to-back loan and forward currency contracts. The Group also has trade payables and trade receivables, which arise directly from its operations. These short-term assets and liabilities are included in the currency risk disclosure.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, currency risk and liquidity risk as shown in this note. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

The Board of Directors oversees how management monitor compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

CREDIT RISK

The Group sells vehicles through a dedicated dealer network. Dealers outside of North America are required to pay for vehicles in advance of their despatch or use the wholesale financing scheme with Standard Chartered Bank plc (see Liquidity risk). Dealers within North America are allowed 10 day credit terms from the date of invoice or can use the wholesale financing scheme. Standard Chartered Bank plc has substantially all of the risk associated with the wholesale financing scheme and in addition all vehicle sales on the wholesale financing scheme are covered by credit risk insurance, which means that a third party bears substantially all the credit risk associated with dealers using the wholesale finance scheme. In exceptional circumstances, after thorough consideration of the credit history of an individual dealer, the Group may sell vehicles to the dealer outside of the credit risk insurance policy or on deferred payment terms. Parts sales, which represent a smaller element of total revenue, are made to dealers on 30 day credit terms. Service receivables are due for payment on collection of the vehicle.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 120 days past due.

To measure the expected credit losses, historical loss rates for the preceding 5 years have been reviewed and adjusted to reflect factors that may affect the ability of customers to settle receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group has no material contract assets.

The loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

	As at 31 December 2018			As at 31 December 2017		
	Expected Loss Rate %	**Gross Carrying Amount £m**	**Loss Allowance £m**	Expected Loss Rate %	Gross Carrying Amount £m	Loss Allowance £m
Current	*	**177.4**	**–**	*	55.6	–
1 – 30 days past due	*	**4.4**	**–**	*	5.5	–
31 – 60 days past due	*	**4.0**	**–**	*	8.3	–
61+ days past due	**2.6%**	**7.7**	**0.2**	6.0%	5.0	0.3
		193.5	**0.2**		74.4	0.3

* The expected loss rates for these specific ageing categories are not disclosed as no material loss allowance is generated when applied against the gross carrying value.

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowance as follows:

	2018 £m	2017 £m
At 31 December – calculated under IAS 39	**0.3**	0.1
Amounts restated through opening retained earnings	**–**	–
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**0.3**	0.1
Increase in loss allowance recognised in the Income Statement in the year	**0.1**	–
Receivables written-off during the year as uncollectible	**(0.2)**	–
Transfer in on the acquisition of AM Brands Limited	**–**	0.2
At 31 December	**0.2**	0.3

23 FINANCIAL INSTRUMENTS (CONTINUED)

INTEREST RATE RISK

Profile

At 31 December the interest rate profile of the Group's interest-bearing financial instruments was:

	2018 £m	2017 £m
Fixed rate instruments		
Financial liabilities	**678.8**	827.4
Variable rate instruments		
Financial liabilities	**25.3**	13.5

Borrowings, including the Senior Secured Notes, the unsecured loan to finance the construction of a brand centre in Tokyo and a fixed rate loan to finance the construction of a paint shop at the new manufacturing facility in St Athan are at fixed interest rates. The rate of interest on the Revolving Credit Facility, which is attached to the Senior Secured Notes, is based on LIBOR plus a percentage spread and is predetermined at the date of the drawdown of the Revolving Credit Facility. The interest rate on the redeemable cumulative preference Shares which were converted to ordinary shares in 2018 was also fixed at 15%.

The Group uses a wholesale financing scheme to fund certain vehicle receivables. The Group also places surplus cash funds on deposit. Both of these arrangements attract interest at a rate that varies depending on LIBOR.

The Group has entered into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to the value of £25.5m have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2018 to £25.7m (31 December 2017: £13.7m) and is shown in cash and cash equivalents. The overdraft of £25.3m (31 December 2017: £13.5m), including accrued interest, is shown within Borrowings in Current Liabilities in the Statement of Financial Position.

The Group has entered into an arrangement to finance certain elements of Group inventory. The interest rate charged on this facility is determined when the borrowings are made. The borrowings are made for periods not in excess of six months. The interest rates charged on the inventory financing are based on the lender's cost of funds at the point of inception.

BORROWINGS

The following table analyses Group borrowings:

	2018 £m	2017 £m
Current		
Bank loans and overdrafts	**99.4**	13.5
Non-current		
Senior Secured Notes	**590.9**	570.2
Bank loans and overdrafts	**12.4**	–
Unsecured Loan	**1.4**	1.3
Preference Shares	**–**	255.9
Total non-current borrowings	**604.7**	827.4
Total borrowings	**704.1**	840.9

The total borrowings in the table above are denominated in the following currencies:

	2018 £m	2017 £m
Sterling	**388.5**	543.7
US Dollar	**314.2**	295.9
Japanese Yen	**1.4**	1.3
Total borrowings	**704.1**	840.9

23 FINANCIAL INSTRUMENTS (CONTINUED)

BORROWINGS (CONTINUED)

Current Borrowings

Attached to the Senior Secured Notes (see Non-Current Borrowings) is an £80.0m Revolving Credit Facility. At 31 December 2018 £70.0m of the Revolving Credit Facility was drawn (31 December 2017: £nil).

The Group has entered into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi to the value of £25.5m have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued at 31 December 2018 to £25.7m (31 December 2017: £13.7m) and is shown in cash and cash equivalents. The overdraft of £25.3m (31 December 2017: £13.5m), including accrued interest, is shown within Borrowings in Current Liabilities on the Statement of Financial Position.

In 2018 the Group entered into a fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility. The loan matures on 31 March 2022. The quarterly repayments on the loan include an element of capital repayment and interest charge. The final payment on 31 March 2022 includes an increased capital repayment of £6.3m. At 31 December 2018 the amount included in current borrowings is £2.7m.

The Group has entered into an arrangement to finance certain elements of Group inventory. Total borrowings on this facility at 31 December 2018 were £1.4m (2017: £nil).

Non-Current Borrowings

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

The movement in carrying value of the Senior Secured Notes from 2017 to 2018 includes £2.3m (2017: £2.0m) amortisation of previously capitalised professional fees.

The combined sterling equivalent value of the Senior Secured Notes at 31 December 2018 is £590.9m (2017: £570.2m).

As described in accounting policies (see note 2), borrowings are initially recognised at fair value less attributable transaction costs. Subject to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

The Senior Secured Notes above are secured by fixed and floating charges over certain assets of the Group.

In March 2014 the Group issued $165m of 10.25% Senior Subordinated PIK Notes which were repayable in July 2018. These notes were repaid in April 2017.

In 2018 the Group entered into a fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility. The loan matures on 31 March 2022. The quarterly repayments on the loan include an element of capital repayment and interest charge. The final payment on 31 March 2022 includes an increased capital repayment of £6.3m. At 31 December 2018 the amount included in non-current borrowings is £12.4m.

In February 2017 the Group obtained a 5% unsecured loan of Yen 200m which is repayable in January 2020 to finance the construction of a brand centre in Tokyo. At the closing exchange rate the loan is valued at £1.4m (31 December 2017: £1.3m).

In both April 2015 and April 2016, the Group issued £100.0m of Preference Shares which were redeemable in April 2025. As part of the listing of the Company's ordinary shares on the London Stock Exchange, on 3 October 2018, the preference shares, together with the share warrants attached to them, were converted into ordinary shares of 0.00904p each. See note 28 for details of the capital reorganisation completed in 2018.

No borrowing costs have been capitalised during the year ended 31 December 2018 (31 December 2017: £12.1m). The borrowing costs capitalised in 2017 relate to the $400m of 6.5% Senior Secured Notes and £285m of 5.75% Senior Secured Notes raised in 2017.

23 FINANCIAL INSTRUMENTS (CONTINUED)

INTEREST RATE RISKS – SENSITIVITY

The Group's overdraft and borrowing facilities are predominantly at fixed rates of interest. The Senior Secured Notes, the fixed rate loan to finance the construction of the paint shop at the new St Athan manufacturing facility, the unsecured loan to finance the construction of the brand centre in Tokyo and the redeemable cumulative Preference Shares (which were converted to ordinary shares in 2018) were all at fixed rates of interest.

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

The interest rates on the Revolving Credit Facility and inventory financing are also at fixed rates of interest which are determined at the date the borrowing commences. Amounts advanced by Standard Chartered Bank plc on the wholesale finance scheme are at rates based on each currency LIBOR at the commencement of the loan. Therefore, the only interest rate risk relates to the back-to-back loan arrangement with HSBC Bank plc, whereby Chinese Renminbi have been deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The interest rate charged on the overdraft facility is based on 3 month LIBOR.

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

		2018 **£m**	2017 £m
	(Increase)/ **decrease in** **interest rate**	**Effect on profit** **after tax**	Effect on profit after tax
3 month LIBOR	**1.00%**	**0.2**	0.1

HEDGE ACCOUNTING

The Group, as part of its risk management policy, uses derivative financial instruments (cash flow hedges) to manage significant cash flow risk resulting from exchange rate movements of foreign currencies.

The Group covers significant annual foreign currency exposures on a reducing basis with the highest coverage in the year immediately following the balance sheet date. The Group places additional hedges on a regular basis so that the percentage of the foreign currency exposure hedged increases as the time to maturity of the foreign currency exposure reduces. The Group currently has no cash flow hedges beyond 2021.

The forward contract cash flow hedges give the Group more certainty over cash flow as it can exchange foreign currency for Sterling or other foreign currencies at predetermined rates. The Group does not cover all of its foreign currency net exposure with forward contracts. The uncovered proportion is converted (as necessary) at the spot exchange rates prevailing on the date of the transaction.

The Group has designated the $400m Senior Secured Notes as a hedging instrument. The hedged item is $400m of highly confidently forecasted US Dollar sales that are not already hedged with forward contracts. The hedge has no impact on cash flow. Changes in the value of the $400m Senior Secured Notes on translation at the reporting date are included in the Hedge reserve.

Following adoption of IFRS 9 on 1 January 2018, changes in the fair value of Financial Assets and Liabilities are included in Other Comprehensive Income and the Hedge reserve whereas previously they were included in finance income or expense within the Income Statement.

For the forward foreign exchange contracts, the hedging instrument is the spot element of the entire forward foreign exchange contract. The hedged item is the forecast net sales. As the amounts in the hedging instrument match the amounts of the hedge item the hedge ratio is 1:1.

Movements in the value of the Senior Secured Notes on translation are offset by movements in the value of the highly confidently forecast sales from US Dollars to Sterling. The hedge ratio is 1:1 as the value of the hedging instrument matches the value of the hedged item.

Main sources of hedge ineffectiveness

- Differences in the value of hedged item and the hedging instrument should they occur.

23 FINANCIAL INSTRUMENTS (CONTINUED)

HEDGE ACCOUNTING (CONTINUED)

The amounts at the reporting date including deferred taxation relating to items designated as hedged items were as follows.

	Cashflow hedge reserve	
Foreign currency risk	**2018 £m**	2017 £m
Sales, receivables and borrowings	**(8.6)**	–
$400m Senior Secured Notes designated as a hedge instrument	**(15.0)**	–
	(23.6)	–

There are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer required.

	Sales, receivables and borrowings		Cost of hedging reserve	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Carrying amount – asset	**0.1**	–	**–**	–
Carrying amount – liability	**(18.6)**	–	**(5.0)**	–
Changes in the value of the hedging instrument recognised in OCI	**23.5**	–	**–**	–
Amount reclassified from hedging reserve to Income Statement	**–**	–	**–**	–

The amounts relating to items designated as hedge instruments as shown in the table below.

All items relate to foreign currency risk and are either foreign exchange forward contracts or US Dollar Senior Secured Notes. There is no hedge ineffectiveness. The difference between the forward element and the spot element of forward exchange contacts are recognised in a separate cost of hedging reserve.

The forward exchange contracts are included in other financial assets and liabilities in the Statement of Financial Position. The $400m Senior Secured Notes are included in non-current borrowings.

The following table provides a reconciliation by risk category of the hedging reserve and analysis of OCI items, net of tax, resulting from

	2018 £m	2017 £m
Balance at 1 January	**–**	–
Change in fair value:		
Foreign currency risk – cash flow hedges	**(8.6)**	–
$400m Senior Secured Noted designated as a hedge instrument	**(18.4)**	–
Amounts reclassified to the Income Statement	**–**	–
Amounts included in the cost of non-financial items	**–**	–
Tax on movements on reserves during the year	**3.5**	–
Balance at 31 December	**(23.5)**	–

cash flow hedge accounting.

23 FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY EXPOSURE

The Group's sterling equivalents of financial assets and liabilities denominated in foreign currencies at 31 December 2018 and 31 December 2017 were:

At 31 December 2018

	Euros £m	US Dollars £m	Chinese Renminbi £m	Other £m	Total £m
Financial assets					
Trade and other receivables	**42.1**	**41.4**	**13.2**	**9.9**	**106.6**
Foreign exchange contracts	**–**	**0.1**	**–**	**–**	**0.1**
Cash balances	**18.0**	**36.5**	**59.6**	**2.5**	**116.6**
	60.1	**78.0**	**72.8**	**12.4**	**223.3**
Financial liabilities					
Trade and other payables	**(149.3)**	**(55.5)**	**(29.1)**	**(4.7)**	**(238.6)**
Foreign exchange contracts	**–**	**(5.1)**	**–**	**(3.5)**	**(8.6)**
	(149.3)	**(60.6)**	**(29.1)**	**(8.2)**	**(247.2)**
Net balance sheet exposure	**(89.2)**	**17.4**	**43.7**	**4.2**	**(23.9)**

At 31 December 2017

	Euros £m	US Dollars £m	Chinese Renminbi £m	Other £m	Total £m
Financial assets					
Trade and other receivables	7.5	21.9	4.6	3.3	37.3
Foreign exchange contracts	–	0.6	–	0.8	1.4
Cash balances	4.9	38.4	52.1	7.4	102.8
	12.4	60.9	56.7	11.5	141.5
Financial liabilities					
Trade and other payables	(67.9)	(22.3)	(21.5)	(3.3)	(115.0)
Foreign exchange contracts	–	(3.0)	–	(0.1)	(3.1)
	(67.9)	(25.3)	(21.5)	(3.4)	(118.1)
Net balance sheet exposure	(55.5)	35.6	35.2	8.1	23.4

23 FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY EXPOSURE (CONTINUED)

The following significant exchange rates applied:

	Average Rate 2018	Average Rate 2017	**Closing Rate 2018**	Closing Rate 2017
Euro	**1.13**	1.15	**1.10**	1.12
Chinese Renminbi	**8.83**	8.73	**8.76**	8.78
US Dollar	**1.34**	1.28	**1.27**	1.35

CURRENCY RISK – SENSITIVITY

The following table demonstrates the sensitivity to a change in the US Dollar and Euro exchange rates with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) assuming that none of the US Dollar or Euro exposures are hedged.

	(Increase)/ decrease in rate	**Effect on profit after tax 2018 £m**	Effect on profit after tax 2017 £m
US Dollar	(5%)	**(11.2)**	(7.4)
US Dollar	5%	**12.4**	8.1
Euro	(5%)	**8.8**	7.3
Euro	5%	**(9.7)**	(8.1)

LIQUIDITY RISK

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet foreseeable needs and to allow investment of cash assets safely and profitably.

The Group uses a wholesale financing scheme to finance certain vehicle sales on despatch of the vehicle. The utilisation of this £200m facility (2017: £150m facility) at 31 December 2018 is £159.1m (2017: £147.0m); received against sales invoices. The wholesale finance scheme and the credit insurance supporting the facility have been renegotiated and run to August 2020.

The Group entered into a series of one year back-to-back loan arrangements with HSBC Bank plc, whereby Chinese Renminbi were deposited in a restricted account with HSBC in China in exchange for a Sterling overdraft facility with HSBC Bank plc in the United Kingdom. The restricted cash has been revalued to £25.1m at 31 December 2018 (31 December 2017: £13.7m) and is shown in the total of cash and cash equivalents. The overdraft of £25.3m (31 December 2017: £13.5m) is shown in Borrowings in Current Liabilities on the Statement of Financial Position. At 31 December 2018 the Group had cash and cash equivalents of £144.6m (2017: £167.8m).

On 18 April 2017 the Group issued $400m 6.5% Senior secured Notes and £230m 5.75% Senior secured Notes both of which mature in April 2022. In December 2017 the Group issued a further £55m of 5.75% Senior Secured Notes which also mature in April 2022. Attached to the Senior Secured Notes is an £80m Revolving Credit Facility which was £70m drawn at 31 December 2018 (31 December 2017: undrawn). In both April 2015 and April 2016, the Group issued £100.0m of Preference Shares which were redeemable in April 2025. As part of the listing of the Company's ordinary shares on the London Stock Exchange, on 3 October 2018, the preference shares, together with the share warrants attached to them, were converted into ordinary shares of 0.00904p each. Full details of the capital reorganisation is given in note 28 of the accounts.

The maturity profile of the Group's financial liabilities at 31 December 2018 based on contractual undiscounted payments is as follows.

	On demand £m	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**>5 years £m**	**Contractual Cash Flows Total £m**
Non-derivative financial liabilities						
Bank loans and overdrafts	–	**7.2**	**94.4**	**13.1**	–	**114.7**
Senior Secured Notes	–	–	**76.1**	**781.3**	–	**857.4**
Unsecured Loan	–	–	**0.1**	**1.4**	–	**1.5**
Preference Shares	–	–	–	–	–	–
Trade and other payables	–	**696.1**	–	**12.2**	–	**708.3**
Derivative financial liabilities						
Forward exchange contracts	–	**1.0**	**3.2**	**4.4**	–	**8.6**
	–	**704.3**	**173.8**	**812.4**	–	**1,690.5**

Included in the table above in respect of the Group are interest bearing loans and borrowings at a carrying value of £704.1m.

23 FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK (CONTINUED)

The table below (*restated*) summarises the maturity profile of the Group's financial liabilities at 31 December 2017 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Contractual Cash Flows Total
	£m	£m	£m	£m	£m	£m
Non-derivative financial liabilities						
Bank loans and overdrafts	–	–	13.5	–	–	13.5
Senior Secured Notes	–	–	71.2	830.2	–	901.4
Unsecured loan	–	–	0.1	1.4	–	1.5
Preference Shares	–	–	–	–	756.3	756.3
Trade and other payables	–	483.1	–	17.7	–	500.8
Amount due to shareholders	15.1	–	–	–	–	15.1
Derivative financial liabilities						
Forward exchange contracts	–	1.8	1.3	–	–	3.1
	15.1	484.9	86.1	849.3	756.3	2,191.7

Included in the table above in respect of the Group are interest bearing loans and borrowings at a carrying value of £840.9m.

ESTIMATION OF FAIR VALUES

Forward currency contracts are carried at fair value. These are valued using pricing models and discounted cash flow techniques based on the assumptions provided by Standard Chartered Bank plc and J.P. Morgan Securities plc.

The 5.75% Sterling Senior Secured Notes and 6.5% US Dollar Senior Secured Notes, which were issued in 2017, are valued at amortised cost. The fair value of these Senior Secured Notes is determined by reference to the quoted price at 31 December. Both Senior Secured Notes are quoted on The International Stock Exchange Authority in St. Peter Port, Guernsey. On 31 December 2018 the fair value of the 5.75% Sterling Senior Secured Notes was £278.1m (31 December 2017: £300.5m) and the fair value of the 6.5% US Dollar Senior Secured Notes was £300.7m (31 December 2017: £312.0m). These notes replaced the 9.25% Sterling Senior Secured Notes that were redeemed in April 2017. At 31 December 2017 the effective interest rate on the Senior Secured Notes is 6.73% (2017: 6.73%).

For all other receivables and payables, the carrying amount is deemed to reflect the fair value.

Under IFRS 7, such assets and liabilities are classified by the way in which their fair value is calculated. The interest bearing loans and borrowings are considered to be level 1 liabilities. All remaining financial assets and liabilities are considered to be level 2 assets and liabilities. IFRS 7 defines level 2 assets and liabilities as "inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)". There have been no changes in classification during the current or prior year.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain the future development of the business. Given this, the objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The capital structure of the Group consists of debt which includes the borrowings disclosed in this note, cash and cash equivalents and equity attributable to equity holders of the parent, comprising share capital and reserves as disclosed in note 28 and the Consolidated Statements of Changes in Equity. No changes were made in the objectives, policies or processes during either year.

24 NET DEBT

	2018 £m	2017 £m
Cash and cash equivalents	**144.6**	167.8
Loans and other borrowings – current	**(99.4)**	(13.5)
Loans and other borrowings – non-current	**(604.7)**	(571.5)
Preference shares	**–**	(255.9)
Net debt	**(559.5)**	(673.1)
Movement in net debt		
Net (decrease)/increase in cash and cash equivalents	**(25.9)**	67.3
Add back cash flows in respect of other components of net debt:		
New borrowings	**(98.1)**	(606.1)
Movement in existing borrowings	**(0.3)**	474.3
Transaction fees	**–**	12.1
Increase in net debt arising from cash flows	**(124.3)**	(52.4)
Non-cash movements:		
Conversion of preference shares to ordinary shares	**302.9**	–
Foreign exchange (loss)/gain on secured loan	**(18.4)**	24.9
Interest added to debt	**(49.3)**	(44.9)
Exchange and other adjustment	**2.7**	(1.2)
Decrease/(increase) in net debt	**113.6**	(73.6)
Net debt at beginning of the year	**(673.1)**	(599.5)
Net debt at the end of the year	**(559.5)**	(673.1)

Reconciliation of movements of liabilities to cash flows arising from financing activities

The table below shows the reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2018.

Liabilities	Borrowings £m	Unsecured Loans £m	9.25% Senior Secured notes £m	5.75% Senior Secured notes £m	6.5% Senior Secured notes £m	Subordinated PIK notes £m	Preference Shares £m
At 1 January 2018	13.5	1.3	–	274.3	295.9	–	255.9
Changes from financing cash flows							
Interest paid	(6.6)	–	–	(16.4)	(19.2)	–	–
Movement in borrowings	0.3	–	–	–	–	–	–
New borrowings	98.1	–	–	–	–	–	–
Total changes from financing cash flows	91.8	–	–	(16.4)	(19.2)	–	–
Effect of changes in exchange rates	–	0.1	–	–	18.5	–	–
Conversion of preference shares	–	–	–	–	–	–	(349.8)
Interest expense	6.5	–	–	18.6	19.2	–	93.9
Balance at 31 December 2018	111.8	1.4	–	276.5	314.4	–	–

Equity	Share Capital £m	Share Premium £m	Non-controlling interest £m
At 1 January 2018 (restated)	–	353.7	7.6
Proceeds from equity share issue	0.1	4.5	–
Dividend paid to non-controlling interest	–	–	(3.0)
Total changes from financing cash flows	0.1	4.5	(3.0)
Conversion of preference shares	2.0	347.7	–
Capital reduction	–	(353.6)	–
Share of profit	–	–	5.6
Balance at 31 December 2018	2.1	352.3	10.2

24 NET DEBT (CONTINUED)

The table below shows the reconciliation of movements of liabilities to cash flows arising from financing activities for the year ended 31 December 2017.

Liabilities	Borrowings £m	Unsecured Loans £m	9.25% Senior Secured notes £m	5.75% Senior Secured notes £m	6.5% Senior Secured notes £m	Subordinated PIK notes £m	Preference Shares £m
At 1 January 2017	5.2	–	301.7	–	–	176.4	218.0
Changes from financing cash flows							
Interest paid	(5.6)	–	(28.7)	(5.8)	(9.7)	–	–
Movement in borrowings	8.5	–	(304.0)	–	–	(178.8)	–
New borrowings	–	1.3	–	285.0	319.9	–	–
Transaction fees on borrowings	–	–	–	(12.1)	–	–	–
Total changes from financing cash flows	2.9	1.3	(332.7)	267.1	310.2	(178.8)	–
Effect of changes in exchange rates	(0.2)	–	–	–	–	–	–
Exchange gain in finance income	–	–	–	–	(24.0)	–	–
Interest expense	5.6	–	31.0	7.2	9.7	2.4	37.9
Balance at 31 December 2017	13.5	1.3	–	274.3	295.9	–	255.9

Equity	Share Capital £m	Share Premium £m	Non-controlling interest £m
At 1 January 2017 (restated – see note 2)	–	353.7	5.0
Share of profit	–	–	2.6
Balance at 31 December 2017	–	353.7	7.6

25 OBLIGATIONS UNDER LEASES

The Group has entered into commercial leases on certain properties and items of machinery. The leases have a duration of between 1 and 29 years.

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

	2018 £m	2017 £m
Not later than one year	**0.2**	0.6
After one year but not more than five years	**12.6**	6.6
More than five years	**111.5**	109.6
	124.3	116.8

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

	2018 £m	2017 £m
More than five years	**(4.7)**	(4.8)

Some of the leases contain contingent rents which are dependent on increases in the retail prices index.

26 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty and Service Plans 2018 £m
At the beginning of the year	**25.9**
Charge for the year	**30.9**
Utilisation	**(20.9)**
Effect of movements in exchange rates	**0.3**
At the end of the year	**36.2**
Analysed as:	
Current	**10.8**
Non-current	**25.4**
	36.2

The warranty and service plan provision represents costs provided in respect of the Group's warranty scheme. A provision of £36.2m (2017: £25.9m) has been recognised for expected claims based on past experience of the level of actual warranty claims received and is expected to be substantially utilised within the next three years.

27 PENSION OBLIGATIONS

DEFINED CONTRIBUTION SCHEME

The Group opened a defined contribution scheme in June 2011. The total expense relating to this scheme in the current year was £5.7m (2017: £3.7m). Outstanding contributions at the year end were £0.5m (2017: £nil).

DEFINED BENEFIT SCHEME

The Group 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 effect of this change in benefits in the year ended 31 December 2017 was a past service pension benefit of £24.3m which has been shown as an adjusting credit in the Consolidated Statement of Comprehensive Income. The scheme was closed to new entrants on 31 May 2011. The benefits of the existing members were not affected by the closure of the scheme. The scheme assets are invested with Standard Life Pension Limited, Legal & General Assurance, MFS International (UK) Limited, Eaton Vance Management (International) Limited, Morgan Stanley Investment Management Limited and Majedie Asset Management and the scheme is administered by Buck Consultants (Administration & Investment) Limited. The assets of the scheme are held separately from those of the Group.

The pension scheme operates under the regulatory framework of the Pensions Act 2004.

The Trustee has the primary responsibility for governance of the Scheme. Benefit payments are from Trustee-administered funds and scheme assets are held in a Trust which is governed by UK regulation. Responsibility for governance of the scheme lies mainly with the Trustee. The Trustee is comprised of representatives of the Group and members of the scheme.

The pension scheme exposes the Group to the following risks:

Asset volatility – the scheme's Statement of Investment Principles targets 55% return-enhancing assets and 45% risk-reducing assets. The Trustee monitors the appropriateness of the scheme's investment strategy, in consultation with the Group, on an on-going basis.

Inflation risk – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).

Longevity – increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the value placed on the scheme's liabilities.

There have been no curtailment events in the years ended 31 December 2018 or 31 December 2017.

The projected unit method has been used to determine the liabilities.

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the scheme had an effective date of 6 April 2017. The assumptions that make the most significant effect on the valuation are those relating to the rate of return on investments, the rate of increase in salaries and pensions and expected longevity. It was assumed that the pre-retirement investment return would be 3.4% per annum and the post retirement return 2.25% per annum and that salary increases would average 3.0% per annum for the period to 31 March 2021 and 3.55% thereafter.

At the 6 April 2017 actuarial valuation, the actuarial value of the scheme assets was £265.4m, sufficient to cover 85% of the benefits which had accrued to members, after allowing for the expected future increases in earnings.

27 PENSION OBLIGATIONS (CONTINUED)

Following the latest actuarial valuation of the scheme on 6 April 2017, contributions increased from 22.5% to 23.7% for the Group where the active member does not participate in the salary sacrifice scheme. For active members participating in the salary sacrifice scheme, employees make no contributions and the Group contribution is 30.2% or 34.7% depending on whether the member opted for benefits of 1/80 or 1/70 of pensionable salary.

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

Estimated Group contributions for the year ending 31 December 2019 are £11.3m.

ASSUMPTIONS

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

The principal assumptions used by the actuary were:

	31 December 2018	31 December 2017
Discount rate	**3.15%**	2.50%
Rate of increase in salaries	**3.20%**	3.20%
Rate of revaluation in deferment	**2.20%**	2.20%
Rate of increase in pensions in payment attracting LPI	**3.10%**	3.10%
Expected return on scheme assets	**3.15%**	2.50%
RPI Inflation assumption	**3.20%**	3.20%
CPI Inflation assumption	**2.20%**	2.20%

The Group's inflation assumption reflects its long-term expectations and has not been amended for short term variability. The post mortality assumptions allow for expected increases in longevity. The 'current' disclosures below relate to assumptions based on the longevity (in years) following retirement at each reporting date, with 'future' being that relating to an employee retiring in 2038 (2018 assumptions) or 2037 (2017 assumptions).

Projected life expectancy from age 65

	Future	**Current**	Future	Current
	Currently aged 45	**Currently aged 65**	Currently aged 45	Currently aged 65
	2018	**2018**	2017	2017
Male	**23.1**	**21.7**	24.0	22.7
Female	**25.4**	**23.8**	27.2	25.7

	Years
Duration of the liabilities in years as at 31 December 2018	**25**
Duration of the liabilities in years as at 31 December 2017	27

27 PENSION OBLIGATIONS (CONTINUED)

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

	31 December 2018 Quoted £m	31 December 2018 Unquoted £m	31 December 2018 Total £m	31 December 2017 Quoted £m	31 December 2017 Unquoted £m	31 December 2017 Total £m
Asset Class						
UK Equities	**37.9**	**–**	**37.9**	41.9	–	41.9
Overseas Equities	**43.3**	**–**	**43.3**	45.0	–	45.0
Property	**–**	**27.8**	**27.8**	–	27.0	27.0
Index linked gilts	**56.9**	**–**	**56.9**	57.3	–	57.3
Corporate bonds	**–**	**53.7**	**53.7**	–	55.4	55.4
Diversified alternatives	**–**	**26.0**	**26.0**	–	26.8	26.8
High yield bonds	**–**	**12.6**	**12.6**	–	13.1	13.1
Cash	**6.5**	**–**	**6.5**	1.2	–	1.2
Insurance policies	**–**	**4.1**	**4.1**	–	3.8	3.8
Total	**144.6**	**124.2**	**268.8**	145.4	126.1	271.5

	2018 £m	2017 £m
Total fair value of scheme assets	**268.8**	271.5
Present value of funded obligations	**(275.2)**	(318.4)
Funded status at the end of the year	**(6.4)**	(46.9)
Adjustment as a result of asset ceiling in accordance with paragraph 64 of IAS19	**(32.3)**	–
Liability recognised in the Statement of Financial Position	**(38.7)**	(46.9)

Amounts recognised in the Income Statement

	2018 £m	2017 £m
Amounts (charged)/credited to operating profit:		
Current service cost	**(8.1)**	(12.4)
Past service cost	**(0.1)**	24.3
	(8.2)	11.9
Amounts charged to finance expense:		
Net interest expense on the net defined liability	**(1.0)**	(1.7)
Total (expense)/income recognised in the Income Statement	**(9.2)**	10.2

27 PENSION OBLIGATIONS (CONTINUED)

On 26 October 2018, a judgement was reached in the High Court in the Lloyds Banking Group Pension Trustees Limited v Lloyds Bank plc Guaranteed Minimum Pension ("GMP") equalisation case. As a result, there is likely to be an increase in the Group's defined benefit pension obligations in order to equalise GMPs accrued between 1990 and 1997. The Group has engaged its actuary to perform an assessment of the potential impact of this ruling, the assessment shows the likely financial impact to be £0.1m. This has been accounted for as a past service cost charge to the Income Statement.

The past service credit in 2017 related to the change in benefit structure from a final salary basis to career average revalued earnings ("CARE") with effect from 1 January 2018.

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

	2018 £m	2017 £m
At the beginning of the year	(318.4)	(323.5)
Current service cost	(8.1)	(12.4)
Past service cost	(0.1)	24.3
Employee contributions	–	(0.1)
Interest cost	(7.9)	(8.6)
Experience (losses)/gains	(1.5)	6.7
Actuarial gains/(losses) arising from changes in financial assumptions	48.7	(8.6)
Disbursements	7.2	10.2
Actuarial gains/(losses) arising from changes in demographic assumptions	4.9	(6.4)
Obligation at the end of the year	(275.2)	(318.4)

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

	2018 £m	2017 £m
At the beginning of the year	271.5	253.8
Interest on assets	6.8	6.9
Employer contributions	12.0	9.8
Employee contributions	–	–
Return on scheme assets excluding interest income	(14.3)	11.2
Benefits paid	(7.2)	(10.2)
Fair value at the end of the year	268.8	271.5

	2018 £m	2017 £m
Actual return on scheme assets	(7.5)	18.0

Analysis of amounts recognised in the Statement of Financial Position:

	2018 £m	2017 £m
Liability at the beginning of the year	(46.9)	(69.8)
Net (expense)/income recognised in the Statement of Comprehensive Income	(9.2)	10.2
Employer contributions	12.0	9.8
Gain recognised in Other Comprehensive Income	5.4	2.9
Liability recognised in the Statement of Financial Position at the end of the year	(38.7)	(46.9)

Analysis of amount taken to Other Comprehensive Income:

	2018 £m	2017 £m
Return on assets greater than the discount rate	(14.3)	11.2
Experience (losses)/gains arising on funded obligations	(1.5)	6.7
Gains/(losses) arising due to changes in financial assumptions underlying the present value of funded obligations	48.6	(8.6)
(Losses)/gains arising as a result of asset ceiling in accordance with paragraph 64 of IAS19	(32.3)	–
Gains/(losses) arising due to changes in demographic assumptions	4.9	(6.4)
Amount recognised in Other Comprehensive Income	5.4	2.9

27 PENSION OBLIGATIONS (CONTINUED)

SENSITIVITY ANALYSIS OF THE PRINCIPAL ASSUMPTIONS USED TO MEASURE SCHEME LIABILITIES

	Change in assumption	**Present value of benefit obligations at 31 December 2018 £m**	Present value of benefit obligations at 31 December 2017 £m
Discount rate	Decrease by 0.25%	**292.7**	340.4
Rate of inflation*	Increase by 0.25%	**290.0**	334.5
Life expectancy increased by approximately 1 year	Increase by one year	**284.6**	331.3

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

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

	2018 £m	2017 £m
Expected future benefit payments		
Year 1 (2019/2018)	**2.8**	2.4
Year 2 (2020/2019)	**2.6**	2.9
Year 3 (2021/2020)	**3.0**	2.8
Year 4 (2022/2021)	**3.6**	3.3
Year 5 (2023/2022)	**4.7**	4.0
Years 6 to 10 (2023 to 2028)	**34.9**	30.1

HISTORY OF SCHEME EXPERIENCE

	2018	2017
Present value of the scheme liabilities (£m)	**(275.2)**	(318.4)
Fair value of the scheme assets (£m)	**268.8**	271.5
Deficit in the scheme before taking into account the effect of Paragraph 64 of IAS19 (£m)	**(6.4)**	(46.9)
Experience (losses)/gains on scheme assets (£m)	**(14.3)**	11.2
Percentage of scheme assets	**(5.3%)**	4.1%
Experience (losses)/gains on scheme liabilities (£m)	**(1.5)**	6.7
Percentage of the present value of the scheme liabilities	**(0.5%)**	2.1%
Total amount recognised in Other Comprehensive Income (£m)	**5.4**	2.9
Percentage of the present value of the scheme liabilities	**2.0%**	0.9%

28 SHARE CAPITAL

	2018 £m	2017 £m
Allotted, called up and fully paid		
Nil ordinary shares of £0.001 each (2017: 3,123,370 ordinary shares of £0.001 each)	**–**	–
Nil D shares of £0.001 each (2017: 161,521)	**–**	–
228,002,890 ordinary shares of 0.00904p each (2017: nil)	**2.1**	–
	2.1	–

	2018 £m	2017 £m
Shares classified as liabilities	**–**	–
Shares classified as shareholders' funds	**2.1**	–
	2.1	–

28 SHARE CAPITAL (CONTINUED)

Aston Martin Lagonda Global Holdings Limited was incorporated on 27 July 2018 and issued 7 ordinary shares of £0.001p each, and on 7 September 2018 re-registered as a public limited company under the name Aston Martin Lagonda Global Holdings plc.

On 20 August 2018, the Company's share capital was increased from £0.007 to £2,003,284,891 by the issue of the 3,123,363 ordinary shares of £0.001p each, 200,000,000 preference shares of £0.001p each and 161,521 'D' ordinary shares of £0.001p each. Simultaneously the Company also granted 137,776 warrants and 21,714 options over ordinary shares of £0.001p each.

On 3 September 2018 the Company acquired the entire share capital of Aston Martin Holdings (UK) Limited, comprising 3,123,370 ordinary shares of £0.001p each and 161,521 'D' ordinary shares of £0.001p each by way of a share-for-share exchange issuing 3,284,891 ordinary shares of £0.001p each.

On 6 September 2018 a bonus issue was carried out by which the entire amount of the Company's merger reserve arising as a result of the share exchange was capitalised through the issuance of 3,284,891 capital reduction shares of £73.8092 each in the capital of the Company (the "capital reduction shares") to the holders of ordinary shares of £0.001 p each in the capital of the Company and 'D' shares of £0.001p each in the capital of the Company in proportion to their holdings of such shares. All of the capital reduction shares were cancelled through a capital reduction which became effective on 6 September 2018.

On 3 October 2018 in connection with the admission of the Company's shares to the London Stock Exchange:

- 21,714 partly paid ordinary shares were fully paid up and 21,714 options over ordinary shares of £0.001p were exercised for aggregate consideration of £21.71;
- the warrants over 137,776 ordinary shares of £0.001p each were exercised for aggregate consideration of £137.78; and
- a share consolidation, sub-division and re-designation of the Company's share capital took place whereby:
  - 161,521 'D' shares of £0.001p each were re-designated as 161,521 ordinary shares of £0.001p each;
  - 159,490 ordinary shares of £0.01p each were allotted;
  - 3,444,381 ordinary shares of £0.001p each were sub-divided into 203,218,479 ordinary shares of £0.00001695p each;
  - 200,000,000 preference shares of £0.01p each were sub-divided into 2,000,000,000 preference shares of £0.001p each;
  - the 2,000,000,000 preference shares of £0.001p each were re-designated as 18,409,145 ordinary shares of £0.001p each and 1,981,590,855 deferred shares of £0.001p each;
  - a share consolidation, sub-division and re-designation took place resulting in the Company having one class of share capital being ordinary shares of £0.00904p each; and
  - following such steps, the Company had a share capital of £2,061,075 consisting of 228,002,890 ordinary shares of £0.00904p each.

Additionally, on 3 October 2018, a capital reduction of £441.1m was approved whereby £353.6m was transferred from share premium and £87.5m from capital reserve to revenue reserves.

29 ADDITIONAL CASH FLOW INFORMATION

ANALYSIS OF GROUP NET DEBT

Year ended 31 December 2018

	1 January 2018 £m	Cash flow £m	Exchange differences £m	Non-cash movements £m	31 December 2018 £m
Cash and cash equivalents	167.8	(25.9)	2.7	–	144.6
Bank loans and overdrafts	(13.5)	(98.3)	–	–	(111.8)
Senior Secured Notes 6.5% US Dollar	(295.9)	19.2	(18.5)	(19.2)	(314.4)
Senior Secured Notes 5.75% Pound Sterling	(274.3)	16.4	–	(18.6)	(276.5)
Unsecured Loan 5% Japanese Yen	(1.3)	0.1	(0.1)	(0.1)	(1.4)
Preference Shares	(255.9)	–	–	255.9	–
	(673.1)	(88.5)	(15.9)	218.0	(559.5)

Year ended 31 December 2017

	1 January 2017 £m	Cash flow £m	Exchange differences £m	Non-cash movements £m	31 December 2017 £m
Cash and cash equivalents	101.7	67.3	(1.2)	–	167.8
Bank loans and overdrafts	(5.2)	(8.5)	0.2	–	(13.5)
Senior Secured Notes	(301.7)	304.0	–	(2.3)	–
Senior Subordinated PIK notes	(176.4)	178.8	2.1	(4.5)	–
Senior Secured Notes 6.5% US Dollar	–	(319.9)	24.0	–	(295.9)
Senior Secured Notes 5.75% Pound Sterling	–	(272.8)	–	(1.5)	(274.3)
Unsecured Loan 5% Japanese Yen	–	(1.3)	–	–	(1.3)
Preference Shares	(218.0)	–	–	(37.9)	(255.9)
	(599.6)	(52.4)	25.1	(46.2)	(673.1)

30 SHARE BASED PAYMENTS

The Company had two share option schemes in operation; an HMRC approved scheme and an unapproved scheme. Both schemes have no vesting conditions and are equity-settled. The earliest exercise date of both schemes is 18 October 2007. The approved scheme has no expiry date and the unapproved scheme has an expiry date of 18 October 2027. During the year ended 31 December 2018 the shares under both schemes were exercised.

MOVEMENTS IN SHARE OPTIONS

	Approved Scheme 2018 Number of shares	Unapproved Scheme 2018 Number of shares	Approved Scheme 2017 Number of shares	Unapproved Scheme 2017 Number of shares
1 January	21,714	21,714	21,714	21,714
Exercised during the year	(21,714)	(21,714)	–	–
31 December	–	–	21,714	21,714
Weighted average exercise price:				
1 January	7230 p	0.1 p	7230 p	0.1 p
Exercised during the year	7230 p	0.1 p	–	–
31 December	–	–	7230 p	0.1 p

The share value at the date of exercise for the share options exercised during the year was £19.00.

The average weighted exercise price at 31 December 2018 was nil (31 December 2017: 3615p).

30 SHARE BASED PAYMENTS (CONTINUED)

LEGACY EXECUTIVE LONG-TERM INCENTIVE SCHEME

Prior to Admission the Executive Directors participated in a long-term incentive plan ("Legacy LTIP"), which provided for executives to receive an LTIP award contingent on completion of the initial public offering or other exit event. The Legacy LTIP was awarded in the form of ordinary shares of Aston Martin Lagonda Global Holdings plc. All of the Legacy LTIP shares held as at 31 December are subject to lock-up arrangements with release in four equal instalments on successive anniversaries of Admission over a four-year period. During this period, leaver provisions will apply to incentivise retention of critical talent. If Aston Martin Lagonda Global Holdings plc's pre-Admission shareholders' aggregate holdings fall below 10 per cent. of the issued share capital, all remaining shares subject to the lock-up will be released immediately. See page 136 for further details.

The fair value of services received 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.

The total expense recognised for the period arising from equity-settled share-based payments is as follows:

	2018 £m	2017 £m
Equity-settled share option charge	**24.1**	–

At 31 December 2017 the exit condition was not considered probable and therefore no IFRS 2 charge was recognised in any prior years.

31 CAPITAL COMMITMENTS

Capital expenditure contracts to the value of £94.2m (2017: £58.5m) have been committed but not provided for as at 31 December 2018.

32 RELATED PARTY TRANSACTIONS

Transactions between Group undertakings, which are related parties, have been eliminated on consolidation and accordingly are not disclosed.

The Group has entered into transactions, in the ordinary course of business, with entities with significant influence over the Group and other related parties of the Group. Transactions entered into, and trading balances outstanding at each year end with entities with significant influence over the Group and other related parties of the Group are as follows:

		Sales to related party £m	**Purchases from related party £m**	**Amounts owed by related party £m**	**Amounts owed to related party £m**
Related party – Group					
Entities with significant influence over the Group	**31 December 2018**	**1.4**	**2.4**	**–**	**1.1**
Entities with significant influence over the Group	31 December 2017	2.0	4.3	–	0.6

During the year ended 31 December 2018 a payment of £9.5m (2017: £5.6m) was made to an existing shareholder (see note 2).

TRANSACTIONS WITH DIRECTORS

In the year ended 31 December 2018 one car was sold to a director, Dr Andrew Palmer, for £0.1m excluding value added tax (year ended 31 December 2017: one car for £0.1m excluding value added tax).

No amounts were outstanding at either year end.

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES (GROUP)

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts. The Group has not provided or benefited from any guarantees for any related party receivables or payables. The Group has not made any provision for impairment relating to amounts owed by related parties at either year end.

33 GROUP COMPANIES

In accordance with Section 409 of the Companies Act 2006 a full list of entities in which the Group has an interest of greater than or equal to 20%, the registered office and effective percentage of equity owned as at 31 December 2018 are disclosed below.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings	Holding	Proportion of voting rights and shares held	Nature of Business
Aston Martin Holdings (UK) Limited*	Ordinary	100%	Dormant company
Aston Martin Capital Holdings Limited** ◊	Ordinary	100%	Financing company holding the Senior Secured Notes
Aston Martin Investments Limited**	Ordinary	100%	Holding company
Aston Martin Capital Limited** ◊	Ordinary	100%	Dormant company – formerly the financing company that held the previous Senior Secured Notes that were repaid in 2017
Aston Martin Lagonda Group Limited**	Ordinary	100%	Holding company
Aston Martin Lagonda of North America Incorporated** ^	Ordinary	100%	Luxury sports car distributor
Lagonda Properties Limited**	Ordinary	100%	Dormant company
Aston Martin Lagonda Pension Trustees Limited**	Ordinary	100%	Trustee of the Aston Martin Lagonda Limited Pension Scheme
Aston Martin Lagonda Limited**	Ordinary	100%	Manufacture and sale of luxury sports cars, the sale of parts and motorsport activities
AM Brands Limited**◊	Ordinary	100%	Grants licences to third parties for the use of the Aston Martin brand for products worldwide
Aston Martin Lagonda of Europe GmbH** >	Ordinary	100%	Provision of engineering and sales and marketing services
AML Overseas Services Limited**	Ordinary	100%	Dormant company
Aston Martin Italy S.r.l** <	Ordinary	100%	Dormant company
AML Italy S.r.l**<	Ordinary	100%	Dormant company
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd** √	Ordinary	100%	Luxury sports car distributor
AM Nurburgring Racing Limited**	Ordinary	100%	Dormant company
Aston Martin Japan GK** <<	Ordinary	100%	Operator of the sales office in Japan and certain other countries in the Asia Pacific region
Aston Martin Lagonda – Asia Pacific PTE Limited** >>	Ordinary	100%	Operator of the sales office in Singapore and certain other countries in the Asia Pacific region
AMWS Limited** ◊	Ordinary	50%***	Holding company
Aston Martin Works Limited**	Ordinary	50%***	Sale, servicing and restoration of Aston Martin cars

All subsidiaries are incorporated in England and Wales unless otherwise stated.

◊ incorporated in Jersey (tax resident in the United Kingdom)

^ incorporated in the United States of America

> incorporated in Germany

< incorporated in Italy

<<incorporated in Japan

>>incorporated in Singapore

√ incorporated in the People's Republic of China

* Held directly by Aston Martin Lagonda Global Holdings plc

** Held indirectly by Aston Martin Lagonda Global Holdings plc

*** The Group exercises management control of these legal entities and therefore the results, assets and liabilities have been wholly included in the Consolidated Financial Statements. The individual results, aggregate assets and aggregate liabilities included within the Consolidated Financial Statements are summarised on page 203.

33 GROUP COMPANIES (CONTINUED)

	Aston Martin Works Limited 2018 £m	AMWS Limited 2018 £m	Aston Martin Works Limited 2017 £m	AMWS Limited 2017 £m
Total assets	**28.0**	–	41.1	–
Total liabilities	**(5.2)**	–	(25.9)	–
Net assets	**22.8**	–	15.2	–
Revenue	**74.3**	–	55.4	–
Profit	**11.2**	–	5.2	–
Group's share of profit	**5.6**	–	2.6	–

REGISTERED ADDRESSES

Aston Martin Holdings (UK) Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Holdings Limited	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Investments Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Capital Limited	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Lagonda Group Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda of North America Incorporated	9920 Irvine Center Drive, Irvine, CA 92618, United States of America
Lagonda Properties Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Pension Trustees Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Lagonda Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
AM Brands Limited	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Lagonda of Europe GmbH	Gottlieb-Daimler-Strasse 30, 53520 Meuspath, Germany
AML Overseas Services Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Italy S.r.l	Corso Magenta 84, Milano, Italy.
AML Italy S.r.l	Corso Magenta 84, Milano, Italy.
Aston Martin Lagonda (China) Automobile Distribution Co., Ltd	Unit 2901, Raffles City Office Tower, No. 268 Xi Zang Middle Road, Huangpu District, Shanghai, China 200001
AM Nurburgring Racing Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB
Aston Martin Japan GK	1-2-3 Kita-Aoyama, Minato-ku, Tokyo 107-0061, Japan
Aston Martin Lagonda – Asia Pacific PTE Limited	8 Marina View,# 41-05, Asia Square Tower 1, Singapore 018960
AMWS Limited	Le Gallais Building, 54 Bath Street, St Helier, Jersey, JE1 8SB
Aston Martin Works Limited	Banbury Road, Gaydon, Warwickshire, England, CV35 0DB

34 NON-GAAP MEASURES

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures ("APMs"), previously called 'Non GAAP measures'. APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance.

The key APMs that the Group focuses on are as follows:

i) Adjusted EBT is the profit/(loss) before income tax and adjusting items as shown in the Consolidated Income Statement.
ii) Adjusted EBIT is profit/(loss) from operating activities before adjusting items.
iii) Adjusted EBITDA further removes depreciation, loss/(profit) on sale of fixed assets and amortisation from adjusted EBIT.
iv) Adjusted Earnings Per Share is (loss)/profit after income tax before adjusting items as shown in the Consolidated Income Statement, divided by the weighted average number of ordinary shares in issue during the reporting period.
v) Normalised Adjusted Earnings Per Share is (loss)/profit after income tax before adjusting items as shown in the Consolidated Income Statement, divided by the closing number of ordinary shares in issue at the end of the reporting period.
vi) Net Debt is current and non-current borrowings less cash and cash equivalents as shown in the Consolidated Statement of Financial Position.
vii) Adjusted leverage is represented by the ratio of Net Debt to Adjusted EBITDA as defined above.
viii) Return on Invested Capital represents adjusted operating profit after tax divided by the sum of gross debt and equity.

34 NON-GAAP MEASURES (CONTINUED)

INCOME STATEMENT

	2018 £m	2017 £m
(Loss)/profit before tax	**(68.2)**	84.5
Adjusting operating expenses/(income) (note 6)	**74.1**	(24.3)
Adjusting finance expenses (note 9)	**61.9**	12.9
Adjusted profit before tax (EBT)	**67.8**	73.1
Adjusted finance income	**(4.2)**	(35.6)
Adjusted finance expense	**83.3**	87.0
Adjusted operating profit (EBIT)	**146.9**	124.5
Reported depreciation	**32.4**	27.4
Reported amortisation	**67.6**	54.7
Loss/(profit) on disposal of fixed assets	**0.4**	(0.1)
Adjusted EBITDA	**247.3**	206.5

EARNINGS PER SHARE

	2018 £m	2017 £m
Adjusted earnings per ordinary share		
(Loss)/profit available for equity holders (£m)	**(62.7)**	74.2
Adjusting items (note 6 and 9)		
Adjusting items before tax (£m)	**136.0**	(11.4)
Tax on adjusting items (£m)	**(10.5)**	4.1
Adjusted earnings (£m)	**62.8**	66.9
Basic weighted average number of ordinary shares[1] (million)	**202.1**	193.8
Adjusted earnings per ordinary share (pence)	**31.1p**	34.5p
Adjusted diluted earnings per ordinary share		
Adjusted earnings (£m)	**62.8**	66.9
Diluted weighted average number of ordinary shares[1] (million)	**202.1**	203.2
Adjusted diluted earnings per ordinary share (pence)	**31.1p**	32.9p

	2018 £m	2017 £m
Normalised adjusted earnings per ordinary share		
Adjusted earnings (£m)	**62.8**	66.9
Basic number of ordinary shares as at 31 December[2] (million)	**228.0**	193.8
Normalised adjusted earnings per ordinary share (pence)	**27.5p**	34.5p
Normalised adjusted diluted earnings per ordinary share		
Adjusted earnings (£m)	**62.8**	66.9
Diluted number of ordinary shares as at 31 December[2] (million)	**228.0**	203.2
Normalised adjusted diluted earnings per ordinary share (pence)	**27.5p**	32.9p

1. Additional ordinary shares issued as a result of the share split conducted in 2018 have been incorporated in the earnings per share calculation in full without any time apportionment.
2. The basic and diluted number of ordinary shares as at 31 December (see note 28) have been used as the basis for the current year normalised EPS calculation. This represents an indication of the future weighted average number of ordinary shares for evaluating performance of the Group. The comparative number of ordinary shares reflects the share split conducted in 2018 in full without time apportionment. The prior year comparative number of basic and diluted ordinary shares represents the weighted average quantity of shares in issue during the year ended 31 December 2017 (see note 12).

34 NON-GAAP MEASURES (CONTINUED)

NET DEBT

	2018 £m	2017 £m
Opening cash and cash equivalents	**167.8**	101.7
Cash inflow from operating activities	**222.6**	344.0
Cash outflow from investing activities	**(306.3)**	(346.6)
Cash inflow from financing activities	**57.8**	69.9
Effect of exchange rates on cash and cash equivalents	**2.7**	(1.2)
Cash and cash equivalents at 31 December	**144.6**	167.8
Borrowings	**(704.1)**	(840.9)
Net Debt	**(559.5)**	(673.1)
Preference shares (re-designated as part of the IPO process)	**–**	255.9
IPO and other one-off cash adjustments	**38.6**	–
Adjusted Net Debt	**(520.9)**	(417.2)
Adjusted EBITDA for the period ended 31 December	**247.3**	206.5
Adjusted leverage	**2.3x**	3.3x
Adjusted leverage (excluding IPO and other one-off cash adjustments)	**2.1x**	2.0x

RETURN ON INVESTED CAPITAL

	2018 £m	2017 £m
Adjusted operating profit (EBIT)	**146.9**	124.5
Tax credit/(charge)	**0.6**	(3.6)
Adjusted operating profit after tax	**147.5**	120.9
Senior Secured Notes	**590.9**	570.2
Unsecured loans	**1.4**	1.3
Current loans and borrowings	**99.4**	13.5
Non-current loans and borrowings	**12.4**	–
Preference Shares	**–**	255.9
Gross Debt	**704.1**	840.9
Total Shareholders' equity	**449.4**	136.1
	1,153.5	977.0
Return on Invested Capital	**12.8%**	12.4%

PARENT COMPANY FINANCIAL STATEMENTS

Parent Company Statement of Financial Position as at 31 December 2018

	Note	**2018** **£m**
Non-current assets		
Investments	3	**815.1**
Creditors: amounts falling due within one year	4	**(257.9)**
Net current liabilities		**(257.9)**
Net assets		**557.2**
Capital and reserves		
Share capital	5	**2.1**
Share premium	5	**352.3**
Capital reserve	5	**2.0**
Retained earnings		**200.8**
Shareholder equity		**557.2**

The financial statements were approved by the board of directors on 27 February 2019 and were signed on its behalf by:

DR ANDREW PALMER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Company Number: 11488166

The loss on ordinary activities after taxation from the date of incorporation (27 July 2018) to 31 December 2018 amounts to £60.0m.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Share Capital £m	Share Premium £m	Share Warrants £m	Capital Reserve £m	Merger Reserve £m	Retained Earnings £m	Total Equity £m
At 27 July 2018	–	–	–	–	–	–	–
Total comprehensive income for the period							
Loss for the period	–	–	–	–	–	(60.0)	(60.0)
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(60.0)**	**(60.0)**
Transactions with owners, recorded directly in equity							
Issue of shares	2.1	–	–	–	–	–	2.1
Premium on issue of shares	–	352.3	–	–	–	–	352.3
Reduction of capital	–	–	–	–	(242.4)	242.4	–
Exercise of share warrants	–	–	(18.4)	–	–	18.4	–
Arising on share-for-share exchange	–	–	18.4	2.0	242.4	–	262.8
Total transactions with owners	**2.1**	**352.3**	**–**	**2.0**	**–**	**260.8**	**617.2**
At 31 December 2018	**2.1**	**352.3**	**–**	**2.0**	**–**	**200.8**	**557.2**

1 ACCOUNTING POLICIES

The Parent Company Financial Statements of Aston Martin Lagonda Global holdings plc (the Company) for the period from incorporation on 27 July 2018 to 31 December 2018 were authorised for issue by the Board of Directors on 27 February 2019 and the Statement of Financial Position was signed on the Board's behalf by Dr Andrew Palmer. The Company is a public limited company incorporated and domiciled in the UK. The Company's ordinary shares are traded on the London Stock Exchange and it is not under the control of any single shareholder.

The Directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly, they continue to adopt the going concern basis in preparing the Parent Company Financial Statements.

For further consideration of the going concern position of the Group see page 163.

The Parent Company Financial Statements are presented in sterling.

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

No Income Statement is presented for the Company as permitted by Section 408 of the Companies Act 2006. There were no gains or losses in the period ended 31 December 2018 in other comprehensive income.

The fee relating to the audit of the Group and parent company financial statements of £0.2m was borne by a subsidiary undertaking in the period.

BASIS OF PREPARATION

The Parent Company Financial Statements have been prepared in accordance with FRS 101, as applied in accordance with the provisions of the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply this recognition, measurement and disclosure requirements of IRFS as adopted by the EU.

FRS 101 sets out amendments to IFRS as adopted by the EU that are necessary to achieve compliance with the Companies Act and related Regulations.

The following disclosures have not been provided as permitted by FRS 101.

- A Cash Flow Statement and related notes as required by IAS 7 'Statement of Cash Flows';
- A comparative period reconciliation for share capital as required by IAS 1 'Presentation of Financial Statements';
- Disclosures in respect of transactions with wholly owned subsidiaries as required by IAS 24 'Related Party Disclosures';
- Disclosures in respect of capital management as required by paragraphs 134 to 136 of IAS 1 'Presentation of Financial Statements';
- The effects of new but not yet effective IFRSs as required by paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- Disclosures in respect of the compensation of key management personnel as required by paragraph 17 of IAS 24 'Related Party Disclosures'.

As the financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' in respect of group-settled shared based payments; and
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instruments: Disclosures'.

The accounting policies set out herein have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

INVESTMENTS

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement.

The 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's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

1 ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately.

AMOUNTS DUE FROM GROUP UNDERTAKINGS

Amounts due from Group undertakings are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. The carrying value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

2 DIRECTORS' REMUNERATION

The Company has no employees other than the directors. Full details of the directors' remuneration is given in the Directors' Remuneration Report.

3 INVESTMENTS

	£m
Cost and net book value	
At 27 July 2018	–
Additions	**815.1**
At 31 December 2018	**815.1**

On 3 September 2018 the Company acquired the entire share capital of Aston Martin Holdings (UK) Limited by way of a share-for-share exchange with the existing shareholders.

The Company directly owns 100% of the share capital of Aston Martin Holdings (UK) Limited, a dormant company registered in England and Wales.

A full list of subsidiary and other related undertakings is given in note 33 of the Group Financial Statements.

4 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £m
Amounts due to Group undertakings	**257.9**

5 CAPITAL AND RESERVES

Allotted, called up and fully paid	£m
228,002,890 ordinary shares of 0.00904p each	**2.1**

More detailed information on the movement in share capital is given in note 28 of the Group Financial Statements.

SHARE PREMIUM

Share premium totalling £352.3m arose from the conversion of the preference shares into ordinary shares, £347.8m, and the issue of shares to the former directors of Aston Martin Holdings (UK) Limited, £4.5m.

CAPITAL RESERVE

The capital reserve of £2.0m arose from the share-for-share exchange on the acquisition of the entire share capital of Aston Martin Holdings (UK) Limited.

SHAREHOLDER INFORMATION

GENERAL SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar:

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Tel: 0333 207 5973.
Lines are open 8.30am to 5.30pm, Monday to Friday.

Please dial +44 121 415 0920 if calling from outside the UK or see help.shareview.co.uk for additional information.

ANNUAL GENERAL MEETING

Information on the date and venue for our Annual General Meeting, together with the Notice of Meeting containing details of the business to be conducted, will be posted on our website www.astonmartinlagonda.com.

The voting results for the 2019 Annual General Meeting will also be accessible on www.astonmartinlagonda.com shortly after the meeting.

ELECTRONIC COMMUNICATION

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and services online at www.shareview.co.uk.

A textphone facility for those with hearing difficulties is available by calling: 0371 384 2255. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 0920 if calling from outside the UK.

REGISTERED OFFICE

Aston Martin Lagonda Global Holdings plc
Banbury Road
Gaydon
Warwick CV35 0DB
United Kingdom

Registered in England and Wales
Registered Number: 11488166

www.astonmartinlagonda.com

SHARE DEALING

Aston Martin Lagonda Global Holdings plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing, please telephone 03456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing.

Shareholders will need their reference number which can be found on their share certificate.

SHAREGIFT

Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at www.sharegift.org or by telephone on 0207 930 3737.

SHARE PRICE INFORMATION

The latest Aston Martin Lagonda Global Holdings plc share price is available on the Company's website at www.astonmartinlagonda.com.

UNAUTHORISED BROKERS (BOILER ROOM SCAMS)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation, and check that they are properly authorised by the FCA before proceeding any further. This can be done by visiting www.fca.org.uk/register/.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong. If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.

WEBSITE

This Annual Report and other information about Aston Martin Lagonda Global Holdings plc, including share price information and details of results announcements, are available at www.astonmartinlagonda.com.

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DISCLAIMER

The purpose of this Annual Report is to provide information to the members of Aston Martin Lagonda Global Holdings plc. This document contains certain statements with respect to the operations, performance and financial condition of the Group including among other things, statements about expected revenues, margins, earnings per share or other financial or other measures. Forward-looking statements appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty and are subject to a number of risks since future events and circumstances can cause actual results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. All members, wherever located, should consult any additional disclosures that the Company may make in any regulatory announcements or documents which it publishes. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law. This document does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Aston Martin Lagonda Global Holdings plc shares, in the UK, or in the USA, or under the USA Securities Act 1933 or any other jurisdiction.

ASTON MARTIN

LAGONDA