

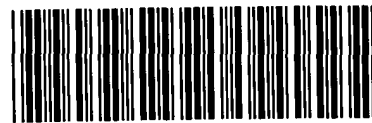
Company Registration No. 01163954

The Colt Car Company Limited

Annual Report and Financial Statements

For the year ended 31 March 2018

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The Colt Car Company Limited
Annual Report and Financial Statements for the year ended 31 March
2018

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The Colt Car Company Limited
Annual Report and Financial Statements for the year ended 31 March 2018

Officers and professional advisors

Directors

M Ichiki	Chairman
R Lindley	Managing Director
M Kuroda	Finance Director
K Kimura	Corporate Affairs Director
I Kano	
K Kawakami	Alternate Director
J Mitsuhashi	
H Nagasawa	

Company Secretaries

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 2018. 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 £4,167,000 (year ended 31 March 2017: £22,437,000).

The directors recommend the payment of a final dividend in respect of the year ended 31 March 2018 of £4,167,000 (year ended 31 March 2017: £20,074,000).

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		(resigned 16 April 2018)
R N Lindley		(appointed 16 April 2018)
M Ichiki	(Japanese citizen)	
M Kuroda	(Japanese citizen)	
K Tamaki	(Japanese citizen)	(resigned 7 May 2018)
K Kimura	(Japanese citizen)	(appointed 7 May 2018)
H Hayashi	(Japanese citizen)	(resigned 1 April 2018)
M Kochi	(Japanese citizen)	(resigned 1 April 2018)
H Nagasawa	(Japanese citizen)	(appointed 1 April 2017)
A Kurosawa	(Japanese citizen)	(resigned 31 August 2017)
K Kawakami	(Japanese citizen)	(appointed 1 September 2017)
I Kano	(Japanese citizen)	(appointed 1 April 2018)
J Mitsuhashi	(Japanese citizen)	(appointed 1 April 2018)
N Takai	(Japanese citizen)	(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 2018. 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 £17,000 (year ended 31 March 2017: £22,000). This amount represents direct donations to UK based charitable organisations.

Auditor

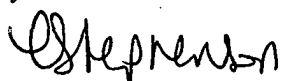
Each director at the date of approval of this report confirms that:

- 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



C T Stephenson
Company Secretary

3 October 2018

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 £4,167,000 (year ended 31 March 2017: £22,437,000) represents a reasonable 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 2018 was 110 (year ended 31 March 2017: 115), and the Company achieved 27,189 new car registrations in the year ended 31 March 2018 (year ended 31 March 2017: 26,286). The increase in the registrations was largely as a result of the introduction of a new C segment crossover vehicle the Eclipse Cross, launched in January 2018, which delivered an incremental sales volume of 1,714 in the year ending 31 March 2018. The total new car market in the UK (including fleet and retail sales) was down 15.7% calendar year-on-year, adverse to industry forecasts and the EU average. The UK market recorded a down turn in performance similar to the top two EU markets, with private registrations for this fiscal year decreased by 16.5%, whilst fleet volumes decreased by 15.0%. The Company's share of the total car market (excluding commercial vehicles) increased to 0.70% for the fiscal year (year ended 31 March 2017 0.61%).

The L200 Series 5 has performed well in the UK pickup market with a market share of 18.5% in respect of sales during the year ended 31 March 2018 (year ended 31 March 2017: 17.8%). 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 6,600 units during the year ending 31 March 2018 continued to make it the UK's best selling hybrid vehicle.

Parts sales were £42.9m for the year ending 31 March 2018 (year ended 31 March 2017 £40.4m).

As at 31 March 2018, the net asset position of the Company was £17.5m (as at 31 March 2017: £29.2m). 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 27.4% for the year ended 31 March 2018 as compared to 94.0% for the prior financial year.

Future developments

The Society of Motor Manufacturers and Traders (SMMT) forecast was for total new car registrations for 2018 to decrease by 5.1% from 2017 but total registrations were expected to remain above 2.4million per annum for the foreseeable future. In the first quarter of FY18 the car market (retail and fleet) grew by 1.7% while the Company's sales grew by 11.4% and exceeding the FY18 planned Q1 volume by 1.3%. The Company expects to see further sales growth during the balance of FY18 with the introduction of Shogun Sport and 19 MY Outlander PHEV.

In the coming years the Company has a range of new models being introduced into the market. The manufacturer remains committed to reducing overall CO₂ 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 CO₂ emissions and their zero emission range. The Outlander PHEV is a category 2 vehicle and attracts a grant of £2,500. According to the Government website the grant structure will be maintained at the current levels until, at least October 2018, 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 2018.

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 uncertainty of Brexit will impact on the Company in a number of ways. Business confidence is impacted by the long term planning consideration of a company, the results of which could include Fleet customers revising their purchasing plans. Consumer confidence is indirectly impacted by job security concerns and rising inflation levels, the results of which could be a decrease in Retail registrations.

Brexit has also had an effect on foreign currency markets and could impact on future border controls depending on its outcome. The company is considering the specific implication in real time as new information is released by the UK Government in response to these elements.

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 2018 (31 March 2017: £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 however the exchange rate will indirectly, with a certain time lag affect our purchase price of vehicles and parts and therefore profitability.

The Company had no open forward contracts as at 31 March 2018 (31 March 2017: £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.

Immediately following Brexit there maybe disruption at the UK border from importation of goods. The Company is looking at ways to mitigate this.

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 31.03.18 £'000	Year Ended 31.03.17 £'000
Vehicles	496,704	486,141
Parts	42,911	40,435
Servicing and other revenue (including training)	19,579	14,630
Company turnover	559,194	541,206

	Year Ended 31.03.18	Year Ended 31.03.17
Return on capital employed and return on sales		
Net assets, £'000	17,540	29,321
Pre-tax profit/(loss), £'000	4,812	27,558
Return on capital employed, (ROCE*) %	27.4	94.0
Pre-tax return on sales, (ROS**) %	0.9	5.1
Post-tax return on sales, (ROS**) %	0.7	4.1

*ROCE = Profit before tax / Net assets

**ROS = Profit / Turnover

New car registrations		
Number of new car registrations	27,189	26,286
Dealerships		
Number of dealerships	110	115

By order of the Board



C T Stephenson
Company Secretary

3 October 2018

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Colt Car Company Limited (the 'company') which comprise:

- the statement of profit or loss;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

The Colt Car Company Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The Colt Car Company Limited

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

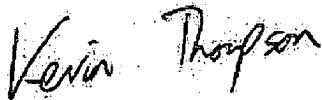
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Kevin Thompson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

2018

The Colt Car Company Limited
Statement of profit and loss
For the year ended 31 March 2018

	Note	Year Ended 31.03.18 £'000	Year Ended 31.03.17 £'000
Turnover	4	559,194	541,206
Cost of sales		(505,571)	(466,538)
Gross profit		53,623	74,668
Distribution costs		(23,848)	(25,462)
Administrative expenses		(21,520)	(20,753)
Operating profit		8,255	28,453
Income from shares in group undertakings		-	2,300
Interest receivable and similar income	8	28	1
Interest payable and similar charges	9	(3,471)	(3,196)
Profit before tax		4,812	27,558
Tax	10	(645)	(5,121)
Profit for the financial year attributable to the Owner of the Company	5	4,167	22,437

All results are derived from continuing operations.

The Colt Car Company Limited
Statement of other comprehensive income
For the year ended 31 March 2018

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Profit for the year	<u>4,167</u>	<u>22,437</u>
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit pension schemes	5,101	(7,024)
Deferred tax arising on (gains)/losses in the pension schemes	(975)	1,289
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 income/(loss) for the year net of tax	<u>4,126</u>	<u>(5,105)</u>
Total comprehensive income for the year attributable to the Owner of the Company	<u><u>8,293</u></u>	<u><u>17,332</u></u>

The Colt Car Company Limited
Balance sheet
As at 31 March 2018

	Note	As at 31.03.18 £'000	As at 31.03.17 £'000
Non-current assets			
Tangible fixed assets	12	6,802	6,537
Investment property	13	1,576	1,599
Deferred tax asset	19	2,706	3,874
		<u>11,084</u>	<u>12,010</u>
Current assets			
Stocks	14	316,577	304,233
Debtors	15	79,258	59,374
Cash at bank and in hand		464	458
		<u>396,299</u>	<u>364,065</u>
Total assets		<u>407,383</u>	<u>376,075</u>
Current liabilities			
Trade and other creditors	16	182,335	163,882
Bank loans and overdrafts	17	171,772	138,231
Accruals and deferred income	25	17,729	20,137
		<u>371,836</u>	<u>322,250</u>
Net current assets		<u>24,463</u>	<u>41,815</u>
Total assets less current liabilities		<u>35,547</u>	<u>53,825</u>
Non-current liabilities			
Provisions for liabilities	18	2,802	3,146
Pension liability	24	15,205	21,358
		<u>18,007</u>	<u>24,504</u>
Total liabilities		<u>389,843</u>	<u>346,754</u>
Net assets		<u>17,540</u>	<u>29,321</u>

The Colt Car Company Limited

Balance sheet

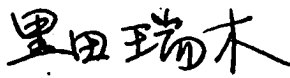
As at 31 March 2018

	Note	As at 31.03.18 £'000	As at 31.03.17 £'000
Equity			
Share capital	20	8,000	8,000
Retained earnings	21	9,540	21,321
Equity attributable to owner of the Company		<u>17,540</u>	<u>29,321</u>

The financial statements of The Colt Car Company Limited registered number 01163954 were approved by the board of directors and authorised for issue on 3 October 2018

They were signed on its behalf by:


R Lindley Director


M Kuroda Director

The Colt Car Company Limited
Statement of changes in equity
For the year ended 31 March 2018

	Note	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2016		<u>8,000</u>	<u>39,854</u>	<u>47,854</u>
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	37,332
Dividends	11	-	(35,865)	(35,865)
Balance at 31 March 2017		<u>8,000</u>	<u>21,321</u>	<u>29,321</u>
Profit for the year		-	4,167	4,167
Other comprehensive income for the year		-	4,126	4,126
Total comprehensive income for the year		-	8,293	8,293
Dividends	11	-	(20,074)	(20,074)
Balance at 31 March 2018		<u>8,000</u>	<u>9,540</u>	<u>17,540</u>

The Colt Car Company Limited
Notes to the financial statements
For the year ended 31 March 2018

1. General information

The Company is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006 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 28.

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	<p>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.</p> <p>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.</p> <p>The amendments also address the structure of the financial statements by providing examples of systematic ordering or grouping of the notes.</p> <p>The adoption of these amendments has not resulted in any impact on the financial performance or financial position of the Company.</p>
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The Colt Car Company Limited

Notes to the financial statements

For the year ended 31 March 2018

1. General information (continued)

Annual Improvements to IFRSs 2012-2014 Cycle	<p>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.</p> <p>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 clarify the guidance for when held-for-distribution accounting is discontinued.</p> <p>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.</p> <p>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.</p> <p>The adoption of these amendments has had no effect on the Company's financial statements.</p>
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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 28.

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.

The Colt Car Company Limited

Notes to the financial statements (continued)

For the year ended 31 March 2018

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. Due to the uncertainty surrounding Brexit the UK car market is forecast to contract in the coming years following record breaking registrations in 2016 and 2017. The hybrid segment of the market is forecast to grow as a result of the anti-diesel sentiment and the increased number of new entrants, resulting in increased levels of competition for Outlander PHEV. With the increased opportunity within the hybrid market, and the introduction of Shogun Sport and 19 MY Outlander HEV together with a full year of sales of the new Eclipse Cross the Company is expecting both sales and profit growth for the current fiscal 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 2018 of £171.77 million (bank loans, overdrafts and intergroup balances) were higher than those as at 31 March 2017 of £138.23 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 £290 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 2019 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.

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.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

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.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

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.

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 and Shogun Retail 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.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

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

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

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 scrapping 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.

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

Investment property - 50 years

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.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

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.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

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.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

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.

The Colt Car Company Limited

Notes to the financial statements (continued)

For the year ended 31 March 2018

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.

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 24.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Turnover

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

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Turnover:		
Vehicles	496,704	486,141
Parts	42,911	40,435
Other revenue	19,579	14,630
	<u>559,194</u>	<u>541,206</u>

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

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Turnover:		
United Kingdom	557,831	539,875
Rest of the World (primarily Europe)	1,363	1,331
	<u>559,194</u>	<u>541,206</u>

5. Profit for the year

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

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Cost of inventories recognised as an expense	484,911	450,077
Depreciation and other amounts written off tangible fixed assets	1,036	1,034
Gain on disposal of tangible fixed assets	1	-
Rentals receivable under operating leases	(90)	(90)
Rentals payable under operating leases:		
Plant and machinery	48	22
Property	1,857	1,825
Staff costs (see note 7)	<u>9,746</u>	<u>10,398</u>

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £87,000 (2017: £88,000).

Fees payable to Deloitte LLP and their associates for non-audit services were £nil (2017: £nil).

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

7. Staff costs

The Company has one category of employee.

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

	Year ended 31.03.18	Year ended 31.03.17
Average number of employees (including directors)	222	218

Their aggregate remuneration comprised:

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Wages and salaries	7,251	7,891
Social security costs	772	935
Other pension costs	1,723	1,572
	<u>9,746</u>	<u>10,398</u>

The key management personnel is made up of the management board of the Company. The information on key management personnel, including the remuneration of the highest paid director, is set out in note 27.

8. Interest receivable and similar income

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Interest receivable on corporation tax	28	1

9. Interest payable and similar charges

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Interest payable on bank overdrafts	197	113
Interest payable to group companies	2,749	2,584
Other finance charges	525	499
Total interest payable	<u>3,471</u>	<u>3,196</u>
Other finance charges:		
Interest on pension scheme liabilities (Note 24)	1,878	2,052
Expected return on pension scheme assets (Note 24)	(1,353)	(1,553)
	<u>525</u>	<u>499</u>

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

10. Tax

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Corporation tax:		
UK corporation tax	843	4,910
Adjustments in respect of prior years	(447)	47
Deferred tax (note 19)	249	164
	<u>645</u>	<u>5,121</u>

Corporation tax is calculated at 19% (2017: 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 31.03.18 £'000	Year ended 31.03.17 £'000
Profit before tax on continuing operations	4,812	27,558
Tax at the UK corporation tax rate of 19 % (2017: 20 %)	914	5,512
Tax effect of expenses that are not deductible in determining taxable profit	141	126
Tax effect of income not taxable in determining taxable profit	-	(460)
Movements in unrecognised deferred tax	-	-
Adjustments to tax charge in respect of previous years	(384)	(24)
Tax effect of change in tax rate	(26)	(33)
Tax expense for the year	<u>645</u>	<u>5,121</u>

In the 2015 Summer Budget, the Chancellor announced that the corporate tax will be reduced to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) and these were enacted on 18 November 2015.

The Finance Act 2016 enacted on 15 September 2016 meant that the UK corporate tax rates will be reduced from the 19% rate applying from 1 April 2017 to 17% from 1 April 2020, an additional 1% cut in the corporate tax rate. These will reduce the Company's future and current tax charge accordingly. The rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

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 31.03.18 £'000	Year ended 31.03.17 £'000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Deferred tax arising on losses / (gains) in the pension schemes	<u>(976)</u>	<u>1,131</u>

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

11. Dividends

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2017 (equivalent to 250.93 pence per share)	-	20,074
Proposed final dividend for the year ended 31 March 2018 (equivalent to 52.09 pence per share)	4,167	-

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 2017	10,961	6,199	17,160
Additions	-	1,915	1,915
Disposals	-	(1,114)	(1,114)
At 31 March 2018	10,961	7,000	17,961
Accumulated depreciation			
At 1 April 2017	6,086	4,537	10,623
Charge for the year	262	751	1,013
Eliminated on disposal	-	(477)	(477)
At 31 March 2018	6,348	4,811	11,159
Carrying amount			
At 31 March 2018	4,613	2,189	6,802
At 31 March 2017,	4,875	1,662	6,537

Land and buildings include freehold land with a cost of £524,000 (at 31 March 2017: £524,000) which is not depreciated.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

13. Investment property

	£'000
Cost	
At 1 April 2017 and at 31 March 2018	1,780
Accumulated depreciation	
At 1 April 2017	181
Charge for the year	23
At 31 March 2018	204
Carrying amount	
At 31 March 2018	1,576
At 31 March 2017	1,599

As at 31 March 2018 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 2017: £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 (2017: £90,000). Direct operating expenses arising on the investment property, which generated rental income in the period, amounted to £23,000 (2017: £23,000).

14. Stocks

	As at 31.03.18 £'000	As at 31.03.17 £'000
Goods for resale (vehicles and parts)	316,577	304,233

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 £4,373,000 (at 31 March 2017: £3,816,000) for provisions to reduce the value of specific goods for resale to the recoverable amount.

Goods for resale also include £26,045,000 (at 31 March 2017: £35,267,000) relating to the residual interest held in vehicles which the Company has an obligation to repurchase from third parties (see note 16) and an amount of £23,630,000 (at 31 March 2017: £19,083,000) relating to the residual interest held in vehicles which the Company has an obligation to repurchase from Company employees and business partners.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

15. Debtors

	As at 31.03.18 £'000	As at 31.03.17 £'000
Amounts falling due within one year:		
Amount receivable for the sale of goods	30,480	24,478
Allowance for doubtful debts	(120)	(142)
	<u>30,360</u>	<u>24,336</u>
Amounts owed by group undertakings	31,176	24,365
Corporation tax	4,658	1,213
Other debtors owed by third parties	5,767	6,303
Other debtors owned by related party (note 27)	3,636	-
Prepayments and accrued income	3,661	3,157
	<u>79,258</u>	<u>59,374</u>

16. Trade and other creditors

	As at 31.03.18 £'000	As at 31.03.17 £'000
Third party trade creditors	90,666	102,153
Related party trade creditors (note 27)	24,646	-
Amounts owed to group undertakings	8,397	3,911
Payments received in advance	39,508	37,655
Other taxes and social security	18,631	19,559
Other creditors	487	604
	<u>182,335</u>	<u>163,882</u>

Included in trade creditors is an amount of £26,045,000 (at 31 March 2017: £35,267,000) representing the future liability to repurchase vehicles held by third parties. Also included is an amount of £23,630,000 (at 31 March 2017: £19,083,000) representing the future liability to repurchase vehicles held by Company employees and business partners (see note 14).

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

17. Bank loans, debentures and overdrafts

	As at 31.03.18 £'000	As at 31.03.17 £'000
Secured borrowing at amortised cost:		
Bank overdraft	28,957	25,790
Bank loan	142,815	112,441
Amount due for settlement within 12 months	<u>171,772</u>	<u>138,231</u>

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

- (i) Bank overdrafts are repayable on demand. Overdrafts of £28,957,000 (2017: £25,790,000) 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 0.75%.
- (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 0.5% to 0.746%. This loan is repayable on demand.

18. Provisions

	As at 31.03.18 £'000	As at 31.03.17 £'000
Warranty provision	2,594	2,994
Deferred tax (see note 19)	208	152
	<u>2,802</u>	<u>3,146</u>

	Warranty provision £'000	Deferred tax £'000	Total £'000
At 1 April 2017	2,994	152	3,146
(Reduction) / Additional provision in the year	(199)	56	(143)
Utilisation of provision	(201)	-	(201)
At 31 March 2018	<u>2,594</u>	<u>208</u>	<u>2,802</u>

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 credit to the profit and loss account of £199,000 represents the position after taking account of decreases 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 £201,000 relates to the actual cost of completing any warranty repairs during the financial year.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

19. 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 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 1 April 2017	152	(3,874)	(3,722)
Charge to profit or loss	56	193	249
Charge to other comprehensive income	-	975	975
Liability / (asset) at 31 March 2018	208	(2,706)	(2,498)

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 31.03.18 £'000	As at 31.03.17 £'000
Deferred tax liabilities	(208)	(152)
Deferred tax assets	2,706	3,874

20. Share capital

	As at 31.03.18 £'000	As at 31.03.17 £'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.

21. Profit and loss account

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

22. 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 £50,000 each.

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

23. Operating lease arrangements

The Company as lessee

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Lease payments under operating leases recognised as an expense in the year	1,857	1,825

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 31.03.18 £'000	Year ended 31.03.17 £'000
Within one year	1,530	1,773
In the second to fifth years inclusive	4,606	5,135
After five years	-	923
	6,136	7,831

Operating lease payments represent rentals payable by the Company for certain of its operational sites. Leases are negotiated for an average term of 2.93 years and rentals are fixed for an average of 2.93 years.

In addition the Company is committed to a total of £6,472,000 (as at 31 March 2017: £10,596,000) 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 (2017: £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 31.03.18 £'000	Year ended 31.03.17 £'000
Within one year	90	90
In the second to fifth years inclusive	127	217
	217	307

The Colt Car Company Limited **Notes to the financial statements (continued)**

For the year ended 31 March 2018

24. 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 £345,000 (2017: £298,000) represents contributions payable to the DC Scheme by the Company at rates specified in the rules of the plans. As at 31 March 2018, contributions of £97,000 (2017: £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 2018 the Company has paid 41.0% of the total.

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

	As at 31.03.18 £'000	As at 31.03.17 £'000
Present value of funded obligations	69,304	74,286
Fair value of scheme assets	(54,099)	(52,928)
Deficit	15,205	21,358
Related deferred tax asset (note 19)	(2,706)	(3,874)
Net liability	12,499	17,484
Amounts in the balance sheet		
Assets	2,706	3,874
Liabilities	15,205	21,358

The amount arising from pension obligations that is to be recognised in the statement of other comprehensive income is a gain of £4,126,000 (2017: loss of £6,236,000). This amount is composed of actuarial gains of £4,126,000 (2017: loss of £7,024,000) and a gain arising from the portion of scheme obligations, assets and associated costs attributable to Spitalgate Dealer Services Limited £nil (2017: £788,000).

Statement of profit and loss

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

	Year Ended 31.03.18 £'000	Year Ended 31.03.17 £'000
Current service cost	804	717
Net interest on net defined benefit liability	525	499
Total	1,329	1,216
Actual return on scheme assets	801	7,821

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

24. 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 31.03.18 £'000	As at 31.03.17 £'000
Opening defined benefit obligation	74,286	62,556
Apportionment of multi-employer scheme obligations	(119)	(3,314)
Current service cost	804	717
Interest cost	1,878	2,052
Actuarial (gain)/loss	(5,654)	13,292
Member contributions	172	188
Benefits paid	(2,063)	(1,205)
Closing defined benefit obligation	69,304	74,286

Scheme assets

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

	As at 31.03.18 £'000	As at 31.03.17 £'000
Opening fair value of scheme assets	52,928	46,097
Apportionment of multi-employer scheme assets	(83)	(2,526)
Expected return on scheme assets	1,353	1,553
Actuarial (loss)/gain	(553)	6,268
Employer contributions (inclusive of insurance premiums for death benefits)	2,345	2,553
Member contributions	172	188
Benefits paid	(2,063)	(1,205)
Closing fair value of scheme assets	54,099	52,928

It is expected that employer contributions required to fund the Scheme benefits will be approximately £2,357,000 in the financial year ended 31 March 2019.

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

	As at 31.03.18	As at 31.03.17
Equities	36.4%	36.1%
Gilts	23.8%	21.2%
Annuity investments held in name of the Trustees	29.5%	32.5%
Corporate bonds	9.1%	9.0%
Cash	1.2%	1.2%
Total	100.0%	100.0%

The Colt Car Company Limited **Notes to the financial statements (continued)**

For the year ended 31 March 2018

24. Retirement benefit schemes (continued)

Actuarial assumptions

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

	As at 31.03.18	As at 31.03.17
Discount rate	2.60%	2.55%
Expected return on scheme assets	2.60%	2.55%
Price inflation	3.10%	3.45%
Future salary increases	3.30%	3.65%
Future pension increases:		
Index-linked, maximum 5.0% pa, minimum 0.0% pa	3.05%	3.35%
Index-linked, maximum 2.5%, minimum 0.0% pa	2.20%	2.30%
Mortality assumptions:		
Prior to retirement	None	None
In retirement (current pensioners)	S2PA CMI2016	S2PA CMI2015
In retirement (non-retirees):	S2PA CMI2016	S2PA CMI2015

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 31.03.18 £'000	As at 31.03.17 £'000	As at 31.03.16 £'000	As at 31.03.15 £'000	As at 31.03.14 £'000
Defined benefit obligation	(69,305)	(74,286)	(62,556)	(63,225)	(49,721)
Scheme assets	54,100	52,928	46,097	40,938	35,957
Deficit	(15,205)	(21,358)	(16,459)	(22,287)	(13,764)
Experience adjustments on liabilities	-	-	-	-	(150)
Experience adjustments on assets	(584)	6,619	(1,361)	858	654
Gain / (loss) from changes in the assumptions for value of Scheme liabilities	5,980	(14,036)	2,559	(11,508)	594

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 31.03.18 £'000	As at 31.03.17 £'000
0.25% increase in discount rate	2,839	3,434
0.25% decrease in discount rate	(3,062)	(3,736)

The Colt Car Company Limited
Notes to the financial statements (continued)
For the year ended 31 March 2018

24. 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.

25. Accruals and deferred income

	As at 31.03.18 £'000	As at 31.03.17 £'000
Accruals	6,262	7,306
Deferred income	11,029	11,945
Deferred income arising from government grants	438	886
	<u>17,729</u>	<u>20,137</u>

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

26. Financial Instruments

	As at 31.03.18 £'000	As at 31.03.17 £'000
Financial assets at fair value		
Current:		
Financial assets	69,835	55,004
Cash and cash equivalents	464	458
	<u>70,299</u>	<u>55,462</u>
Financial liabilities at fair value		
Current:		
Borrowings	171,772	138,231
Trade and other payables	122,604	106,064
Payments received in advance	39,508	37,655
Other liabilities	487	604
	<u>334,371</u>	<u>282,554</u>

The Colt Car Company Limited

Notes to the financial statements (continued)

For the year ended 31 March 2018

27. Related party transactions

On the 20th March 2018, Mitsubishi Motors Corporation ('MMC') became a related party virtue of a share acquisition by Mitsubishi Corporation. Between the 20th and 31st March 2018 the net transactions with MMC totalled £21.64 million (2017: £nil). Balances with MMC had been disclosed within note 15 and 16.

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 31.03.18 £'000	Year ended 31.03.17 £'000
Key management remuneration		
Emoluments	557	1,122
Company contributions to money purchase pension schemes	47	54
	<u>604</u>	<u>1,176</u>

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

Number	Number
4	4
4	4

	Year ended 31.03.18 £'000	Year ended 31.03.17 £'000
Remuneration of the highest paid key management personnel:		
Emoluments	288	458
Company contributions to money purchase schemes	4	5
Benefits-in-kind	8	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 £32,000 under the scheme at the end of the year. There is no accrued lump sum.

28. 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.