Company Registration No. 01163954

The Colt Car Company Limited

Annual Report and Financial Statements

For the year ended 31 March 2017

The Colt Car Company Limited
Annual Report and Financial Statements for the year ended 31 March 2017

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The Colt Car Company Limited
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Officers and professional advisors

Directors

M Ichiki	Chairman
L R Bradley	Managing Director
M Kuroda	Finance Director
K Tamaki	Corporate Affairs Director
H Hayashi	
M Kochi	
A Kurosawa	Alternate Director
H Nagasawa	

Company Secretaries

R D Edmunds
C T Stephenson

Registered Office

Watermoor, Cirencester, Gloucestershire
GL7 1LF

Principal Bankers

Bank of Tokyo – Mitsubishi UFJ Limited
HSBC Bank plc

Solicitors

Burges Salmon
One Glass Wharf
Bristol
BS2 0ZX

Auditor
Deloitte LLP
Statutory Auditor
London

The Colt Car Company Limited
Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2017. Details of the Company's financial risk management objectives and policies, business review and future prospects can be found within the Strategic Report and form part of this report by cross-reference.

Principal activities

The business of The Colt Car Company Limited ("the Company") is that of importing, distributing and wholesaling motor vehicles and parts.

Results and dividends

The Company profit for the year after tax was £22,437,000 (year ended 31 March 2016: £35,846,000).

The directors recommend the payment of a final dividend in respect of the year ended 31 March 2017 of £20,074,000 (year ended 31 March 2016: £35,865,000).

Directors

The directors who held office during the year and to the date of this report, except as stated, were as follows:

L R Bradley		
M Ichiki	(Japanese citizen)	
J Iwata	(Japanese citizen)	(resigned 17 March 2017)
M Kuroda	(Japanese citizen)	
K Tamaki	(Japanese citizen)	
K Sho	(Japanese citizen)	(resigned 31 March 2017)
H Hayashi	(Japanese citizen)	
M Kochi	(Japanese citizen)	
H Nagasawa	(Japanese citizen)	(appointed 1 April 2017)
A Kurosawa	(Japanese citizen)	
N Takai	(Japanese citizen)	(appointed 1 December 2016 and resigned 1 April 2017)

Employees

The Company recognises its obligations towards disabled persons and endeavours to provide as much employment as the demands of the Company's operations and the abilities of the disabled persons allow. The Company gives full and fair consideration to suitable applications from disabled persons for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training. Opportunities are offered to disabled employees to develop their knowledge and skills and undertake greater responsibilities.

Employees at all levels are informed on a regular basis of the Company's activities through briefings by the Managing Director. All employees are encouraged to show awareness of the objectives of the Company and the standards of performance required in relation to the specific activities in which they are engaged.

Risk management

Details of the Company's approach to risk management are set out on page 5.

Modern Slavery

The Colt Car Company Limited has complied with its transparency requirement in accordance with section 54 (Part 6) of The Modern Slavery Act 2015 for the financial year ending 31 March 2017. A copy of the Company's signed modern slavery statement is available on its website.

The Colt Car Company Limited
Directors' report (continued)

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies, note 2 to the financial statements.

Political and charitable contributions

The Company did not make any political contributions during the current year or prior financial year. Donations to UK charities amounted to £22,000 (year ended 31 March 2016: £35,000). This amount represents direct donations to UK based charitable organisations.

Auditor

Each director at the date of approval of this report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself 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 s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an AGM.

By order of the Board

R D Edmunds
Company Secretary

28 July 2017

The Colt Car Company Limited
Strategic report

Business review

The Company has had a satisfactory year with the results showing continued profitability. The after tax Company profit of £22,437,000 (year ended 31 March 2016: £35,846,000) represents an excellent outcome in the current economic conditions.

The Company, which purchases vehicles and parts principally from Mitsubishi Motors Corporation, and both wholesales them to its franchised dealers throughout the UK and carries out a direct fleet sales operation. The number of dealerships as at 31 March 2017 was 115 (year ended 31 March 2016: 130), and the Company achieved 26,286 new car registrations in the year ended 31 March 2017 (year ended 31 March 2016: 30,595). The decline in the registrations is a result of the reduction of the plug-in car grant that resulted in the Mitsubishi Outlander PHEV not being available on the Motability scheme, coupled with increased competition in the fleet sector of the hybrid vehicle segment, The total new car market in the UK (including fleet and retail sales) was up 2.3% calendar year-on-year, ahead of industry forecasts and the EU average. The UK market recorded a strong performance similar to the top four EU markets, with private registrations for this fiscal year remaining consistent, whilst fleet volumes increased by 4.8%. The Company's share of the total car market (excluding commercial vehicles) was 0.61% for the fiscal year.

The L200 Series 5 has performed well in the UK pickup market with a market share of 17.8% in respect of sales during the year ended 31 March 2017 (year ended 31 March 2016: 19.3%). The L200 retained its position as a leading vehicle in the retail pick-up market.

Furthermore strong performance of the Mitsubishi Outlander PHEV with sales in the region of 7,500 units during the year ending 31 March 2017 helped to make it the UK's best selling hybrid vehicle.

Parts sales were £40.4m for the year ending 31 March 2017 (year ended 31 March 2016 £40.8m).

As at 31 March 2017, the net asset position of the Company was £29.2m (as at 31 March 2016: £47.9m). The directors consider the Company balance sheet position to be strong. The Company's return on capital employed, where the return of capital employed is equal to profit before tax divided by net assets, was 94.0% for the year ended 31 March 2017 as compared to 92.8% for the prior financial year.

Future developments

The Society of Motor Manufacturers and Traders (SMMT) forecast was for total new car registrations for 2017 to decrease by 2.6% from 2016 but total registrations were expected to remain above 2.6million per annum for the foreseeable future. The market showed robust growth in the first quarter of 2017, with an all-time record breaking number of registrations during March 2017, although industry experts have attributed the record performance to buyers seizing the chance to buy cars before the new vehicle excise duty rates came into force. From 1 April, under the new system all new cars, except for those with zero emissions, are subject to an annual flat rate charge and increased first year rates.

In the coming years the Company has a range of new models being introduced into the market. The manufacturer remains committed to reducing overall CO_2 emissions across its whole vehicle range through technological advances, similar to those seen on the Outlander PHEV.

Since 2011 the UK Government has operated a plug-in car grant scheme. Under its current form, the grant scheme retains a technology neutral approach, with eligible vehicles falling into 3 grant categories for cars on the basis of their CO_2 emissions and their zero emission range. The Outlander PHEV is a category 2 vehicle and attracts a grant of £2,500. The grant structure will be maintained at the current levels until at least October 2017, at which point a further review of grant levels will be carried out and published. The level of grant directly effects the number of sales of PHEVs, and the impact on sales is unknown beyond October 2017.

The Colt Car Company Limited
Strategic report (continued)

Principal risks and uncertainties

Business risk

A significant reduction in the dealer representation across the UK could limit the number of registrations that could be achieved. However, the Company's business model is designed to withstand lower sales by adjusting marketing spend and overheads accordingly.

The Company's activities expose it to a number of financial risks including credit risk, foreign exchange risk, inventory risk and liquidity risk, which are further elaborated below. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes and had no open derivatives as at 31 March 2017 (31 March 2016: £nil).

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

Foreign exchange risk

The majority of the Company's purchases are in £ sterling but where purchases are made in foreign currency, foreign exchange forward contracts are used when considered appropriate to hedge its exchange rate risks. The Company had no open forward contracts as at 31 March 2017 (31 March 2016: £nil).

Inventory risk

The Company relies on third parties to source its inventory. The Company's ability to procure supplies in a cost effective and timely manner is subject to various factors, some of which are not within its control. Any problems with suppliers due to man-made or natural disasters, could impact the supply chain and as a result could adversely affect the Company's ability to maintain certain levels of registrations and its financial performance.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company monitors its need for cash on a regular basis and takes appropriate action through intercompany and banking financing arrangements.

The Colt Car Company Limited
Strategic report (continued)

Key performance indicators

Key Performance Indicators (KPIs) have been set to align performance and accountability to the Company's long term plan. The KPIs will be the key measures of success and cover the Company's core business activities.

Turnover by category

	Year Ended 31.03.17 £'000	**Year Ended 31.03.16 £'000**
Vehicles	486,141	567,295
Parts	40,435	40,805
Servicing and other revenue (including training)	14,630	14,451
Company turnover	541,206	622,551

	Year Ended 31.03.17	**Year Ended 31.03.16**
Return on capital employed and return on sales		
Net assets, £'000	29,321	47,854
Pre-tax profit/(loss), £'000	27,558	44,407
Return on capital employed, (ROCE*) %	94.0	92.8
Pre-tax return on sales, (ROS**) %	5.1	7.1
Post-tax return on sales, (ROS**) %	4.1	5.8

*ROCE = Profit before tax / Net assets

**ROS = Profit / Turnover

New car registrations		
Number of new car registrations	26,286	30,595
Dealerships		
Number of dealerships	115	130

By order of the Board

R D Edmunds
Company Secretary

28 July 2017

The Colt Car Company Limited
Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Colt Car Company Limited
Independent auditor's report to the member of The Colt Car Company Limited

We have audited the financial statements of The Colt Car Company Limited for the year ended 31 March 2017 which comprise the statement of profit and loss, the statement of other comprehensive income, balance sheet, statement of changes in equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements..

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

The Colt Car Company Limited
Independent auditor's report to the member of The Colt Car Company Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anthony Morris (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 July 2017

The Colt Car Company Limited
Statement of profit and loss
For the year ended 31 March 2017

	Note	Year Ended 31.03.17 £'000	Year Ended 31.03.16 £'000
Turnover	4	541,206	622,551
Cost of sales		(466,538)	(525,906)
Gross profit		74,668	96,645
Distribution costs		(25,462)	(27,513)
Administrative expenses		(20,753)	(23,233)
Operating profit		28,453	45,899
Income from shares in group undertakings		2,300	2,300
Interest receivable and similar income	8	1	-
Interest payable and similar charges	9	(3,196)	(3,792)
Profit on ordinary activities before tax		27,558	44,407
Tax	10	(5,121)	(8,561)
Profit for the financial year	5	22,437	35,846

All results are derived from continuing operations.

The Colt Car Company Limited
Statement of other comprehensive income
For the year ended 31 March 2017

	£'000	Year ended 31.03.17 £'000	£'000	Year ended 31.03.16 £'000
Profit for the year		22,437		35,846
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (losses)/ gains on defined benefit pension schemes	(7,024)		1,198	
Deferred tax arising on losses /(gains) in the pension schemes	1,289		(521)	
Defined benefit pension scheme liability attributable to Spitalgate Dealer Services Limited under IAS 19	788		-	
Deferred tax attributable to Spitalgate Dealer Services Limited under IAS 19	(158)		-	
Other comprehensive (loss)/income for the year net of tax		(5,105)		677
Total comprehensive income for the year attributable to the Owner of the Company		17,332		36,523

The Colt Car Company Limited
Balance sheet
As at 31 March 2017

	Note	As at 31.03.17 £'000	As at 31.03.16 £'000
Fixed assets			
Tangible fixed assets	12	6,537	6,763
Investment property	13	1,599	1,622
Investments	14	-	5
Deferred tax asset	20	3,874	3,011
		12,010	11,401
Current assets			
Stocks	15	304,233	277,889
Debtors	16	59,374	83,397
Cash at bank and in hand		458	2,038
Total current assets		364,065	363,324
Creditors: Amounts falling due within one year			
Trade and other creditors	17	163,882	188,622
Bank loans and overdrafts	18	138,231	98,955
Accruals and deferred income	26	20,137	19,919
		322,250	307,496
Net current assets		41,815	55,828
Total assets less current liabilities		53,825	67,229
Creditors: Amounts falling due after more than one year			
Provisions for liabilities	19	3,146	2,916
Pension liability	25	21,358	16,459
		24,504	19,375
Net assets		29,321	47,854
Capital and reserves			
Called-up share capital	21	8,000	8,000
Profit and loss account	22	21,321	39,854
Total shareholder's funds		29,321	47,854

The financial statements of The Colt Car Company Limited registered number 01163954 were approved by the board of directors and authorised for issue on 28 July 2017.

They were signed on its behalf by:

L Bradley — Director

M Kuroda — Director

The Colt Car Company Limited
Statement of changes in equity
For the year ended 31 March 2017

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2015	8,000	27,282	35,282
Profit for the year	-	35,846	35,846
Other comprehensive income for the year	-	677	677
Total comprehensive income for the year	-	36,523	36,523
Dividends	-	(23,951)	(23,951)
Balance at 31 March 2016	8,000	39,854	47,854
Profit for the year	-	22,437	22,437
Other comprehensive loss for the year	-	(5,105)	(5,105)
Total comprehensive income for the year	-	17,332	17,332
Dividends	-	(35,865)	(35,865)
Balance at 31 March 2017	8,000	21,321	29,321

1. General information

The Company is a company incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 4 to 6.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements have been rounded to the nearest £1,000.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Mitsubishi Corporation. The group accounts of Mitsubishi Corporation are available to the public and can be obtained as set out in note 29.

Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Disclosure Initiative	The Company has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Company, and should be separated into the share of items that, in accordance with other IFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. The amendments also address the structure of the financial statements by providing examples of systematic ordering or grouping of the notes. The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Company.

1. General information (continued)

Annual Improvements to IFRSs 2012-2014 Cycle	The Company has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2012 - 2014 Cycle for the first time in the current year. The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued. The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The adoption of these amendments has had no effect on the Company's financial statements.

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2017 the Company has undergone transition from reporting under United Kingdom Generally Accepted Accounting Practice to FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101 'Reduced Disclosure Framework', the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash-flow statement, standards not yet effective, impairment of assets and certain related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Mitsubishi Corporation. The group accounts of Mitsubishi Corporation are available to the public and can be obtained as set out in note 29.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

2. Significant accounting policies (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report pages 4 to 6.

The profit reported by the Company for the current financial year and strong balance sheet position provide assurance that the Company is a going concern. The UK car market is forecast to contract in the coming years following record breaking registrations in 2016. Competition in the hybrid segment is expected to continue increasing, meaning pressure on the volume of Outlander PHEV sold in the 2017 financial year will increase. These conditions together with other trading conditions are expected to generate a reduction in company profitability over the next 12 months when compared to the current reporting year.

The Company has a strong balance sheet with positive net current assets and shareholder's funds. The borrowings of the Company as at 31 March 2017 of £138.23 million (bank loans, overdrafts and intergroup balances) were higher than those as at 31 March 2016 of £98.96 million but are well within the agreed loan facilities. The Company has a strong risk management function which matches operations and cost base with the current trading environment to minimise the impact of such risks as mentioned in the Strategic Report.

The Company has received confirmation that loan facilities of £257 million with Mitsubishi Corporation Finance PLC (held jointly with Spitalgate Dealer Services Limited, a fellow subsidiary company of Mitsubishi Corporation) will remain available until 31 May 2018 and at this stage there is no reason to believe that these will not be renewed for a further 12 months at that date. The Company also has a rolling borrowings facility of £50 million with Bank of Tokyo Mitsubishi UFJ Ltd.

The Company's forecasts and projections, which take into account any reasonably probable changes in the financial performance of the Company, show that the Company, at current projected sales volumes, is able to operate well within the level of that current facility.

Based on the above factors, and after making enquiries, the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the Company annual report and financial statements.

Investments in joint ventures

Investments in joint ventures are accounted for at cost less, where appropriate, provisions for impairment.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Turnover is reduced for estimated customer returns, rebates and other similar allowances.

2. Significant accounting policies (continued)

Sale of goods

Turnover from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Trade sales

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers (dealers and customers) during the financial period. Car sales are recognised only upon registration of the vehicle in the name of the dealer or customer. Stocks held by dealers before registration are consignment stocks and are held on the Company's balance sheet until registration. Payments from dealers received before registration are shown in creditors as payments received in advance.

Turnover relating to vehicles sold on buyback deals is recognised as the difference between the new vehicle sales price when the vehicle is initially sold and the buy-back price from the leasing company. The turnover is spread over the term of the contract, similar to an operating lease arrangement.

Retail sales

Turnover represents the invoiced value of net sales to external customers excluding road fund licence and value added tax. Turnover is recognised on delivery for vehicles, and on invoicing for parts and service sales. Parts and service sales are invoiced on the date on which delivery takes place.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

Servicing fees included in the price of products sold are recognised by reference to the point the service for the product sold is taken. Revenue from labour and parts contracts is recognised at the contractual rates using the same criteria.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Expenditure on operating leases is charged to the profit and loss account as the rentals accrue on a straight-line basis over the period of the lease.

Assets leased under finance leases are recorded as fixed assets and depreciated on a straight-line basis over their useful lives. Rental income is recognised on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Grant income is recognised in the same period as the expenditure towards which it is intended to contribute.

Grant income received in connection with the Outlander PHEV is passed to the end customers in line with the terms of the Government's scheme. None of this income is recognised in the Company's statement of profit and loss. Government grants received but not yet transferred to end customers are recognised as deferred income in the balance sheet and transferred out on a systematic and rational basis upon the sale of the Outlander PHEV to end customers.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each year end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

The Company sponsors a defined benefit scheme, The Colt Car Company Limited Retirement Benefits Scheme ("the Scheme"), to provide retirement benefits for its current and previous employees and those of Spitalgate Dealer Services Limited (a fellow subsidiary of Mitsubishi Corporation) who joined the Scheme prior to it being closed to new entrants in September 2002.

Under IAS 19: 'Employee Benefits' if an entity participates in a defined benefit multi-employer plan, the entity should account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan, and provide disclosures, in the same way as for any other defined benefit plan. During the year ending 31 March 2017 the share of Spitalgate Dealer Services Limited defined benefit obligations, assets and associated costs were apportioned and allocated individually for the first time.

The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using an attained age method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Company contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of other comprehensive income, actuarial gains and losses.

The Company also operates a defined contribution pension scheme of which staff of Spitalgate Dealer Services Limited are also current members. The assets of the scheme are held separately from those of the Company in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Tangible fixed assets

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any recognised impairment loss.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land	- Not depreciated
Freehold property	- 50 years
Short leasehold property	- Over the lease period
Plant and machinery	- 5 years
Fixtures and fittings	- 5 years
Motor vehicles	- 4 years

2. Significant accounting policies (continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is stated at cost less accumulated depreciation and any recognised impairment loss.

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 years. A reversal of an impairment loss is recognised immediately in profit or loss.

Stocks

Stocks of new and used vehicles and spare parts are valued at cost as invoiced by suppliers, including the cost of freight, transport, insurance and import duty, where applicable. Provisions are made to reduce the value of stocks to net realisable value if this is less than cost.

Consignment stocks of new vehicles are recognised as assets of the business, and the corresponding liabilities are also recognised, where the Company has retained substantially all the risk and rewards of ownership.

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL, which are initially measured at fair value.

Financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2. Significant accounting policies (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities and equity

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Equity instruments are classified as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2. Significant accounting policies (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Company's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

Key sources of estimation uncertainty

There are no key assumptions made by the management concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, except for the following:

Defined benefit pension scheme

The Company sponsors the Scheme, to provide retirement benefits for its current and previous employees and those of Spitalgate Dealer Services Limited (a fellow subsidiary of Mitsubishi Corporation) who joined the Scheme prior to it being closed to new entrants in September 2002.

The valuation of the pension liability involves making a number of critical estimates relating to discount factors, expected return on scheme assets, price inflation, future salary increases, future pension increases and mortality rates.

These assumptions are described in more detail in note 25.

4. Turnover

An analysis of the Company's turnover by class of business is set out below.

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Turnover:		
Vehicles	486,141	567,295
Parts	40,435	40,805
Other revenue	14,630	14,451
	541,206	622,551

An analysis of the Company's turnover by geographical market is set out below.

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Turnover:		
United Kingdom	539,875	620,919
Rest of the World (primarily Europe)	1,331	1,632
	541,206	622,551

5. Profit for the year

Profit for the year has been arrived at after charging / (crediting):

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Cost of inventories	450,077	510,492
Depreciation and other amounts written off tangible fixed assets	1,034	864
Gain on disposal of tangible fixed assets	-	12
Rentals receivable under operating leases	(90)	(90)
Rentals payable under operating leases:		
Plant and machinery	22	27
Property	1,825	1,889
Staff costs (see note 7)	10,398	10,349

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £88,000 (2016: £80,000).

7. Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 31.03.17	Year ended 31.03.16
Average number of employees (including directors)	218	211

Their aggregate remuneration comprised:

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Wages and salaries	7,891	7,861
Social security costs	935	784
Other pension costs	1,572	1,704
	10,398	10,349

The key management personnel is made up of the management board of the Company. The information on directors' remuneration, including the remuneration of the highest paid director, is set out in note 28.

8. Interest receivable and similar income

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Interest receivable on corporation tax	1	-

9. Interest payable and similar charges

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Interest payable on bank overdrafts	113	226
Interest payable to group companies	2,584	2,934
Other finance charges	499	632
Total interest payable	3,196	3,792
Other finance charges:		
Interest on pension scheme liabilities (Note 25)	2,052	2,066
Expected return on pension scheme assets (Note 25)	(1,553)	(1,434)
	499	632

10. Tax

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Corporation tax:		
UK corporation tax	4,910	7,660
Adjustments in respect of prior years	47	2
Deferred tax (note 20)	164	899
	5,121	8,561

Corporation tax is calculated at 20% (2016: 20%) of the estimated taxable profit for the year. The charge for the year can be reconciled to the profit in the statement of profit and loss as follows:

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Profit before tax on continuing operations	27,558	44,407
Tax at the UK corporation tax rate of 20 % (2016: 20 %)	5,512	8,881
Tax effect of expenses that are not deductible in determining taxable profit	126	129
Tax effect of income not taxable in determining taxable profit	(460)	(462)
Movements in unrecognised deferred tax	-	13
Adjustments to tax charge in respect of previous years	(24)	-
Tax effect of change in tax rate	(33)	-
Tax expense for the year	5,121	8,561

In addition to the amount charged to the statement of profit and loss, the following amounts relating to tax have been recognised in other comprehensive income:

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Deferred tax arising on losses / (gains) in the pension schemes	1,131	(521)

11. Dividends

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2016 (equivalent to 448.31 pence per share)	-	35,865
Proposed final dividend for the year ended 31 March 2017 (equivalent to 250.93 pence per share)	20,074	-

The proposed final dividend is subject to approval by shareholders passing a written resolution and has not been included as a liability in these financial statements.

The payment of this dividend will not have any tax consequences for the Company.

12. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2016	10,915	5,460	16,375
Additions	46	739	785
Disposals	-	-	-
At 31 March 2017	10,961	6,199	17,160
Accumulated depreciation			
At 1 April 2016	5,821	3,791	9,612
Charge for the year	265	746	1,011
Eliminated on disposal	-	-	-
At 31 March 2017	6,086	4,537	10,623
Carrying amount			
At 31 March 2017	4,875	1,662	6,537
At 31 March 2016	5,094	1,669	6,763

Land and buildings include freehold land with a cost of £524,000 (at 31 March 2016: £524,000) which is not depreciated.

13. Investment property

	£'000
Cost	
At 1 April 2016 and at 31 March 2017	1,780
Accumulated depreciation	
At 1 April 2016	158
Charge for the year	23
At 31 March 2017	181
Carrying amount	
At 31 March 2017	1,599
At 31 March 2016	1,622

As at 31 March 2017 the Company considers the value in use of the investment property to be greater than the carrying value reported in the balance sheet. IAS 36 defines the recoverable amount as the higher of the fair value less costs of disposal or the value in use. As a result of the value in use of the investment property exceeding the carrying value no impairment considerations are required.

No third party valuation has been carried out on the investment property.

The carrying amount includes freehold land with a cost of £625,000 (at 31 March 2016: £625,000) which is not depreciated. The property rental income earned by the Company from its investment property, which is leased out under an operating lease, amounted to £90,000 (2016: £90,000). Direct operating expenses arising on the investment property, which generated rental income in the period, amounted to £23,000 (2016: £23,000).

14. Investments

	Joint venture £'000
Cost	
At 1 April 2016	5
Disposals	(5)
At 31 March 2017	-

The investment in the joint venture represented a 49.99% holding by the Company in the ordinary share capital of Shogun Finance Limited, a company incorporated in the United Kingdom which deals in motor vehicle financing agreements for customers.

On the 20th March 2017 the Company sold its entire share capital holding of Shogun Finance Limited, at cost, to Spitalgate Dealer Services Limited (a fellow subsidiary of Mitsubishi Corporation).

15. Stocks

	As at 31.03.17 £'000	As at 31.03.16 £'000
Goods for resale (vehicles and parts)	304,233	277,889

Goods for resale are recognised on a first in first out methodology and valued at cost including import duties. Included in goods for resale is an amount of £3,816,000 (at 31 March 2016: £2,925,000) for provisions to reduce the value of specific goods for resale to the recoverable amount.

Goods for resale also include £35,267,000 (at 31 March 2016: £12,391,000) relating to the residual interest held in vehicles which the Company has an obligation to repurchase from third parties (see note 17) and an amount of £19,083,000 (at 31 March 2016: £11,953,000) relating to the residual interest held in vehicles which the Company has an obligation to repurchase from Company employees and business partners.

16. Debtors

	As at 31.03.17 £'000	As at 31.03.16 £'000
Amounts falling due within one year:		
Amount receivable for the sale of goods	24,478	28,625
Allowance for doubtful debts	(142)	(27)
	24,336	28,598
Amounts owed by group undertakings	24,365	34,128
Corporation tax	1,213	-
Other debtors	6,303	18,485
Prepayments and accrued income	3,157	2,186
	59,374	83,397

17. Trade and other creditors

	As at 31.03.17 £'000	As at 31.03.16 £'000
Trade creditors	102,153	104,575
Amounts owed to group undertakings	3,911	577
Payments received in advance	37,655	57,697
Corporation tax	-	3,837
Other taxes and social security	19,559	21,616
Other creditors	604	320
	163,882	188,622

Included in trade creditors is an amount of £35,267,000 (at 31 March 2016: £12,391,000) representing the future liability to repurchase vehicles held by third parties. Also included is an amount of £19,083,000 (at 31 March 2016: £11,953,000) representing the future liability to repurchase vehicles held by Company employees and business partners (see note 15).

18. Bank loans, debentures and overdrafts

	As at 31.03.17 £'000	As at 31.03.16 £'000
Secured borrowing at amortised cost:		
Bank overdraft	25,790	43,201
Bank loan	112,441	55,754
Amount due for settlement within 12 months	138,231	98,955

The other principal features of the Company's borrowings are as follows.

(i) Bank overdrafts are repayable on demand. Overdrafts of £25,790,000 (2016: £43,201,000) have been guaranteed in full by Mitsubishi Corporation, the parent company of The Colt Car Company Limited. The overdrafts have a variable rate ranged from 0.45% to 0.73%.

(ii) The Company has a bank loan due to Mitsubishi Corporation Finance PLC, a fellow group undertaking which is guaranteed in full by Mitsubishi Corporation. The loan is a variable rate loan and the rates borne in the financial year ranged from 0.506% to 0.765%. This loan is repayable on demand.

19. Provisions

	As at 31.03.17 £'000	As at 31.03.16 £'000
Warranty provision	2,994	2,660
Deferred tax (see note 20)	152	256
	3,146	2,916

	Warranty provision £'000	Deferred tax £'000	Total £'000
At 1 April 2016	2,660	256	2,916
Additional provision in the year	668	-	668
Utilisation of provision	(334)	(104)	(438)
At 31 March 2017	2,994	152	3,146

The warranty provision is an estimate of the liability to be met for the costs of warranty. A provision is made for all vehicles sold still under warranty, net of support from the factory in respect of these costs. These costs will be incurred over the remaining period of up to five years from the date of sale of the vehicles.

The debit to the profit and loss account of £668,000 represents the position after taking account of increases to the provision in respect of new vehicles sold under warranty and releases on expiration of the warranty period on existing vehicles. The amount utilised of £334,000 relates to the actual cost of completing any warranty repairs during the financial year.

20. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £'000	Pension scheme £'000	Total £'000
Liability / (asset) at 1 April 2015	282	(4,457)	(4,175)
(Credit) / charge to profit or loss	(26)	925	899
Charge to other comprehensive income	-	521	521
Liability / (asset) at 1 April 2016	256	(3,011)	(2,755)
(Credit) / charge to profit or loss	(104)	268	164
Credit to other comprehensive income	-	(1,131)	(1,131)
Liability / (asset) at 31 March 2017	152	(3,874)	(3,722)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31.03.17 £'000	As at 31.03.16 £'000
Deferred tax liabilities	(152)	(256)
Deferred tax assets	3,874	3,011

21. Share capital

	As at 31.03.17 £'000	As at 31.03.16 £'000
Authorised, allotted, called-up and fully paid		
8,000,100 Ordinary shares of £1 each	8,000	8,000

The Company has one class of ordinary shares which carry no right to fixed income.

22. Profit and loss account

The profit and loss reserve represents cumulative profit or losses, net of dividends paid and other adjustments.

23. Contingent liabilities

Duty deferment guarantees amounting to £15,000,000 are held by HSBC Bank Plc in favour of HM Customs and Excise.

The Company has provided guarantees to Shogun Finance Limited and Spitalgate Dealer Services Limited limited to £100,000 each and guarantees to Laimond Properties Limited limited to £371,000.

24. Operating lease arrangements

The Company as lessee

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Lease payments under operating leases recognised as an expense in the year	1,825	1,889

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Within one year	1,773	1,810
In the second to fifth years inclusive	5,135	5,827
After five years	923	2,245
	7,831	9,882

Operating lease payments represent rentals payable by the Company for certain of its operational sites. Leases are negotiated for an average term of 3.80 years and rentals are fixed for an average of 3.80 years.

In addition the Company is committed to a total of £10,596,000 (as at 31 March 2016: £8,780,000) under sponsorship arrangements over the next three years.

The Company as lessor

As set out in note 13, property rental income earned during the year was £90,000 (2016: £90,000). The property is expected to generate a rental yield of 6 per cent on an ongoing basis. The operating lease contract contains a rent review clause. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the balance sheet date, the Company had contracted with the tenant for the following future minimum lease payments:

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Within one year	90	90
In the second to fifth years inclusive	217	307
	307	397

25. Retirement benefit schemes

Defined contribution scheme

The Company operates the DC Scheme for its employees. The assets of the DC Schemes are held separately from those of the Company in independently administered funds.

The total cost charged to the statement of profit and loss of £298,000 (2016: £262,000) represents contributions payable to the DC Scheme by the Company at rates specified in the rules of the plans. As at 31 March 2017, contributions of £nil (2016: £nil) due in respect of the current reporting period had not been paid over to the DC Scheme.

Defined benefit schemes

The Company sponsors the Scheme, to provide retirement benefits for its current and previous employees and those of Spitalgate Dealer Services Limited (a fellow subsidiary of Mitsubishi Corporation) who joined the Scheme prior to it being closed to new entrants in September 2002. The Scheme remains open to future accrual.

The Scheme is funded by payments of contributions from the Company and its employees to a trustee administered fund. A recovery plan and schedule of contributions was agreed in 2014 between the Company and the Scheme to reduce the deficit over 10 years. The total cash contributions agreed were £18.7 million. As at 31 March 2017 the Company has paid 31.8% of the total.

Benefits are built up in the Scheme on a final salary basis to the earlier of leaving or retirement.

	As at 31.03.17 £'000	As at 31.03.16 £'000
Present value of funded obligations	74,286	62,556
Fair value of scheme assets	(52,928)	(46,097)
Deficit	21,358	16,459
Related deferred tax asset	(3,874)	(3,011)
Net liability	17,484	13,448
Amounts in the balance sheet		
Assets	3,874	3,011
Liabilities	21,358	16,459

The amount arising from pension obligations that is to be recognised in the statement of other comprehensive income is a loss of £6,236,000 (2016: gain of £1,198,000). This amount is composed of actuarial losses of £7,024,000 (2016: gain of £1,198,000) and a gain arising from the portion of scheme obligations, assets and associated costs attributable to Spitalgate Dealer Services Limited £788,000 (2016: £nil).

Statement of profit and loss

The amounts recognised in the statement of profit and loss are as follows:

	Year Ended 31.03.17 £'000	Year Ended 31.03.16 £'000
Current service cost	717	860
Net interest on net defined benefit liability	499	632
Total	1,216	1,492

Actual return on scheme assets	7,821	73

25. Retirement benefit schemes (continued)

Changes in present value of obligation

Changes in the present value of the defined benefit obligation are as follows:

	As at 31.03.17 £'000	As at 31.03.16 £'000
Opening defined benefit obligation	62,556	63,225
Apportionment of multi-employer scheme obligations	(3,314)	-
Current service cost	717	860
Interest cost	2,052	2,066
Actuarial (gain)/loss	13,292	(2,559)
Member contributions	188	190
Benefits paid	(1,205)	(1,226)
Closing defined benefit obligation	74,286	62,556

Scheme assets

Changes in the fair value of scheme assets are as follows:

	As at 31.03.17 £'000	As at 31.03.16 £'000
Opening fair value of scheme assets	46,097	40,938
Apportionment of multi-employer scheme assets	(2,526)	-
Expected return on scheme assets	1,553	1,434
Actuarial (loss)/gain	6,268	(1,361)
Employer contributions (inclusive of insurance premiums for death benefits)	2,553	6,122
Member contributions	188	190
Benefits paid	(1,205)	(1,226)
Closing fair value of scheme assets	52,928	46,097

It is expected that employer contributions required to fund the Scheme benefits will be approximately £2,437,000 in the financial year ended 31 March 2018.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	As at 31.03.17	As at 31.03.16
Equities	36.1%	35.5%
Gilts	21.2%	16.2%
Annuity investments held in name of the Trustees	32.5%	32.6%
Corporate bonds	9.0%	9.7%
Cash	1.2%	6.0%
Total	100.0%	100.0%

Actuarial assumptions

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	As at 31.03.17	As at 31.03.16
Discount rate	2.55%	3.50%
Expected return on scheme assets	2.55%	3.20%
Price inflation	3.45%	3.20%
Future salary increases	3.65%	3.70%
Future pension increases:		
Index-linked, maximum 5.0% pa, minimum 0.0% pa	3.35%	3.15%
Index-linked, maximum 2.5%, minimum 0.0% pa	2.30%	2.20%
Mortality assumptions:		
Prior to retirement	None	None
In retirement (current pensioners)	S2PA CMI2015	S2PA CMI2014
In retirement (non-retirees):	S2PA CMI2015	S2PA CMI2014

The actuarial assumptions made for the expected rate of returns on assets were derived by considering best estimates for the long-term real rates of return from the main asset classes and combining these proportionately. These assumed rates of return are net of investment management expenses.

Historical disclosures

Amounts for the current and previous four periods are as follows:

	As at 31.03.17 £'000	As at 31.03.16 £'000	As at 31.03.15 £'000	As at 31.03.14 £'000	As at 31.03.13 £'000
Defined benefit obligation	(74,286)	(62,556)	(63,225)	(49,721)	(48,369)
Scheme assets	52,928	46,097	40,938	35,957	32,937
Deficit	(21,358)	(16,459)	(22,287)	(13,764)	(15,432)
Experience adjustments on liabilities	-	-	-	(150)	(24)
Experience adjustments on assets	6,619	(1,361)	858	654	2,097
Gain / (loss) from changes in the assumptions for value of Scheme liabilities	(14,036)	2,559	(11,508)	594	(3,024)

Sensitivity analysis

The table below shows the impact on the deficit if the assumptions were changed as shown (assuming all other assumptions remain constant):

	As at 31.03.17 £'000	As at 31.03.16 £'000
0.25% increase in discount rate	3,434	2,633
0.25% decrease in discount rate	(3,736)	(2,878)

25. Retirement benefit schemes (continued)

Scheme information

The Scheme operates in accordance with the Pensions Act. The Scheme is managed by Trustees appointed by the Company and elected by the members. The Trustees hold the Scheme assets.

The Company and the Trustees agree the investment strategy for the Scheme. That strategy avoids excessive risk by investing in equities, bonds and gilts through investment funds offered by Legal & General.

There have not been any Scheme amendments during the year. The Trustees have purchased annuities in respect of pensioners of the Scheme as part of a plan to reduce the risk posed by increasing longevity and inflation.

In March 2008, the Company guaranteed the liabilities and obligations of Participating Employers to the Scheme. Currently, Spitalgate Dealer Services Limited is the only Participating Employer.

26. Accruals and deferred income

	As at 31.03.17 £'000	As at 31.03.16 £'000
Accruals	7,306	7,797
Deferred income	11,945	11,612
Deferred income arising from government grants	886	510
	20,137	19,919

Deferred income mainly arise from unearned income relating to service plans.

27. Financial Instruments

	As at 31.03.17 £'000	As at 31.03.16 £'000
Financial assets at fair value		
Current:		
Financial assets	55,004	81,211
Cash and cash equivalents	458	2,038
	55,462	83,249
Financial liabilities at fair value		
Current:		
Borrowings	138,231	98,955
Trade and other payables	106,064	105,152
Payments received in advance	37,655	57,697
Other liabilities	604	320
	282,554	262,124

28. Related party transactions

The key management personnel are defined as the Company's management board and are responsible for the day-to-day business operations.

The key management personnel remuneration, analysed under the headings required by the Companies Act 2006 is set out below.

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Key management remuneration		
Emoluments	1,122	1,235
Company contributions to money purchase pension schemes	54	52
	1,175	1,287

	Number	Number
The number of key management personnel who:		
Are members of a defined benefit pension scheme	4	4
Are members of a money purchase pension scheme	4	4

	Year ended 31.03.17 £'000	Year ended 31.03.16 £'000
Remuneration of the highest paid key management personnel:		
Emoluments	458	500
Company contributions to money purchase schemes	5	2
Benefits-in-kind	9	9

The highest paid member of the key management personnel is a member of the Company's defined benefit pension scheme and had accrued entitlements of £30,000 under the scheme at the end of the year. There is no accrued lump sum.

29. Controlling party

In the opinion of the directors, the Company's immediate and ultimate parent company and controlling entity is Mitsubishi Corporation, a company incorporated in Japan. This is the smallest and largest group in which the Company is consolidated.

Copies of the group financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, Department PC-B, 3-1 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan.