

Aston Martin Holdings (UK) Limited

Interim financial report

for the period ended 31 March 2016

**Interim financial report for the period ended
31 March 2016**

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**Interim financial report
for the period ended 31 March 2016**

Business review and outlook

The Aston Martin brand is one of the most widely recognised luxury sports car brands with a one hundred and three year history of technical automotive performance and a high standard of styling and design. Our portfolio of sports cars is one of the most diversified offerings in the high luxury sport ("HLS") segment. We currently have five models in our product range: V8 Vantage (including the V8 Vantage S), V12 Vantage S, DB9, Vanquish and Rapide S. Some of these models are available in different model types, including engine sizes, as well as in coupe and convertible models. For the twelve months ended 31 March 2016, we sold 3,549 cars.

Our primary production facility is located in Gaydon, UK. The Gaydon facility was opened in 2003, developed for the specific needs of Aston Martin and is one of Europe's most modern automotive manufacturing facilities and one of the most advanced manufacturing facilities in the HLS segment. Other than the engines and certain other components, we manufacture all of our models in Gaydon.

Our total sales (excluding Vulcan and Taraf) in the first quarter of 2016 were 680 vehicles (747 in the first quarter of 2015).

Average prices

	For the three months ended 31 March 2016	For the year ended 31 December 2015	For the three months ended 31 March 2015
Average car sale price in £ thousands	111 ⁽¹⁾	116 ⁽¹⁾	116 ⁽¹⁾
		(1) Excludes Vulcan, GT12 and Taraf models	

Sales volumes (including Vulcan and Taraf)

	For the three months ended 31 March 2016	For the year ended 31 December 2015	For the three months ended 31 March 2015
V8	234	1,029	249
V12	452	2,586	503
Total	686	3,615	752

Recent developments and factors affecting comparability

On 23 April 2015, the company accepted binding subscriptions for £200 million of preference shares. The first tranche of £100 million was received on 27 April 2015 and the second tranche of £100 million was received in April 2016. These subscriptions also include warrants for a pro rata allocation of P shares (non-voting ordinary shares) corresponding to 4% of the fully diluted share capital of the company.

In February 2016 the group announced the expansion of manufacturing to a new site at St. Athan in South Wales, with the creation of 1,000 new jobs at St. Athan and Gaydon, for the production of the new DBX model which is planned to be launched in 2019.

Also in February, we announced the creation of the first all electric Aston Martin, the RapidE, which is targeted for launch in 2018.

In March 2016, the DB11, the first of the next generation of sports cars was launched to public acclaim at the Geneva Motorshow. Interest in this model has exceeded expectations with a strong order bank in place. Orders have been received for the 1,000 vehicles planned to be delivered in 2016 with first deliveries in the fourth quarter.

Finally, in March 2016 we also announced that we would be joining forces with Adrian Newey to create a vehicle codenamed AM-RB-001 which could be faster than a current F1 car around the Silverstone Grand Prix circuit. We will produce less than 100 vehicles with first deliveries planned for 2018. In recognition of this partnership, the Aston Martin wings will grace the Red Bull Racing RB12 racing cars for the 2016 season.

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Financial review - income statement

Revenue

Revenue was £92.6m for the three months ended 31 March 2016, as compared to £100.0m for the three months ended 31 March 2015, a decrease of £7.4m or 7.4%. Vehicle sales decreased by 66 units or 8.8% to 686 units in the 2016 quarter as compared to 752 in the first quarter of 2015. The decrease in revenue arose from the absolute reduction in volumes, and there was also an adverse mix effect with V12 sales falling to 65.9% of volumes as compared to 66.9% in 2015, and V8 sales increasing to 34.1% in 2016 as compared to 33.1% in 2015. In addition there was an adverse market mix with lower sales in China, but revenue was boosted by the sale of 2 Vulcans in the quarter. The average wholesale price per vehicle for core models decreased to £111,000 in Q1 2016 from £116,000 in Q1 2015 in the light of this adverse mix.

Cost of sales

Cost of sales were £62.0m for the three months ended 31 March 2016, as compared to £65.5m for the three months ended 31 March 2015, a decrease of £3.5m or 5.3%.

Material costs for the three months ended 31 March 2016 decreased to £45.6m or 49.2% of revenue as compared to £46.6m or 46.6% of revenue for the same period in 2015. This increase as a percentage of revenue in the quarter is due to changes in market and model mix with a higher proportion of V8 sales.

Direct labour for the three months ended 31 March 2016 was £3.5m or 3.8% of revenue compared to £4.1m or 4.1% of revenue in the three months to 31 March 2015. This reduction arises from improved efficiency in manufacturing following temporary inefficiencies arising from the amalgamation of the production lines in the second half of 2014 and first part of 2015.

Other cost of sales for the three months ended 31 March 2016 were £12.9m or 13.9% of revenue, compared to £14.8m or 14.8% of revenue for the three months ended 31 March 2015. The decrease principally arose from lower Chinese duty costs, and favourable exchange movements mainly due to a weaker Euro.

Gross profit

The gross profit was £30.7m or 33.1% of revenue for the three months ended 31 March 2016, as compared to £34.5m or 34.5% for the three months ended 31 March 2015. The decrease in both absolute and percentage terms arises from the lower volume of sales, and a deterioration in model mix from V12 sales to V8 sales as described above.

Selling and distribution expenses

Selling and distribution expenses were £10.5m for the three months to 31 March 2016, as compared to £8.3m for the three months to 31 March 2015, an increase of £2.2m. This arose from additional fixed marketing costs for the launch of the DB11, in particular its unveiling at the Geneva Motorshow as well as the DB Confidential event held at Gaydon.

Administrative and other expenses

Administrative and other expenses reduced by £1.8m to £33.4m for the three months to 31 March 2016, as compared to £35.2m for the three months to 31 March 2015. Depreciation and amortisation decreased by £1.5m to £19.2m in 2016 from £20.7m in 2015 following the impairment review in quarter 4 of 2015.

Operating loss

The operating loss was £(13.2)m in the three months ended 31 March 2016, as compared to a loss of £(9.0)m in the three months to 31 March 2015, an increased loss of £(4.2)m. Gross profit reduced by £(3.8)m due to the lower volumes and the deterioration in model mix in the first quarter of 2016 as compared to 2015. Fixed costs in total increased by £(0.4)m with increases in fixed marketing spend being offset by a reduction in the depreciation and amortisation charge.

Finance income / (expense)

The net finance expense was £(16.6)m in the three months to 31 March 2016, as compared to £(29.8)m in the corresponding quarter of 2015, a decrease of £13.2m. This decrease arose primarily from a net gain on fair value adjustments on foreign exchange hedges of £2.6m in 2016 as compared to a net loss of £(12.8)m in 2015 and a reduced exchange loss on the translation of the US Dollar denominated PIK Notes of £(3.5)m as compared to a loss of £(5.9)m in 2015. The fair value gain was principally reflective of the strengthening of the US Dollar against the Euro in 2015 and the weakening of the US Dollar against the Euro in 2016. These decreases were partly offset by an increase in interest on bank loans and overdrafts of £(0.6)m from £(11.5)m in 2015 to £(12.1)m in 2016 due to a compounding effect of the interest on the PIK Notes, and also £(4.1)m of preference share interest following the issuance of these shares in April 2015. An analysis of the finance income / (expense) is given in notes 3 and 4 of the accounts.

Income tax credit

The income tax credit was £2.9m in the three months to 31 March 2016, 9.9% of the loss before tax, as compared to a £3.4m in the three months to 31 March 2015 or 8.8% of the loss before tax. The percentage is lower than the applicable UK corporation rates for the years of 20.0% in 2016 and 20.25% in 2015 as a result of credit not being taken for some losses, the utilisation of which is not certain. Please refer to note 5 for more information on income tax.

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Financial review - cash flow statement

The three months to 31 March 2016 saw a net cash outflow of £(28.7)m, compared to an outflow of £(52.7)m in the three months to 31 March 2015. The cash balance at 31 March 2016 was £36.9m as compared to £36.5m as at 31 March 2015, an increase of £0.4m.

Cash flow from operating activities

We utilised £(6.0)m of net cash in our operating activities in the three months to 31 March 2016 as compared to £(1.0)m in the equivalent three month period to 31 March 2015. The quarter saw an increase in working capital of £(8.2)m in 2016, as compared to £(11.0)m in 2015. This resulted from an increase in inventory of £(12.2)m, up from £(2.8)m in 2015 due to the seasonality of production as compared to sales and a reduction in payables of £(14.7)m, 2015 increase of £0.3m, due to the settlement of liabilities for the new model. This was offset by a significant decrease in receivables of £18.7m as compared to an £(8.5)m increase in 2015, when there had been timing issues over vehicles invoiced at the end of the month for which cash was received in early April. The cash generated from other operating activities amounted to £2.2m as compared £10.0m in 2015, reflective of the higher operating loss, coupled with the reduced depreciation and amortisation charge in the quarter.

Cash flow from investing activities

Net cash used in investing activities increased to £43.0m in the three months to 31 March 2016, as compared to £34.6m in the three months to 31 March 2015. Expenditure on property, plant and equipment increased to £8.0m from £5.8m, whilst expenditure on intangible assets increased to £35.5m in 2016 as compared to £29.3m in 2015 as the group continued its investment in the new range of vehicles due to be launched progressively between 2016 and 2019.

Cash flow from financing activities

Net cash generated from financing activities was £18.7m in the three months to 31 March 2016, as compared to a utilisation of £(15.2)m in the three months to 31 March 2015. In 2015 the group drew down £35.0 of its Revolving Credit Facility, in advance of the second tranche of the preference share monies being received in April 2016. Other borrowings reduced by £1.0m in the three months to 31 March 2016, as compared to £nil in the equivalent period in 2015, giving a net inflow from borrowings of £34.0m in 2016, (2015 : £ nil). Interest paid was largely unchanged at (£15.3)m in 2016 as compared to £(15.2)m in 2015, of which £(14.1)m in both years was the interest payment on the Senior Secured Notes.

**Interim financial report
for the period ended 31 March 2016**

Responsibility statement of the directors in respect of the interim financial report

The undersigned certifies on behalf of Aston Martin Holdings (UK) Limited (the "Company") that to the best of our knowledge the condensed set of consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and fairly represent the financial condition and operations of the Aston Martin Holdings (UK) Limited group as at 31 March 2016.

Pursuant to clause 21.3 (b) of the Company's Revolving Credit Facility Agreement with Deutsche Bank AG, London Branch acting as Agent

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by several vertical strokes and a long horizontal flourish extending to the right.

Mark Wilson
Chief Financial Officer

20 May 2016

Condensed consolidated statement of comprehensive income
for the period ended 31 March 2016

	Notes	3 months ended 31 March 2016 £'000	3 months ended 31 March 2015 £'000
Revenue	2	92,647	99,972
Cost of sales		(61,988)	(65,491)
Gross profit		30,659	34,481
Selling and distribution expenses		(10,457)	(8,284)
Administrative and other expenses		(33,353)	(35,222)
Operating loss		(13,151)	(9,025)
Finance income	3	4,125	636
Finance expense	4	(20,708)	(30,415)
Net financing expense		(16,583)	(29,779)
Loss before tax		(29,734)	(38,804)
Income tax credit	5	2,929	3,406
Loss for the period		(26,805)	(35,398)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability		(6,225)	(7,205)
Related income tax		1,120	1,441
		(5,105)	(5,764)
Items that are or may be reclassified to profit or loss			
Foreign exchange translation differences		(242)	(212)
Other comprehensive income for the period, net of income tax		(5,347)	(5,976)
Total comprehensive income for the period		(32,152)	(41,374)
(Loss) / profit attributable to:			
Owners of the group		(26,916)	(35,441)
Non-controlling interests		111	43
		(26,805)	(35,398)
Total comprehensive (expense) / income attributable to:			
Owners of the group		(32,263)	(41,417)
Non-controlling interests		111	43
		(32,152)	(41,374)

Notes on pages 10 to 12 form an integral part of the financial statements.

Condensed consolidated statement of changes in equity

Group	Share capital £'000	Share premium and Share warrants £'000	Capital reserve and non controlling interest £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	3	377,861	98,734	843	(213,361)	264,080
Total comprehensive income for the period						
Profit / (loss)	-	-	111	-	(111)	-
Other comprehensive income						
Foreign currency translation differences	-	-	-	242	-	242
Remeasurement of defined benefit liability	-	-	-	-	-	-
Income tax on other comprehensive income	-	-	-	-	-	-
Total other comprehensive income / (expense)	-	-	-	242	-	(4,863)
Total comprehensive income / (expense) for the period	-	-	111	242	(111)	(4,863)
At 31 March 2016	3	377,861	98,845	1,085	(213,472)	259,217

Group	Share capital £'000	Share premium and Share warrants £'000	Capital reserve and non controlling interest £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	3	366,463	98,583	(172)	(112,076)	352,801
Total comprehensive income for the period						
Profit / (loss)	-	-	151	-	(107,108)	(106,957)
Other comprehensive income						
Foreign currency translation differences	-	-	-	1,015	-	1,015
Remeasurement of defined benefit liability	-	-	-	-	7,101	7,101
Income tax on other comprehensive income	-	-	-	-	(1,278)	(1,278)
Total other comprehensive income	-	-	-	1,015	5,823	6,838
Total comprehensive income / (expense) for the period	-	-	151	1,015	(101,285)	(100,119)
Transactions with owners, recorded directly in equity						
Capital increase	-	11,398	-	-	-	11,398
Total transactions with owners	-	11,398	-	-	-	11,398
At 31 December 2015	3	377,861	98,734	843	(213,361)	264,080

Included in Capital reserve and non-controlling interests is £1,100,000 of additional capital reserve and £4,670,000 of non-controlling interest relating to the 50% interest in the share capital of AMWS Limited, the parent company of Aston Martin Works Limited.

The capital increase during the year ended 31 December 2015 represents the share premium paid for previously partly paid shares of £2,355,000 and the fair value of the Share warrants granted in connection with the issue of the preference shares amounting to £9,043,000.

Aston Martin Holdings (UK) Limited

Condensed consolidated statement of changes in equity (continued)

Group	Share capital £'000	Share premium £'000	Capital reserve and non- controlling interest £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	3	366,463	98,583	(172)	(112,076)	352,801
Total comprehensive income for the period						
Profit / (loss)	-	-	43	-	(35,441)	(35,398)
Other comprehensive income						
Foreign currency translation differences	-	-	-	212	-	212
Remeasurement of defined benefit liability	-	-	-	-	(7,205)	(7,205)
Income tax on other comprehensive income					1,441	1,441
Total other comprehensive	-	-	-	212	(5,764)	(5,552)
Total comprehensive income / (expense) for the period	-	-	43	212	(41,205)	(40,950)
At 31 March 2015	3	366,463	98,626	40	(153,281)	311,851

Condensed consolidated statement of financial position
at 31 March 2016

		As at 31.03.16 £'000	As at 31.03.15 £'000	As at 31.12.15 £'000
Non-current assets				
Intangible assets		699,751	641,647	677,297
Property, plant and equipment		168,180	172,916	166,314
Other receivables		2,169		2,169
Other financial assets		573	-	63
Deferred tax asset		48,303	44,024	48,303
		<u>918,976</u>	<u>858,587</u>	<u>894,146</u>
Current assets				
Inventories		92,615	101,217	80,363
Trade and other receivables		51,627	60,535	69,113
Other financial assets		1,131	253	52
Cash and cash equivalents	7	36,863	36,536	65,562
		<u>182,236</u>	<u>198,541</u>	<u>215,090</u>
		<u>1,101,212</u>	<u>1,057,128</u>	<u>1,109,236</u>
Total assets				
Current liabilities				
Borrowings	7	51,055	20,776	16,597
Trade and other payables		160,850	150,709	180,293
Income tax payable		541	1,230	894
Other financial liabilities		5,415	11,438	8,200
Provisions	9	5,243	7,717	6,361
		<u>223,104</u>	<u>191,870</u>	<u>212,345</u>
Non-current liabilities				
Borrowings	7	543,423	421,843	532,103
Other financial liabilities		1,272	6,360	1,584
Employee benefits	10	10,822	19,955	4,947
Provisions	9	8,268	8,204	8,218
Deferred tax liabilities		81,911	97,045	85,959
		<u>645,696</u>	<u>553,407</u>	<u>632,811</u>
		<u>868,800</u>	<u>745,277</u>	<u>845,156</u>
Total liabilities				
		<u>232,412</u>	<u>311,851</u>	<u>264,080</u>
Net assets				
Capital and reserves				
Share capital		3	3	3
Share premium		368,818	366,463	368,818
Share warrants		9,043	-	9,043
Capital reserves		94,064	94,064	94,064
Translation reserve		1,085	40	843
Retained earnings		(245,382)	(153,281)	(213,361)
Equity attributable to owners of the group		<u>227,631</u>	<u>307,289</u>	<u>259,410</u>
Non-controlling interests		4,781	4,562	4,670
		<u>232,412</u>	<u>311,851</u>	<u>264,080</u>
Total shareholders' equity				

**Condensed consolidated statement of cash flows
for the period ended 31 March 2016**

	Notes	3 months ended 31 March 2016 £'000	3 months ended 31 March 2015 £'000	Year ended 31 December 2015 £'000
Operating activities				
Loss for the period		(26,806)	(35,398)	(106,957)
<i>Adjustments to reconcile loss for the period to net cash inflow from operating activities</i>				
Tax on continuing operations	5	(2,929)	(3,406)	(20,999)
Net finance costs		14,468	29,041	66,838
Other non cash movements		242	212	1,129
Losses on sale of property, plant and equipment		-	-	54
Depreciation and impairment of property, plant and equipment		6,110	7,260	46,320
Amortisation and impairment of intangible assets		13,045	13,449	73,157
Difference between pension contributions paid and amounts recognised in income statement		(350)	346	(356)
(Increase) / decrease in inventories		(12,252)	(2,790)	18,064
Decrease / (increase) in trade and other receivables		18,701	(8,544)	(19,816)
(Decrease) / increase in trade and other payables		(14,670)	340	21,574
Movement in provisions		(1,122)	(1,512)	(2,876)
Cash (used in) / generated from operations		(5,563)	(1,002)	76,132
Income taxes (paid) / received		(393)	10	(905)
Net cash (outflow) / inflow from operating activities		(5,956)	(992)	75,227
Cash flows from investing activities				
Interest received	3	504	535	2,090
Proceeds on the disposal of property, plant and equipment		-	-	94
Payments to acquire property, plant and equipment		(7,976)	(5,797)	(38,517)
Payments to acquire intangible assets		(35,499)	(29,291)	(124,649)
Net cash used in investing activities		(42,971)	(34,553)	(160,982)
Cash flows from financing activities				
Interest paid		(15,275)	(15,172)	(32,252)
Proceeds from equity share issue		-	-	2,355
New borrowings		35,000	-	100,000
Movement in existing borrowings		(987)	(37)	(3,751)
Transaction fees on new borrowings		-	-	(3,536)
Net cash inflow / (outflow) from financing activities		18,738	(15,209)	62,816
Net decrease in cash and cash equivalents		(30,189)	(50,754)	(22,939)
Cash and cash equivalents at the beginning of the period		65,562	89,250	89,250
Effect of exchange rates on cash and cash equivalents		1,490	(1,960)	(749)
Cash and cash equivalents at the end of the period	7	36,863	36,536	65,562

**Notes to the financial statements for the period ended
31 March 2016**

1 Basis of preparation and principal accounting policies

Aston Martin Holdings (UK) Limited (the "company") is a company incorporated and domiciled in the UK. The condensed consolidated interim financial statements of the company as at the end of the period ended 31 March 2016 comprise the company and its subsidiaries (together referred to as the 'group').

The group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes, Senior Subordinated PIK notes, Redeemable cumulative preference shares, a revolving credit facility, facilities to finance inventory and a wholesale vehicle financing facility. The Senior Secured Notes, which expire in July 2018, amount to £304,000,000 and include certain covenant tests. The Senior Subordinated PIK notes amount to US Dollars 165,000,000 and are also due for repayment in July 2018. The £40,000,000 revolving credit facility is available until July 2018. At 31 March 2016, £35,000,000 of the revolving credit facility was drawn. At 31 March 2015 the revolving credit facility was undrawn.

The directors have prepared trading and cash flow forecasts for the period to 2020. These forecasts showed that the group has sufficient financial resources to meet its obligations as they fall due and meet all covenant tests.

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 be reasonably prudent, based on the information that is available to them at the time of approval of these financial statements.

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.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 31 December 2015.

Significant accounting policies

The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the group's published consolidated financial statements for the year ended 31 December 2015.

Estimates and judgements

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In the process of applying the group's accounting policies, 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
- the useful lives of tangible and intangible assets

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next year are as follows:

- the measurement and impairment of indefinite life intangible assets (including goodwill);
- the measurement of warranty liabilities; and
- the measurement of defined benefit pension assets and obligations.

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated.

The measurement of warranty liabilities has been estimated on past experience of the actual level of warranty claims received. Management establishes these estimates based on historical information on the nature, frequency and average cost of the warranty claims.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and suitable discount rates.

Notes to the financial statements for the period ended
31 March 2016 (continued)

2 Revenue

	3 months ended 31.03.16 £'000	3 months ended 31.03.15 £'000
Sale of vehicles	80,556	87,656
Sale of parts	11,126	10,884
Servicing of vehicles	965	1,432
Total revenue	92,647	99,972

3 Finance income

	3 months ended 31.03.16 £'000	3 months ended 31.03.15 £'000
Bank deposit and other interest income	504	535
Net gain on financial instruments recognised at fair value through profit or loss	3,621	101
Total finance income	4,125	636

4 Finance expense

	3 months ended 31.03.16 £'000	3 months ended 31.03.15 £'000
Bank loans and overdrafts	12,105	11,510
Net interest expense on the net defined benefit liability	35	104
Interest on preference shares classified as financial liabilities	4,064	-
Net loss on financial instruments recognised at fair value through profit or loss	1,004	12,877
Net foreign exchange loss	3,500	5,924
Total finance expense	20,708	30,415

5 Income tax credit

The effective tax rate for the period ended 31 March 2016 has been estimated at 9.9% (year ended 31 December 2015 : 16.4%). This compares to a UK statutory rate of tax 20% applicable to the group for the period to 31 March 2015.

A reduction in the UK corporation rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013.

Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability has been calculated at these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. this will reduce the Group's future current tax charge accordingly.

In addition to the change in tax rates, permanently disallowable expenditure and restrictions on the use of tax losses give rise to further adjustments to the total tax arising in the periods.

6 Dividends

No dividends have been declared or paid in the three month period to 31 March 2016 or the three month period to 31 March 2015.

Notes to the financial statements for the period ended
31 March 2016 (continued)

7 Net borrowings

	As at 31.03.16 £'000	As at 31.03.15 £'000	As at 31.12.15 £'000
Cash and cash equivalents	36,863	36,536	65,562
Bank loans and overdrafts (a)	(51,055)	(20,776)	(16,597)
Senior Secured Loan Notes (b)	(300,451)	(298,812)	(300,041)
Senior Subordinated PIK notes (c)	(140,643)	(123,031)	(133,797)
Redeemable cumulative preference shares (d)	(102,329)	-	(98,265)
	<u>(557,615)</u>	<u>(406,083)</u>	<u>(483,138)</u>

(a) The group has facilities to fund the in-transit inventory between the UK company, Aston Martin Lagonda Limited, and its US and Chinese subsidiaries. It also finances inventory held by the group company Aston Martin Works Limited. At 31 March 2016 the utilisation of these facilities was £16,055,000 (31 March 2015 : £16,597,000). £35,000,000 of the revolving credit facility was drawn at 31 March 2016. It was undrawn at 31 March 2015. The group also has a wholesale vehicle financing facility of £100,000,000 with Standard Chartered Bank plc, supported by a credit insurance policy with Atradius, which is off balance sheet.

(b) In June 2011 the group issued £304,000,000 of 9.25% Senior Secured Notes due for repayment in July 2018.

(c) In March 2014, the group issued 10.25% Senior Subordinated PIK notes with a value of 165m US Dollars. At the 31 March 2016 closing exchange rate the liability relating to the Senior Subordinated PIK notes, including accrued interest, was £140,643,000.

(d) In April 2015 the company accepted binding subscriptions for £200,000,000 of preference shares with an interest rate of 15% payable on a PIK basis. The first tranche of £100,000,000 was received on 27 April 2015 and the second tranche was drawn in April 2016. These subscriptions also include warrants for a pro rata allocation of P shares (non-voting ordinary shares) corresponding to 4% of the fully diluted share capital of the company. At 31 March 2016 the liability relating to the preference shares, including accrued interest, was £102,329,000.

8 Foreign exchange rates

	Average rate 3 months ended 31.03.16	Average rate 3 months ended 31.03.15	Average rate year ended 31.12.15
US dollar	1.4739	1.5593	1.5328
Chinese renminbi	9.6820	9.6736	9.5647
Euro	1.3568	1.2886	1.3598

9 Provisions

	As at 31.03.16 £'000	As at 31.03.15 £'000	As at 31.12.15 £'000
Warranty	<u>13,511</u>	<u>15,921</u>	<u>14,579</u>
Non-current	8,268	8,204	8,218
Current	5,243	7,717	6,361
	<u>13,511</u>	<u>15,921</u>	<u>14,579</u>

10 Pension scheme

The net liability for defined benefit obligations has increased from £(4,947,000) at 31 December 2015 to £(10,822,000) at 31 March 2016. The movement of £(5,875,000) comprises contributions of £2,648,000 less an actuarial loss of £(6,225,000) and a charge to the income statement of £(2,298,000). The net actuarial loss has arisen in part due to a change in the discount rate assumptions used in the valuation of the scheme's assets and liabilities compared to those used at 31 December 2015. The discount rate decreased to 3.70% at 31 March 2016 compared to 3.95% at 31 December 2015.

11 Related party transactions

There have been no new related party transactions that have taken place in the first three months of the current financial year that have materially affected the financial position or performance of the group during that period and there have been no changes in the related party transactions described in the last annual report that could do so.

12 Post balance sheet events

On 23 April 2015, the company accepted binding subscriptions for £200 million of preference shares. The first tranche of £100 million was received on 27 April 2015 and the second tranche of £100 was drawn in April 2016. These subscriptions also include warrants for a pro rata allocation of P shares (non-voting ordinary shares) corresponding to 4% of the fully diluted share capital of the company.