

Aston Martin Holdings (UK) Limited

Interim financial report

for the period ended 30 June 2014

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**Interim financial report
for the period ended 30 June 2014**

Business review and outlook

The Aston Martin brand is one of the most widely recognised sports car brands with a one hundred and one year history of technical automotive performance and a high standard of styling and design. Our portfolio of cars is one of the most diversified offerings in the high luxury sport ("HLS") segment. We currently have seven models in our product range: V8 Vantage (including the V8 Vantage S), V12 Vantage S, DB9, Vanquish, Rapide S, Zagato and Cygnet. Some of these models are available in different model types, including engine sizes, as well as in coupe and convertible models. With the exception of the Cygnet, all of our models are sports cars. For the twelve months ended 30 June 2014, we sold 3,932 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. The Cygnet cars are also converted at our Gaydon facility.

Our total sales (excluding Cygnet) in the second quarter of 2014 were 829 vehicles (900 in the second quarter of 2013).

Average prices

	For the three months ended 30 June 2014	For the year ended 31 December 2013	For the three months ended 30 June 2013
Average car sale price in £ thousands	118 ⁽¹⁾	126 ⁽¹⁾	123 ⁽¹⁾
		<small>(1) Excludes Cygnet, One-77 & Zagato models</small>	

Sales volumes

	For the three months ended 30 June 2014	For the year ended 31 December 2013	For the three months ended 30 June 2013
V8	237	996	248
V12	592	2,808	652
Cygnet	13	100	19
Total	842	3,904	919

Recent developments and factors affecting comparability

On 30 April 2014 the group acquired an additional 10% of the share capital Aston Martin Works Limited for a consideration of £100, increasing its interest in the ordinary share capital of the company from 40% to 50%. Previously, Aston Martin Works Limited was accounted for as an associated company using the equity method of accounting, but following the increase in the shareholding to 50% it became a subsidiary and has been fully consolidated from 1 May 2014. In accordance with IFRS, for accounting purposes this transaction has been treated as a disposal of a 40% interest and the acquisition of a new 50% interest giving rise to a gain on the disposal of the associated company of £1,706,000 which has been treated as a non-recurring item. From 1 May 2014 the condensed consolidated statement of comprehensive income includes all revenues and costs of Aston Martin Works Limited whilst the condensed consolidated statement of financial position shows all assets and liabilities.

In April 2014 a further 76,180 ordinary shares were issued to Prestige Motor Holdings S.A, which is controlled by Investindustrial V L.P., for a consideration of £3,750,000.

On 31 July 2014 Aston Martin Lagonda Limited, a wholly owned indirect subsidiary of Aston Martin Holdings (UK) Limited, signed an electric/electronic (E/E) component supply agreement with Daimler AG. This important agreement is the third stage in the technical partnership with Daimler AG and follows the umbrella agreement and engine supply agreement. The signing of the E/E agreement entitles Daimler AG to an option for an additional 1% non-voting equity stake in Aston Martin Holdings (UK) Limited which, when exercised, will take Daimler AG's shareholding to a total of 5%.

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Financial review - income statement

Revenue

Revenue was £108.8m for the three months ended 30 June 2014, compared to £116.3m for the three months ended 30 June 2013, a decrease of £7.5m or 6.4%, giving revenue of £209.5m for the year to date, a decrease of £2.0m or 0.9% over the corresponding period in 2013. Vehicle sales decreased by 77 units or 8.4% to 842 vehicles in the 2014 quarter as compared to 919 vehicles in the second quarter of 2013. The decrease in revenue in the quarter is due to the lower volumes with a slight change in the mix with V12 sales falling to 70.3% of sales from 70.9%, whilst V8 sales have increased to 28.1% from 27.0%. The market mix also suffered due to the warranty recall issue affecting sales to China. In the half year sales volumes increased by 17 units to 1,665 vehicles from 1,648 in 2013. There was also an improved model mix with V12 sales increasing to 71.7% from 70.6% and V8 sales increasing to 26.9% from 26.4%, but sales revenue was slightly down due the reduced sales in China. The overall effect was that the average wholesale price for core models i.e. excluding Cygnet, One-77 and Zagato, reduced in the half year from £122,000 in 2013 to £115,000 in 2014.

Cost of sales

Cost of sales were £73.7m for the three months ended 30 June 2014, compared to £79.8m for the three months ended 30 June 2013, a decrease of £6.1m or 7.6%, whilst for the half year they decreased to £136.9m from £142.6m, a decrease of £5.7m or 4.0%.

Material costs for the three months ended 30 June 2014 decreased to £48.8m or 44.9% of revenue compared to £53.8m or 46.3% of revenue for the same period in 2013. Material costs in the half year decreased to £96.1m or 45.9% of revenue from £97.6m or 46.1% of revenue. The decrease as a percentage of revenue in the quarter is mainly due to lower variable marketing spend in 2014 compared to 2013. In the half year the lower percentage results from the higher mix of V12 product, referred to above, which increased from 70.6% of sales in 2013 to 71.7% in 2014, and the reduced variable marketing spend.

Direct labour for the three months ended 30 June 2014 was £4.8m or 4.4% of revenue compared to £6.2m or 5.3% of revenue in the three months to 30 June 2013, a decrease in absolute direct labour costs of £1.4m or 22.6%. The corresponding figures for the half year are £9.1m or 4.3% of revenue in 2014 and £11.3m or 5.3% of revenue in 2013. The reduction in both absolute and percentage terms continues the trend which started in the second half of 2013 of improved manufacturing efficiency as 2013 was affected by additional labour taken on for the launch of the Vanquish and Rapide S models.

Other cost of sales for the three months ended 30 June 2014 were £20.1m or 18.5% of revenue, compared to £19.8m or 17.0% of revenue for the three months ended 30 June 2013. In the half year these costs decreased to £31.6m from £33.7m, 15.1% and 15.9% of revenue respectively. In the quarter savings in Chinese duty costs and distribution costs arising from the lower sales volumes due to the throttle pedal issue have been offset by other costs. In the half year similar reasons apply.

Gross profit

The gross profit was £35.1m or 32.2% of revenue for the three months ended 30 June 2014, compared to £36.5m or 31.4% for the quarter ended 30 June 2013. The gross profit for the half year was £72.7m or 34.7% whilst the 2013 comparatives were £68.9m and 32.6%. The deterioration in the quarter is primarily due to lower sales volumes being partially offset by lower variable marketing, material and direct labour costs. In the half year the higher gross profit is principally due to the improved model mix arising from a higher proportion of V12 sales and lower direct labour costs.

Selling and distribution expenses

Selling and distribution expenses increased by £0.6m to £9.0m for the three months to 30 June 2014, as compared to £8.4m for the three months to 30 June 2013. In the half year they increased marginally by £0.1m to £16.5m from £16.4m in 2013. In the quarter additional costs were incurred in promoting the brand in China following the product recall as well as the Goodwood Festival of Speed and the launch of the N430, a special edition V8 Vantage. In the half year these costs were offset by savings in costs with regard to the launch of Rapide S and the centenary celebrations that were held in 2013.

Administrative and other expenses

Administrative and other expenses were £32.3m for the three months to 30 June 2014, compared to £35.0m for the three months to 30 June 2013, a decrease of £2.7m, and £67.7m for the half year in 2014 as compared to £63.9m in 2013. Included in both the quarter and the half year in 2013 are £6.7m relating to professional fees in respect of the capital increase, whilst in the 2014 quarter and the half year there is a profit of £1.7m on the disposal of the associated company. Adjusting for these one off items, costs increased by £5.7m in the quarter and £12.2m in the half year. Depreciation and amortisation accounted for £3.4m of the increase in the quarter and £7.0m in the half year, following the launch of the Vanquish Volante and V12 Vantage S models and the commencement of a charge for both tooling and research and development costs. The primary reasons for the rest of the increase are higher engineering costs associated with new model development and an accounting change in the timing of the recognition of holiday pay which will be neutral in the full year. Also, on 30 April 2014, the group acquired an additional 10% interest in the Works Service business, which resulted in the company becoming a subsidiary, as opposed to an associate from this date. Consequently, this entity is now fully consolidated with all of its revenues and costs reflected in the consolidated accounts as opposed to previously only showing a proportionate share of the profit or loss.

Operating loss

The operating loss was £(6.2)m in the three months ended 30 June 2014, compared to a loss of £(6.8)m in the three months to 30 June 2013, an improvement of £0.6m. The half year saw a slight deterioration with a loss of £(11.5)m in 2014 as compared to a loss of £(11.3)m in 2013. However, as mentioned above, 2013 included £6.7m of non-recurring costs in both the quarter and half year, and the 2014 quarter included a non-recurring gain of £1.7m. Adjusting for these items the underlying loss deteriorated in the quarter from £(0.1)m to £(7.9)m and in the half year from £(4.6)m to £(13.2)m. In the quarter, gross profit reduced by £(1.4)m mainly due to lower sales volumes, whilst fixed costs increased by £6.3m due to higher depreciation and amortisation costs, engineering costs and the timing difference on holiday pay. In the half year, gross profit increased by £3.8m due to slightly higher volumes coupled with improved model mix and lower direct labour costs, whilst fixed costs increased by £12.4m for the same reasons as in the quarter.

Finance income / (expense)

The net finance expense was £(6.4)m in the three months to 30 June 2014, compared to £(4.7)m in the corresponding quarter of 2013. For the half year the net finance expense was £(13.5)m in 2014 as compared to £(22.0)m in 2013. The movement in the quarter arose primarily from a net gain on fair value adjustments on foreign exchange hedges of £1.4m in 2014 as compared to a net gain of £3.3m in 2013. In 2013 the gain was principally reflective of a weakening of the Australian Dollar whilst in 2014 it arose from a weakening of the US Dollar. Other net interest costs in the quarter decreased marginally to £(7.8)m in 2014 from £(7.9)m in 2013. The net cost of the PIK notes issued in March 2014, was only £(0.2)m as the interest due was largely offset by an exchange gain on the \$165m loan as a result of the weakening US Dollar. In the 2014 half year the net gain on the fair value of foreign exchange hedges was £2.2m, whilst in 2013 there was a net loss of £(5.8)m. The gains in 2014 were again primarily reflective of a weakening of the US Dollar whilst in the first half of 2013 this same currency strengthened significantly. Other net finance costs decreased by £0.5m to £(15.7)m in 2014 as compared to £(16.2)m in 2013 with a net income of £0.1m on the PIK note interest due to the exchange gain exceeding the interest due. Further analysis of finance income and expense is set out in notes 3 and 4.

Income tax credit

The income tax credit was £2.9m in the three months to 30 June 2014, as compared to a credit £2.6m in the three months to 30 June 2013, representing rates of 22.9% and 22.5% of the loss before tax respectively. In the half year to 30 June 2014 there was a credit of £4.7m representing a rate of 18.6%, which compared to a credit of £7.5m in 2013, a rate of 22.5%. The percentage for the half year in 2014 is lower than the applicable UK corporation tax rate for the year of 21.5% as a result of credit not being taken for certain losses, the utilisation of which is not certain. Please refer to note 5 for more information on income tax.

**Interim financial report
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Financial review - cash flow statement

The three months to 30 June 2014 saw a net cash outflow of £(14.4)m, compared to an inflow of £61.5m in the three months to 30 June 2013. The cash balance at 30 June 2014 is £114.9m. The equivalent flows for the half year were an inflow of £40.2m in 2014 as compared to an inflow of £34.2m in 2013.

Cash flow from operating activities

We generated £10.4m of net cash from our operating activities in the three months to 30 June 2014, and £10.7m in the half year to 30 June 2014, as compared to utilising £(28.7)m and £(29.8)m in the equivalent three month and six month periods to 30 June 2013. The main reason for the improvement quarter over quarter was that in 2014 working capital only decreased by £0.6m, whereas in 2013 it increased by £(38.1)m. The 2013 figure was distorted by the £25.0m advance deposit received in December 2012 and recorded in payables being transferred to equity in the second quarter. Adjusting for this would reduce the comparable 2013 increase to £(13.1)m. The small decrease in working capital in the quarter arose from an increase in inventory being more than offset by movements in receivables and increases in payables. The increase in inventory largely arose from a build up of Chinese inventory, the sale of which was delayed due to the warranty recall issue, which has now been resolved. Similar reasons apply to the increase in working capital of £(14.4)m in the half year.

Cash flow from investing activities

Net cash used in investing activities increased to £26.9m in the three months to 30 June 2014, compared to £24.8m in the three months to 30 June 2013. The half year also saw a more substantial increase to £54.0m in 2014 from £37.9m in 2013. The majority of the increase arose from expenditure on intangible assets which increased to £24.2m and £48.1m respectively in the quarter and half year in 2014 from £20.3m and £32.7m respectively in the equivalent 2013 periods. This is reflective of the group implementing its biggest investment strategy in its history to bring a complete new range of vehicles to market. The 2014 quarter also includes an inflow of £1.3m which was the cash in the Works Service business upon the acquisition of a further 10% of its equity on 30 April 2014. This resulted in the company becoming a subsidiary as opposed to an associate and therefore being fully consolidated.

Cash flow from financing activities

Net cash generated from financing activities was £2.9m in the three months to 30 June 2014, as compared to £116.3m in the three months to 30 June 2013. The half year to June 2014 saw net cash generated of £85.8m as compared to £99.7m in 2013. The major reasons for the inflows in the quarters were the capital increases of £3.8m in 2014 and £150.0m in 2013, which was accompanied by the repayment of borrowings of £(0.2)m in 2014 and £(32.5)m in 2013. In the half year the difference in the cash generated is less significant as the group raised £99.1m (\$165.0m) through the issue of Senior Subordinated PIK Notes due for repayment in July 2018 and settled fees of £0.8m in respect of the transaction. Interest paid is not significantly different in the quarters or half years as the interest due on the PIK Notes is not repayable until July 2018. Accrued interest on the PIK Notes is added to borrowings but in the quarter to June 2014 this is offset by a reduction in the Sterling equivalent of the loan due to the weakening of the US Dollar.

Aston Martin Holdings (UK) Limited

**Interim financial report
for the period ended 30 June 2014**

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 30 June 2014.

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



Hanno Kirner
Chief Financial Officer

27 August 2014

**Condensed consolidated statement of comprehensive income
for the period ended 30 June 2014**

	Notes	6 months ended 30 June 2014	3 months ended 30 June 2014	6 months ended 30 June 2013 as restated	3 months ended 30 June 2013 as restated
		£'000	£'000	£'000	£'000
Revenue	2	209,491	108,760	211,481	116,325
Cost of sales		(136,850)	(73,688)	(142,643)	(79,845)
Gross profit		<u>72,641</u>	<u>35,072</u>	<u>68,838</u>	<u>36,480</u>
Selling and distribution expenses		(16,451)	(9,016)	(16,386)	(8,389)
Administrative and other expenses		(67,758)	(32,250)	(63,907)	(35,044)
Share of result in associates		32	(30)	117	113
Operating loss		<u>(11,536)</u>	<u>(6,224)</u>	<u>(11,338)</u>	<u>(6,840)</u>
Analysed as :					
Gain on the disposal of an associated company		(1,706)	(1,706)	-	-
Professional fees relating to capital increase		-	-	6,739	6,739
Underlying operating loss*	7	(13,242)	(7,930)	(4,599)	(101)
Operating loss		<u>(11,536)</u>	<u>(6,224)</u>	<u>(11,338)</u>	<u>(6,840)</u>
Finance income	3	6,511	4,677	1,847	4,072
Finance expense	4	(20,004)	(11,083)	(23,891)	(8,726)
Net financing expense		<u>(13,493)</u>	<u>(6,406)</u>	<u>(22,044)</u>	<u>(4,654)</u>
Loss before tax		<u>(25,029)</u>	<u>(12,630)</u>	<u>(33,382)</u>	<u>(11,494)</u>
Income tax credit	5	4,655	2,892	7,510	2,590
Loss for the period		<u>(20,374)</u>	<u>(9,738)</u>	<u>(25,872)</u>	<u>(8,904)</u>
Other comprehensive income / (expense)					
Items that will never be reclassified to profit or loss					
Remeasurement of defined benefit asset		4,516	3,001	4,699	7,781
Related income tax		(903)	(600)	(1,081)	(1,790)
		<u>3,613</u>	<u>2,401</u>	<u>3,618</u>	<u>5,991</u>
Items that are or maybe reclassified to profit or loss					
Foreign exchange translation differences		(717)	(316)	234	(2)
Other comprehensive income / (expense) for the period, net of income tax		<u>2,896</u>	<u>2,085</u>	<u>3,852</u>	<u>5,989</u>
Total comprehensive expense for the period		<u>(17,478)</u>	<u>(7,653)</u>	<u>(22,020)</u>	<u>(2,915)</u>
Loss attributable to:					
Owners of the group		(20,323)	(9,687)	(25,872)	(8,904)
Non-controlling interests		(51)	(51)	-	-
		<u>(20,374)</u>	<u>(9,738)</u>	<u>(25,872)</u>	<u>(8,904)</u>
Total comprehensive income / (expense) attributable to:					
Owners of the group		(20,323)	(7,602)	(22,020)	(2,915)
Non-controlling interests		(51)	(51)	-	-
		<u>(20,374)</u>	<u>(7,653)</u>	<u>(22,020)</u>	<u>(2,915)</u>

* underlying operating loss represents operating loss excluding non-recurring items.

Notes on pages 11 to 14 form an integral part of the financial statements.

Aston Martin Holdings (UK) Limited

Condensed consolidated statement of changes in equity

Group	Share capital	Share premium	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	3	358,296	92,964	(237)	(44,828)	406,198
Total comprehensive income / (expense) for the period						
Loss	-	-	-	-	(9,687)	(9,687)
Other comprehensive income / (expense) for the period						
Foreign currency translation differences	-	-	-	(316)	-	(316)
Remeasurement of defined benefit asset (note 11)	-	-	-	-	3,001	3,001
Income tax on other comprehensive income	-	-	-	-	(600)	(600)
Total other comprehensive income / (expense)	-	-	-	(316)	2,401	2,085
Total comprehensive income / (expense) for the period	-	-	-	(316)	(7,286)	(7,602)
Transactions with owners, recorded directly in equity						
Capital increase	-	3,750	-	-	-	3,750
Total transactions with owners	-	3,750	-	-	-	3,750
Changes in ownership interests						
Acquisition of subsidiary with non-controlling interests (note 12)	-	-	5,455	-	(51)	5,404
At 30 June 2014	3	362,046	98,419	(553)	(52,165)	407,750

In April 2014 a further 76,180 ordinary shares were issued to Prestige Motor Holdings S.A, which is controlled by Investindustrial V L.P., for a consideration of £3,750,000.

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £4,355,000 of Non-controlling interest relating to the acquisition of an additional 10% of the share capital of AMWS Limited, the parent company of Aston Martin Works Limited. See note 12 for further details.

Aston Martin Holdings (UK) Limited

Condensed consolidated statement of changes in equity (continued)

Group	Share capital	Share premium	Capital reserve and Non-controlling interests	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2014	3	358,296	92,964	164	(35,404)	416,023
Total comprehensive income / (expense) for the period						
Loss	-	-	-	-	(20,323)	(20,323)
Other comprehensive income / (expense) for the period						
Foreign currency translation differences	-	-	-	(717)	-	(717)
Remeasurement of defined benefit asset (note 11)	-	-	-	-	4,516	4,516
Income tax on other comprehensive income					(903)	(903)
Total other comprehensive income / (expense)	-	-	-	(717)	3,613	2,896
Total comprehensive income / (expense) for the period	-	-	-	(717)	(16,710)	(17,427)
Transactions with owners, recorded directly in equity						
Capital Increase	-	3,750	-	-	-	3,750
Total transactions with owners	-	3,750	-	-	-	3,750
Changes in ownership interests						
Acquisition of subsidiary with non-controlling interests (note 12)	-	-	5,455	-	(51)	5,404
At 30 June 2014	3	362,046	98,419	(553)	(52,165)	407,750

In April 2014 a further 76,180 ordinary shares were issued to Prestige Motor Holdings S.A, which is controlled by Investindustrial V L.P., for a consideration of £3,750,000.

Included in Capital Reserve and Non-controlling interests is £1,100,000 of additional capital reserve and £4,355,000 of Non-controlling interest relating to the acquisition of an additional 10% of the share capital of AMWS Limited, the parent company of Aston Martin Works Limited. See note 12 for further details.

Condensed consolidated statement of changes in equity (continued)

Group	Share capital £'000	Share premium £'000	Capital reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2013	2	191,512	92,964	580	(41,030)	244,028
Total comprehensive income / (expense) for the period						
Loss	-	-	-	-	(8,904)	(8,904)
Other comprehensive income						
Foreign currency translation differences	-	-	-	(2)	-	(2)
Remeasurement of defined benefit asset (note 11)	-	-	-	-	7,781	7,781
Income tax on other comprehensive income	-	-	-	-	(1,790)	(1,790)
Total other comprehensive income / (expense)	-	-	-	(2)	5,991	5,989
Total comprehensive income / (expense) for the period	-	-	-	(2)	(2,913)	(2,915)
Transactions with owners, recorded directly in equity						
Capital Increase	1	149,999	-	-	-	150,000
Total transactions with owners	1	149,999	-	-	-	150,000
At 30 June 2013	3	341,511	92,964	578	(43,943)	391,113

Group	Share capital £'000	Share premium £'000	Capital reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	2	191,512	92,964	344	(21,689)	263,133
Total comprehensive income / (expense) for the period						
Loss					(25,872)	(25,872)
Other comprehensive income						
Foreign currency translation differences				234		234
Remeasurement of defined benefit asset (note 11)					4,699	4,699
Income tax on other comprehensive income					(1,081)	(1,081)
Total other comprehensive income / (expense)				234	3,618	3,852
Total comprehensive income / (expense) for the period				234	(22,254)	(22,020)
Transactions with owners, recorded directly in equity						
Capital increase	1	149,999	-	-	-	150,000
Total transactions with owners	1	149,999	-	-	-	150,000
At 30 June 2013	3	341,511	92,964	578	(43,943)	391,113

On 30 April 2013 the company issued 1,142,696 shares with a par value of £0.001p per share for a consideration of £150,000,000 to Prestige Motor Holdings S.A., which is controlled by Investindustrial V L.P.

Condensed consolidated statement of financial position
at 30 June 2014

		As at 30.06.14 £'000	As at 30.06.13 £'000	As at 31.12.13 £'000
Non-current assets				
Intangible assets		595,301	535,577	570,942
Property, plant and equipment		175,738	188,895	180,809
Investments in associates		-	1,800	1,962
Other financial assets		766	-	1,542
Deferred tax asset		23,016	18,280	23,016
Employee benefits	11	6,765	1,866	1,886
		<u>801,586</u>	<u>746,418</u>	<u>780,157</u>
Current assets				
Inventories		99,837	90,782	69,965
Trade and other receivables		44,056	41,164	40,350
Other financial assets		4,419	-	3,108
Cash and cash equivalents	8	114,862	84,595	74,653
		<u>263,174</u>	<u>216,541</u>	<u>188,076</u>
Total assets		<u>1,064,760</u>	<u>962,959</u>	<u>968,233</u>
Current liabilities				
Borrowings	8	13,287	8,301	13,854
Trade and other payables		143,149	153,702	130,566
Income tax payable		163	160	936
Other financial liabilities		20	4,661	253
Provisions	10	7,253	6,605	7,678
		<u>163,872</u>	<u>173,429</u>	<u>153,287</u>
Non-current liabilities				
Borrowings	8	396,245	295,945	296,765
Other financial liabilities		25	2,624	45
Provisions	10	7,948	8,593	9,297
Deferred tax liabilities		88,920	91,255	92,816
		<u>493,138</u>	<u>398,417</u>	<u>398,923</u>
Total liabilities		<u>657,010</u>	<u>571,846</u>	<u>552,210</u>
Net assets		<u>407,750</u>	<u>391,113</u>	<u>416,023</u>
Equity				
Share capital		3	3	3
Share premium		362,046	341,511	358,296
Capital reserves		94,064	92,964	92,964
Translation reserve		(553)	578	164
Retained earnings		(52,114)	(43,943)	(35,404)
Equity attributable to owners of the group		<u>403,446</u>	<u>391,113</u>	<u>416,023</u>
Non-controlling interests		4,304	-	-
Total equity		<u>407,750</u>	<u>391,113</u>	<u>416,023</u>

Notes on pages 11 to 14 form an integral part of the financial statements.

Condensed consolidated statement of cash flows
for the period ended 30 June 2014

		6 months ended	3 months ended	6 months ended	3 months ended
	Notes	30 June	30 June	30 June	30 June
		2014	2014	2013	2013
		£'000	£'000	£'000	£'000
Operating activities					
Loss for the period		(20,374)	(9,738)	(25,872)	(8,904)
<i>Adjustments to reconcile loss for the period to net cash inflow from operating activities</i>					
Tax on continuing operations	5	(4,655)	(2,892)	(7,510)	(2,590)
Share of result in associates		(32)	30	(117)	(113)
Net finance costs		15,914	7,351	21,198	4,166
Other non cash movements		(717)	(316)	234	(2)
Gain on the disposal of an associated company		(1,706)	(1,706)	-	-
Depreciation and impairment of property, plant and equipment		14,584	6,671	12,809	5,697
Amortisation and impairment of intangible assets		24,890	12,625	19,707	10,194
Difference between pension contributions paid and amounts recognised in income statement		(363)	(232)	(150)	(284)
Increase in inventories		(23,252)	(7,039)	(17,393)	(8,152)
(Increase) / decrease in trade and other receivables		(1,635)	3,515	(6,390)	5,483
Increase / (decrease) in trade and other payables		10,532	4,153	(23,784)	(35,415)
Movement in provisions		(1,664)	(1,002)	(1,259)	308
Cash generated from / (used in) operations		11,522	11,420	(28,527)	(29,612)
Income taxes paid		(1,096)	(744)	(197)	(194)
Net cash inflow / (outflow) from operating activities		10,426	10,676	(28,724)	(29,806)
Cash flows from investing activities					
Interest received	3	961	547	1,275	806
Payments to acquire property, plant and equipment		(8,195)	(4,562)	(6,481)	(5,266)
Payments to acquire intangible assets		(48,053)	(24,215)	(32,703)	(20,338)
Purchase of Works Service business	12	1,300	1,300	-	-
Net cash used in investing activities		(53,987)	(26,930)	(37,909)	(24,798)
Cash flows from financing activities					
Interest paid		(16,889)	(662)	(16,434)	(1,124)
Proceeds from capital increase		3,750	3,750	150,000	150,000
Net new / (repayment of) borrowings		99,723	(179)	(33,868)	(32,549)
Transaction fees on new borrowings		(825)	10	-	-
Net cash inflow from financing activities		85,759	2,919	99,698	116,327
Net increase / (decrease) in cash and cash equivalents		42,198	(13,335)	33,065	61,723
Cash and cash equivalents at the beginning of the period		74,653	129,289	50,413	23,101
Effect of exchange rates on cash and cash equivalents		(1,989)	(1,092)	1,117	(229)
Cash and cash equivalents at the end of the period	8	114,862	114,862	84,595	84,595

Notes on pages 11 to 14 form an integral part of the financial statements.

**Notes to the financial statements for the period ended
30 June 2014**

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 30 June 2014 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, 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 and related accrued interest amount to £100,279,000 (171,466,000 US Dollars) at 30 June 2014 and are also due for repayment in July 2018. The £30,000,000 revolving credit facility is available until 2016. The revolving credit facility was undrawn at 30 June 2014, 31 December 2013 and 30 June 2013.

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 2013.

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 2013.

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 assets and 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
30 June 2014 (continued)

2 Revenue

	6 months ended 30.06.14 £'000	3 months ended 30.06.14 £'000	6 months ended 30.06.13 £'000	3 months ended 30.06.13 £'000
Sale of vehicles	186,903	96,505	198,637	111,798
Sale of parts	21,113	10,952	12,505	4,338
Servicing of vehicles	1,475	1,303	339	189
Total revenue	<u>209,491</u>	<u>108,760</u>	<u>211,481</u>	<u>116,325</u>

3 Finance income

	6 months ended 30.06.14 £'000	3 months ended 30.06.14 £'000	6 months ended 30.06.13 £'000 as restated	3 months ended 30.06.13 £'000 as restated
Bank deposit and other interest income	961	547	1,275	806
Net interest income on the net defined benefit asset	93	59	-	-
Net gain on financial instruments recognised at fair value through profit or loss	2,256	1,524	572	3,266
Net foreign exchange gain	3,201	2,547	-	-
Total finance income	<u>6,511</u>	<u>4,677</u>	<u>1,847</u>	<u>4,072</u>

4 Finance expense

	6 months ended 30.06.14 £'000	3 months ended 30.06.14 £'000	6 months ended 30.06.13 £'000 as restated	3 months ended 30.06.13 £'000 as restated
Bank loans and overdrafts	19,905	10,974	17,397	8,662
Net interest expense on the net defined benefit asset	-	-	110	64
Net loss on financial instruments recognised at fair value through profit or loss	99	109	6,384	-
Total finance expense	<u>20,004</u>	<u>11,083</u>	<u>23,891</u>	<u>8,726</u>

5 Income tax credit

The effective tax rate for the 6 months ended 30 June 2014 has been estimated at 18.6% (six months ended 30 June 2013 : 22.5%). This compares to a UK statutory rate of tax 21.5% applicable to the group for the period to 30 June 2014.

A reduction in the UK corporation rate from 23% to 21% (effective from 1 April 2014) and a further reduction to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the group's future current tax charge accordingly.

The deferred tax liability at 30 June 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

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

6 Dividends

No dividends have been declared or paid in the six month period to 30 June 2014 or the six month period to 30 June 2013.

7 Underlying operating loss

	6 months ended 30.06.14 £'000	3 months ended 30.06.14 £'000	6 months ended 30.06.13 £'000	3 months ended 30.06.13 £'000
Operating loss	(11,536)	(6,224)	(11,338)	(6,840)
Gain on the disposal of an associated company	(1,706)	(1,706)	-	-
Professional fees relating to capital increase	-	-	6,739	6,739
Underlying operating loss *	<u>(13,242)</u>	<u>(7,930)</u>	<u>(4,599)</u>	<u>(101)</u>

* underlying operating loss represents operating loss excluding non-recurring items.

Notes to the financial statements for the period ended
30 June 2014 (continued)

8 Net borrowings

	As at 30.06.14 £'000	As at 31.06.13 £'000	As at 31.12.13 £'000
Cash and cash equivalents	114,862	84,595	74,653
Bank loans and overdrafts (a)	(13,287)	(8,301)	(13,854)
Senior Secured Loan Notes (b)	(297,584)	(295,945)	(296,765)
Senior Subordinated PIK notes (c)	(98,661)	-	-
	<u>(294,670)</u>	<u>(219,651)</u>	<u>(235,966)</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. At 30 June 2014 the utilisation of these facilities was £13,287,000. At 30 June 2014, 31 December 2013 and 30 June 2013 the revolving credit facility was undrawn. The group has a wholesale vehicle financing facility of £100,000,000 with Standard Chartered Bank plc. Following a renegotiation of the terms of the facility and the transfer of substantially all of the risk to Standard Chartered Bank plc the facility is off-balance sheet.

(b) The group raised £304,000,000 through the issue of 9.25% Senior Secured Loan Notes in July 2011 which are 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 30 June 2014 closing exchange rate the liability relating to the Senior Subordinated PIK notes, including accrued interest, was £98,661,000.

9 Foreign exchange rates

	Average rate 6 months ended 30.06.14	Average rate 3 months ended 30.06.14	Average rate 6 months ended 30.06.13	Average rate 3 months ended 30.06.13
US dollar	1.6618	1.6672	1.5720	1.5185
Chinese renminbi	10.1931	10.3594	9.7818	9.4362
Euro	1.2058	1.2096	1.2078	1.1825

10 Provisions

	As at 30.06.14 £'000	As at 30.06.13 £'000	As at 31.12.13 £'000
Warranty	<u>15,201</u>	<u>15,198</u>	<u>16,975</u>
Non-current	7,948	8,593	9,297
Current	<u>7,253</u>	<u>6,605</u>	<u>7,678</u>
	<u>15,201</u>	<u>15,198</u>	<u>16,975</u>

11 Pension scheme

The net liability for defined benefit obligations of £(6,199,000) at 31 March 2014 has improved to a net asset of £1,866,000 at 30 June 2014. The movement of £8,065,000 comprises contributions of £2,276,000 plus a net actuarial gain of £7,781,000 less a charge to the income statement of £(1,992,000). The net actuarial gain has arisen mainly due to a change in the assumption for salary increases as opposed 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 March 2014. The discount rate decreased to 4.35% at 30 June 2014 compared to 4.5% at 31 March 2014.

12 Acquisition

On 30 April 2014 the group exercised an option to acquire an additional 10% of the share capital of AMWS Limited, the parent company of Aston Martin Works Limited, for a consideration of £100, increasing its interest in the ordinary share capital of the company from 40% to 50%. Aston Martin Works Limited's principal activities are the servicing, restoration and sale of luxury high-performance motor cars under the brand name of Aston Martin. Previously, Aston Martin Works Limited was accounted for as an associated company using the equity method of accounting, but following the increase in the shareholding to 50% it became a subsidiary and has been fully consolidated from 1 May 2014. In accordance with IFRS 3, for accounting purposes this transaction has been treated as a disposal of a 40% interest and the acquisition of a new 50% interest giving rise to a gain on the disposal of the associated company of £1,706,000, which has been treated as a non-recurring item and recorded in administrative and other expenses in the condensed consolidated statement of comprehensive income. From 1 May 2014 the condensed consolidated statement of comprehensive income includes all revenues and costs of Aston Martin Works Limited whilst the condensed consolidated statement of financial position shows all assets and liabilities.

A summary of the effect of the acquisition is detailed below:

	Fair value of assets acquired £'000
Intangible assets	751
Tangible assets	1,318
Inventory	6,620
Trade and other receivables	2,947
Trade and other payables	(4,065)
Cash	1,300
Tax and deferred tax	<u>(161)</u>
Due to non-controlling interests (50%)	<u>8,710</u>
	<u>(4,355)</u>
Goodwill	4,355
Consideration	<u>445</u>
	<u>4,800</u>
Satisfied by:	
Fair value of the disposal of the 40% interest	3,700
Contribution by the acquiree's shareholders	<u>1,100</u>
	<u>4,800</u>

There were no fair value adjustments to the book value of the net assets at acquisition.

Notes to the financial statements for the period ended
30 June 2014 (continued)

12 Acquisition (continued)

The fair values of the 40% and 50% interests in Aston Martin Works Limited were subject to an independent third party valuation performed in compliance with IFRS 13.

The acquisition contributed £3,351,000 to the group's revenue and increased the loss before tax by £(102,000) in both the quarter and six months to 30th June 2014.

If the acquisition had occurred on 1 January 2014 the group would have reported an estimated revenue of £215,894,000 and an estimated loss before tax of £(13,613,000) for the six months ended 30 June 2014.

13 Related party transactions

There have been no new related party transactions that have taken place in the first six 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.