



Annual Review 2017

Colt Group Limited

FACTS AND FIGURES

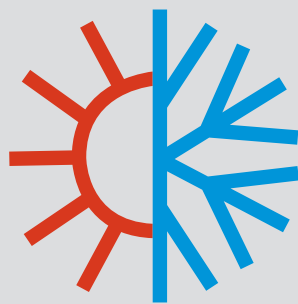
COLT GROUP

Colt designs, supplies and maintains ventilation, smoke control, climate control, solar shading and louvre systems. It operates as a specialist design and build contractor with vertically integrated manufacturing. It is headquartered in the UK, but over three-quarters of its revenues are generated outside of the UK.

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| <ul style="list-style-type: none">• Founded in 1931• Over 1,000 employees in 16 different countries in 35 different locations• Distributors in over 30 additional countries | <ul style="list-style-type: none">• Over 3,000 completed projects in 2017• More than 14,000 ongoing service and maintenance contracts with customers | <ul style="list-style-type: none">• Manufacturing sites in the UK, Germany, The Netherlands, Saudi Arabia and China• Over 60 proprietary products• In-house R&D and testing facilities |
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Smoke Control



Climate Control



Louvre & Shading



Service

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VISION

To be recognised as a market leader providing and servicing innovative solutions and products for smoke control, ventilation, climate technology and solar shading.

VALUE PROPOSITION

Expertise built on proven experience delivers innovative, cost effective, sustainable solutions.

CARDINAL BUSINESS PRINCIPLES

of Colt Group Founder I.J. O'Hea

- Complete or majority control over any venture.
- Spread interests beyond a core business through diversification.
- Any product should be unique in its own field with the potential for growth through marketing.
- No venture should be taken without careful preliminary research.

Front Cover: Colt's CoolStream evaporative cooling solution provides clean, fresh air for Dr Schneider Group's injection moulding plastics factory in Kronach, Germany. The CoolStream climate control solution creates healthy working environments for both employees and machinery, removing the high heat loads associated with injection moulding.



The Group has continued to improve its underlying performance, achieving record results in the UK and Continental Europe in 2017. This was on the back of strong sales growth in line with the strategy of focussing on the existing geographic footprint and growing market share in Service & Maintenance. Revenues in service increased 16% by addressing more of the Colt installed base and we believe there is more latent demand to be addressed. Total revenues grew by 8%, and orders growth was also very strong leading to a very healthy order book for 2018 and beyond.

However, our 2017 result was offset by significant losses in the Australian business which was placed into voluntary administration on 7th February 2018. This was primarily due to poorly performing contracts to supply blinds and shading to residential apartment buildings, which is not a core activity of the Group.

Excluding the discontinued Australian business, the Group profit before taxation increased by 13%.

DIVISIONAL PERFORMANCE

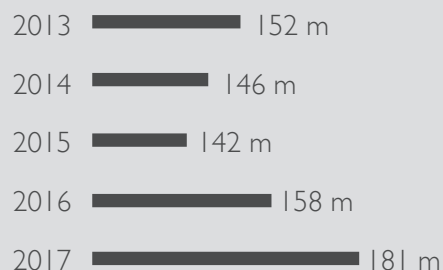
Very strong results were achieved in the European Climate Control business which had sales growth of 61%, and the Ventilation for Heavy Industry (VHI) division which won and successfully delivered contracts for three new aluminium smelters.

Some of the other major projects delivered in the year were climate control for the new Danone Nutricia baby milk formula factory in The Netherlands, which will be one of the largest facilities of its kind in the world, the Poststrasse Metro station in Cologne, Germany, which also signed up to a five year service and maintenance contract, and the new Jaguar Land Rover Nitra facility, Colt's largest project in Slovakia.

ORDERS (£)



TURNOVER (£)



PROFIT BEFORE TAX (£)



NEW ORDERS

Significant orders were won for Edinburgh St James, Gare Maritime in Brussels and Mingtai Aluminium in Gongyi, China which will contribute to sales through to the end of 2020.

- **Edinburgh St James:**

Colt has won a contract to supply a car park smoke extract system and smoke control systems to this £900 million mixed development. This will be the largest project in the 75 year history of the UK business.

- **Gare Maritime:**

The redevelopment of the 100 year old railway station in the port of Brussels, where Colt Belgium will be supplying a smoke exhaust system incorporating 800 of Colt's Firelight natural flap ventilators into the glass roofs. This project will be the largest project ever taken on by Colt Belgium.

- **Mingtai:**

The supply of ventilation, air-socks and smoke control solutions for a coil storage warehouse in Gongyi, China. This project resulted from a collaboration between our Chinese manufacturing business and its distributor Bocheng, and our German business and its customer Amova.

In Service & Maintenance, the UK won a contract to replace the original 35 year old Colt pneumatic smoke ventilators with new Colt Seefire natural ventilators at Jaguar Land Rover in Coventry. As well as demonstrating that the original Colt equipment was fit for purpose for 35 years, this contract shows that (i) customers like Jaguar Land Rover recognise the value of reinvesting in smoke control, and (ii) a continued trust in Colt.



Edinburgh St James: Largest UK project for Colt.



Gare Maritime Redvelopment: Largest Belgian project for Colt.

The Group has invested in additional production capacity for its Coolstream adiabatic cooling products to meet increasing demand, including the first orders from North America. The extra capacity was quickly brought on stream with an industrial tent providing extra space in just four weeks, delivering a solution to meet the increase in short term demand whilst longer term capacity needs are planned.

We have seen promising growth in the Service & Maintenance segment throughout the Group during the year, which is a key focus area of the new strategy launched in 2016. In the UK, we anticipate that one outcome of the enquiries and reviews into the

tragic Grenfell fire disaster could be an increased demand for the service and maintenance of life safety systems, including smoke control. There may also be a demand for servicing by qualified and competent personnel, which Colt is well positioned to provide.

SMOKE CONTROL EXPERTS

To ensure that Colt plays a leadership role in a coordinated industry approach to both the public and criminal Grenfell enquiries, and the review of UK Building Regulations, the UK business has increased its commitment to the Smoke Control Association (SCA). Colt has also taken steps to offer its experience in smoke control for tall buildings to a wider audience by strengthening its involvement with the Chartered

Institution of Building Service Engineers (CIBSE), and the Building Services Research & Information Association (BSRIA).

In addition, it has joined the Association for Specialist Fire Protection (ASFP), and the British Institute of Facilities Management (BIFM).

In Germany, Colt has re-joined Fachverband Tageslicht und Rauchschtz (FVLR), the trade association for daylight and smoke ventilation. In The Netherlands, Colt is a collaborator in the Werkgroep RWA, an industry working group established to promote how smoke control can minimise the consequences of a fire.

In Spain, to prepare customers and the market for the new RIPCI regulations which came into force at the end of the year, Colt Spain published a guide in collaboration with the Spanish Association of Fire Protection Companies. The RIPCI makes the annual, biannual and quarterly maintenance of life safety systems in buildings, including smoke control, a legal requirement.

ACQUISITIONS

Aligned with the strategy of growing within the existing geographical footprint and having full or majority control of its operations, the Group made two acquisitions in the year:

- **Colt Spain:**

Full ownership of this business has been achieved after purchasing the 60% majority shareholding from its joint venture partner Acieroid (a subsidiary of Bouygues). Colt Spain made a positive contribution to the 2017 result.



Colt Firelight ventilator being installed into the roof of Gare Maritime Railway Station.



Signing of the Colt Spain share purchase agreement.

- **Hype GmbH – Final Design:**

The purchase of a small fast growing solar shading business based in Germany and operating across southern Continental Europe, was also completed during the year. This purchase met the aims of the strategy to grow acquisitively where doing so would achieve faster growth than an organic approach.

Alongside these two acquisitions, the Group divested its Fire Safety Deposit Boxes (FSD) business to Kruse, an

established 60 year old company, which is already a leading player in FSD in Germany. Colt's FSD business was a diversification established in the 1980's in The Netherlands which was small, non-core and was diverting management attention and resources away from our core smoke, ventilation and climate control activities, which focus on more complex solutions.

BUILDING INFORMATION MODELLING

BIM technology is a paradigm shift that will have a greater impact on the design and construction of buildings than the shift from hand-drawing to Computer Aided Design (CAD).

The Group has made significant advances in BIM, realising the many advantages that this has for designers and customers. Our Group Product Management & Manufacturing (GPMM) business demonstrated innovative leadership in the ventilation and smoke control industry by launching the first configurable, multi-region, multi-language library of BIM objects for its products. In doing this, Colt was also one of the first players in the global Building Services industry to embed BIM configurators into its websites across the globe.

NEW WEBSITES

A new Group website was launched in the middle of the year that is better aligned with both the Group strategy and the look and feel of our business unit websites, as well as ensuring that visitors navigate to their area or country of relevance within a limited number of clicks. The new website uses icons to direct visitors to our offers for Smoke Control, Natural Ventilation, Climate Control and Solar Shading. It also places a greater emphasis on our service and maintenance capability.

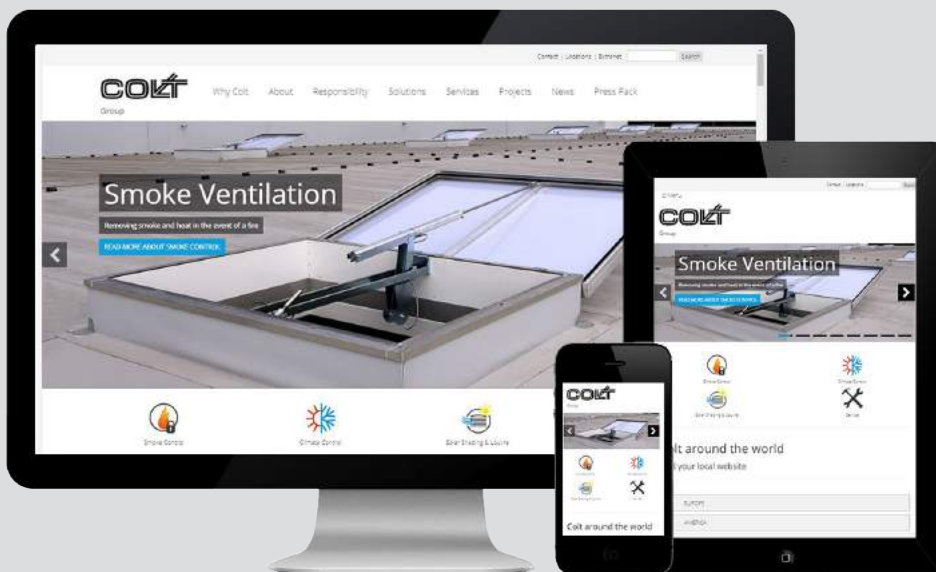
Our country websites continue to contribute to industry thought leadership via blogs and webinars. In the UK, Colt's Continuing Professional Development webinar programme is accredited by CIBSE and is shown monthly to a large live online audience. We have seen an 18% increase in participation over the year from 2016. Our most popular webinar on the general principles of smoke control had 188 live attendees.



Colt BIM Configurator: Industry first.

GROUP STRATEGY

- Focus on the existing geographical footprint.
- Focus on where we have majority control.
- Create stable platforms for growth.
- Gain market share in Service & Maintenance.
- Protect and maintain our market leading positions in smoke control and ventilation projects.
- Leverage the Climate Control and Solar Shading capabilities from our Centres of Excellence in Continental Europe.
- Make acquisitions that meet specific criteria and can accelerate our growth.



Responsive: New websites optimised for multiple devices and browsers.



72 Seefire ventilators installed for natural ventilation and extraction of hot air to prevent overheating issues at Carlisle Fluid Technologies in Bournemouth, UK. This was to replace the original ventilation system, also provided by Colt, over 40 years ago.



Natural Smoke Ventilation



Smoke & Fire Containment



Mechanical Smoke Ventilation



Climate Control



Car Park Ventilation



Pressurisation for Smoke Control

Service
Maintenance



Performance & Screening Louvre



Natural Ventilation



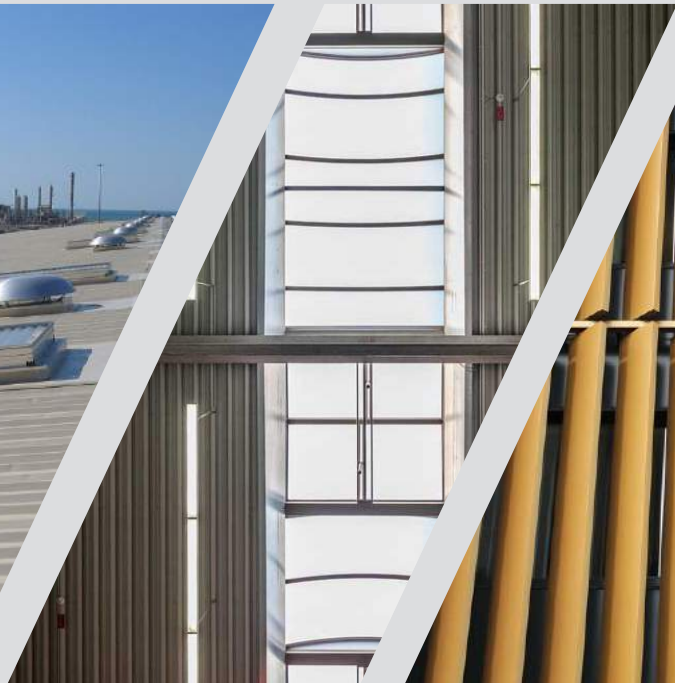
Mechanical Ventilation



ce & enance



Hybrid / Mixed Mode Ventilation



Daylighting



Solar Shading

EXHIBITIONS AND SEMINARS

- Colt Germany exhibited at Bau Munich, the world's leading trade fair for architecture, building materials and systems.
- Colt Ventilation East Asia co-sponsored the Fire Safety Asia Conference (FISAC) where Technical Director Ron Diaper presented a paper on performance-based smoke control solutions in industrial buildings.
- Colt's Malaysian distributor exhibited at the International Fire Conference and Exhibition Malaysia (IFCEM).
- Colt UK spoke and exhibited at the CIBSE Build2Perform conference in London, and also attended the National Housing Maintenance Forum (NHFM) annual conference, where Technical Director Conor Logan led a seminar on smoke control in tall buildings.

PROCESS IMPROVEMENT

The first installation of our new Enterprise Resource Planning (ERP) system went live in Singapore with the team migrating to automated processes based on Colt Group best practice. The Singapore ERP system will be the core model for future rollouts across the Group. We will evolve the core functionality as we implement it in other businesses. Implementation in Spain is the next priority as this business must migrate from the systems that have historically been provided by the joint-venture partner to the Colt IT environment.

Further business unit alignment was achieved with the adoption of Group-wide operational key performance indicators (KPIs) that include measuring quote banks and strike rates. Steps were also initiated to develop a more consistent Group-wide Health & Safety reporting approach from the first quarter of 2018.



Colt's distributor at the International Fire Conference and Exhibition Malaysia

RELOCATIONS

During the first half of the year the Group Head Office, UK Offices and the UK factory were successfully relocated from the 50 year old New Lane site in Havant to leased premises in the local area with zero production loss and no impact on customers. The sale of the old New Lane premises to the Homes and Communities Agency (HCA), was also completed, generating funds to invest in growing the core business. The HCA are now in the process of regenerating the site for mixed housing and light industrial use. The move to the new factory has enabled the UK business to have a more efficient set-up, better working conditions and higher standards of health & safety. The new factory was opened by Alan Mak, Member of Parliament for Havant, at a ceremony comprising Colt staff, shareholders, members of Havant Council and other guests including representatives from suppliers, trade associations, local colleges and universities.



New Colt House in Petersfield, UK.



Ribbon Cutting: New UK factory opened by MP for Havant and Mayor of Havant.

NEW APPOINTMENTS

To ensure the delivery of the focussed growth strategy, and to build the capability to make and integrate acquisitions, the Group increased the bench strength of its management team with several new appointments. These include a Group Legal & Commercial Director, a Group Strategic Planning & Business Development Director and a European Director for the Region incorporating the newly integrated Colt Spain, along with Portugal, France, Belgium and The Netherlands. The UK business created a new role of Business Development Director and strengthened the management of the Service & Maintenance business to exploit the opportunities available to Colt in this market.

STRATEGIC INITIATIVES

To accelerate the delivery of the Group's vision, three key strategic initiatives have been established. They are strategic because they require investment to develop additional growth in the medium term. Further acquisitions will be considered as a way to deliver some or parts of the initiatives. The three strategic initiatives are:

1. **A step change in Service & Maintenance.**
2. **Expansion of Climate Control business across Europe and UK.**
3. **Gaining competitive advantage in global Smoke & Fire Curtains.**

Each initiative is being coordinated on a Group-wide basis by the Business Development & Strategic Planning Director, with a steering group and a virtual delivery team.



From left: Business Development & Strategic Planning Director, Matt Hicks; Managing Director of North South West Europe Region, Paul Krutzen; Group Legal & Commercial Director, James Liddiard.

AWARDS

The Colt Group continued its trend of gaining recognition for its innovations with the 2017 Red Dot Award for its Shadoglass Solar Shading solution. In addition, the Smog Free Tower, a collaboration with Dutch designer Daan Roosegaarde, won the Excellent Building Product Category at the 2017 German Design Awards.

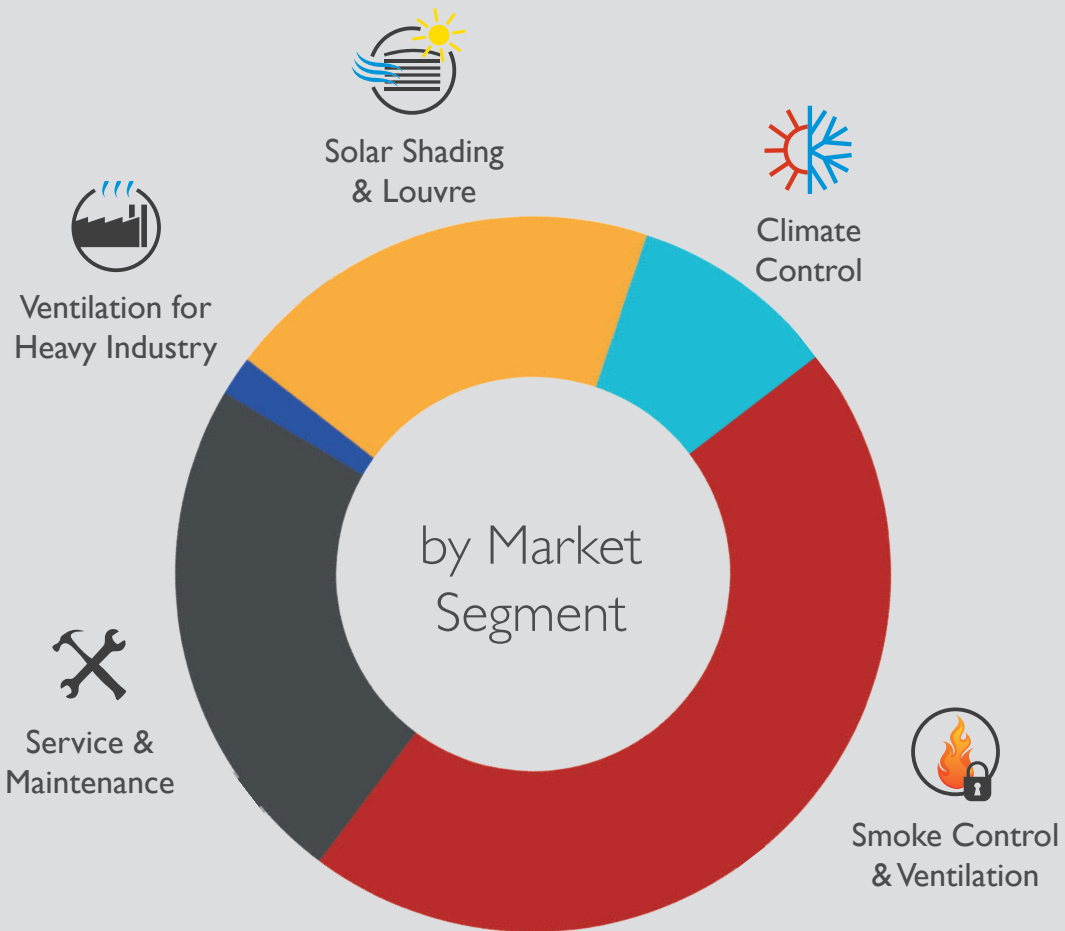
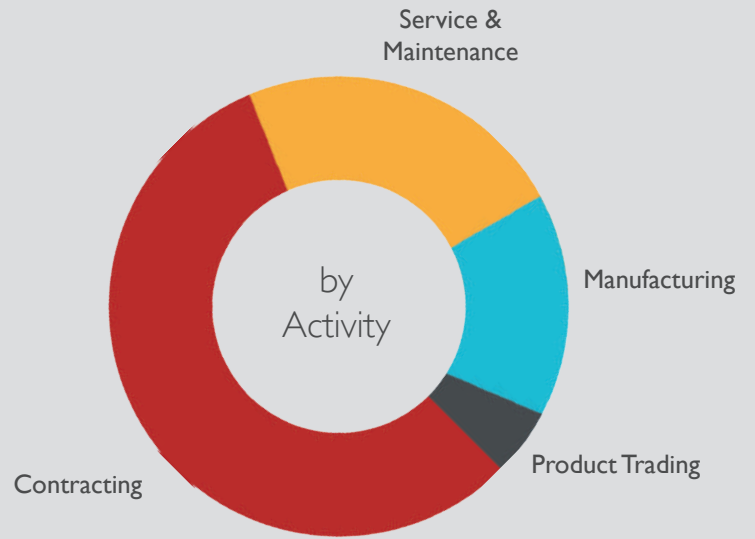
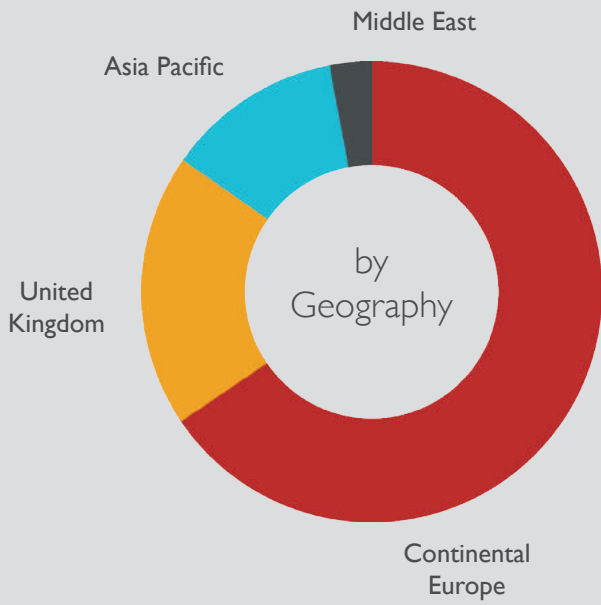
The UK Business was awarded the Royal Society for the Prevention of Accidents (RoSPA) President's Award in recognition of 13 consecutive annual gold awards for health & safety performance. It was also an early adopter in achieving certification against the new ISO9001:2015 and ISO14001:2015 standards for both its quality and environmental processes, well ahead of the September 2018 deadline for compliance.

Finally, the Group was listed in the Sunday Times Grant Thornton Top Track 250 of Britain's private mid-market companies for the third year in succession and recognised by accountancy and business advisory firm, BDO, for the second year in succession, as a top performing mid-market company for profit growth.

Having established a robust position in its European markets, and with renewed focus on this region, the Group is well placed to take advantage of growth and the increasing demand for environmentally sustainable green buildings, and for service and maintenance activities in its ever increasing installed base.

A handwritten signature in blue ink, appearing to read 'Mark Oliver'.

Mark Oliver
Chief Executive Officer



FINANCIAL HIGHLIGHTS

Colt Group of Companies

PROFIT AND LOSS ACCOUNT YEAR TO 31 DECEMBER	2017 £'000	2016 £'000
Turnover	181,407	158,236
Operating expenses	(174,933)	(149,774)
Operating profit	6,474	8,462
Share of profits / (losses) of associates	3	(82)
Net interest payable	(505)	(448)
Profit before tax	5,972	7,932
Taxation	(2,121)	(2,079)
Profit after tax	3,851	5,853
Loss after tax from discontinued business	3,361	104
Profit after tax from continuing business	7,212	5,957
BALANCE SHEET AT 31 DECEMBER		
Fixed Assets	14,987	14,552
Current Assets		
Stocks and work in progress	11,006	8,476
Debtors	62,308	51,649
Cash at bank and in hand	34,255	27,570
Total Assets	122,556	102,247
Liabilities		
Bank loans and overdrafts	9,735	5,815
Creditors	50,107	39,443
Provisions	7,231	5,638
Post-employment benefits	8,481	14,247
Total Liabilities	75,554	65,143
Net Assets	47,002	37,104
Financed by:		
Share capital	4,493	4,493
Reserves	42,444	32,579
Minority interests	65	32
Equity Shareholders' Funds	47,002	37,104

The financial highlights above, which are not statutory accounts within the meaning of The Companies Act 2006 ("The Act"), have been extracted from the audited consolidated accounts of the Colt Group for the year ended 31 December 2017 and 2016. The highlights do not contain sufficient information to give a full understanding of the results and state of affairs of the Colt Group, for which reference should be made to the statutory accounts, together with the Reports of the Directors and the Auditors.



Red Dot Winner: Colt Shadoglass wins coveted design award.



Colt Germany host local school children for a day's work experience in climate control.

COLT FOUNDATION

Occupational Health Research

The Colt Foundation is the largest funder of occupational health research in the United Kingdom. Grants of £16.6 million have been awarded since it was established in 1978 as a registered charity by the O'Hea family with a gift of shares in the Colt Group. The Foundation has an annual income of £500 to £800k generated from a combination of the returns from its investment portfolio and dividend income from the Colt Group. This income sustains its research programmes without the need for further fundraising.

The Trustees are particularly keen to fund research that will inform government policy and lead to changes in workplace practices, avoiding sickness from occupational activities. The Board of Trustees and the Foundation's Scientific Advisers meet biannually to consider high quality applications for funding, typically ranging from £10,000 to £500,000 for multi-year programmes.

The largest project supported to date is a £1m cohort study investigating the causes of the increase in asthma in the UK.

A quarter of the grants awarded each year are for the benefit of students: up to three PhD Fellowships are offered in competition each year, and the Foundation is committed to supporting the MSc course in Human & Applied Physiology at King's College London. The Colt Foundation Prize on the MSc course was awarded to the top student for the year, Michael Attwaters.

In 2017, the Foundation spent a total of £500,000 on grant funding and made new awards for over £570,000. One of the new research projects, to be funded at the MRC (Medical Research Council) Centre for Musculoskeletal Health & Work at the University of Southampton, will investigate the modifiable factors that would enable people to work to older ages in good health and comfort.



Michael Attwaters receiving his award and cheque from Professor David Coggon, one of the Foundation's Trustees.

For further information on this and other work funded by the Foundation, see www.coltfoundation.org.uk.

Back Cover: Colt UK Service Fleet: Investment in 20 new service vans with updated livery, promoting the full spectrum of Colt solutions.



COLT



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