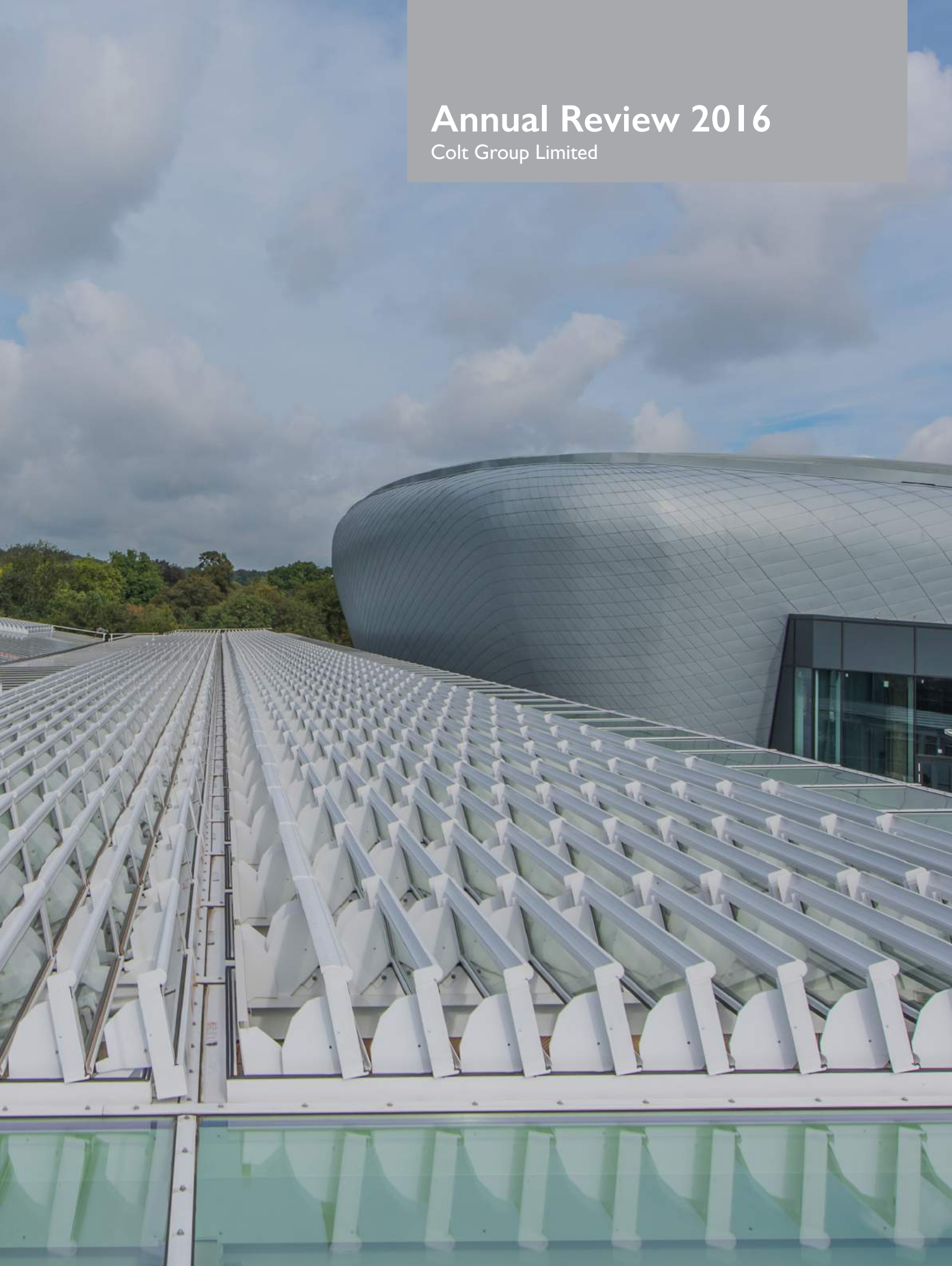


Annual Review 2016

Colt Group Limited

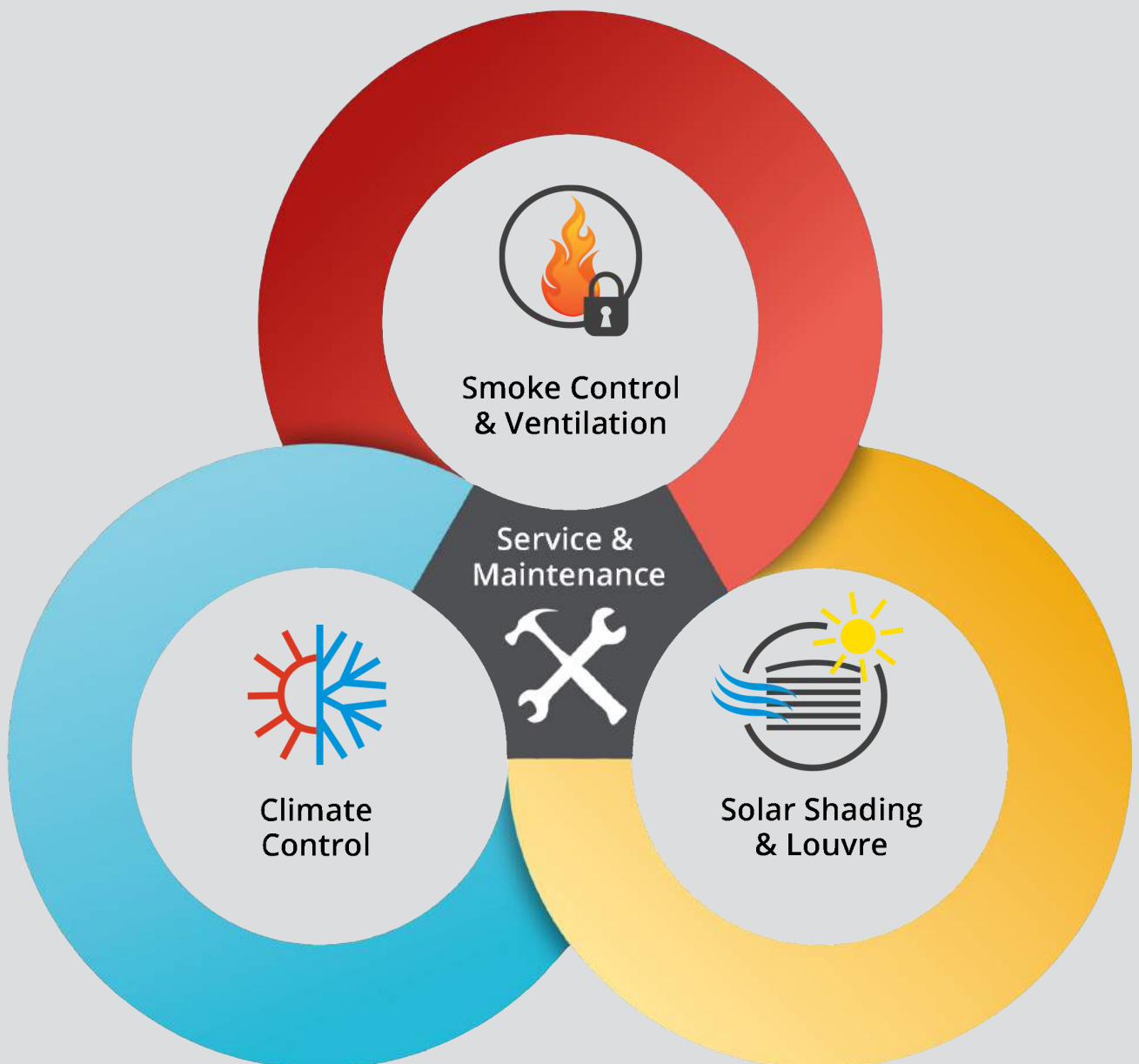


FACTS AND FIGURES

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.

- | | | |
|--|---|--|
| <ul style="list-style-type: none">• Founded in 1931• 1,000 employees in 17 different countries in 30 different locations• Distributors in over 30 additional countries | <ul style="list-style-type: none">• Over 3,000 completed projects in 2016• More than 14,000 ongoing service and maintenance contracts with customers | <ul style="list-style-type: none">• Manufacturing sites in the UK, Germany, Netherlands and China• Over 60 proprietary products• In-house R&D and testing facilities |
|--|---|--|



Front Cover: 500 Colt Airlite insulated ventilators form the atrium roof of the Docks shopping mall in Brussels to provide natural daylight, controlled natural ventilation and smoke control in a single system. Combined with Firelight, Apollo and Coltlite ventilators to provide an aesthetically attractive and sustainable solution.



The Colt Group has continued to improve its performance, achieving its highest ever result in 2016. With robust positions in its markets, the Group is well placed to take advantage of future growth but also to forge its development within its existing geographic footprint both organically and via bolt-on acquisitions. However, achieving this will require investment.

GROUP PERFORMANCE

We are now in our second successive year of profit growth, which has largely been achieved through the elimination of loss-making activities, combined with strong cost control and selectively targeting higher quality contracts. Unfortunately, this has been against a background of no material revenue growth over the past seven years and not building our order bank during this past year. However, orders in the first quarter of 2017 have been strong and we have now rebuilt our order bank.

The growth in bottom line profit, achieved by mitigating the declining orders and sales with strong cost control, has left some of our businesses with gaps in bench strength

and talent. This will need to be addressed to get back onto a growth profile. As we grow it will be critical that we maintain the disciplined cost and project controls that have contributed to achieving the record profit performance in 2016.

MARKETS

The UK Referendum to leave the EU in June of this year (aka Brexit) was a political shock, although the short term impact on our business has been positive. This is because the devaluation of the UK currency that followed it had a positive impact on the Group's reported results in Sterling and our UK business did not experience any change in demand. The uncertainty surrounding Brexit will remain with us for several years, but to date we have not seen any significant delays or cancellations to any of the projects that were in the pipeline ahead of the vote. As such, we do not expect to see any Brexit related slowdown in 2017. However, what happens beyond that is more difficult to predict.

The Group's businesses in the UK, Netherlands, and Germany, which celebrated its 50 year anniversary in June of this year, all performed well as did the Eastern European businesses which are now into their second decade. The Group is seeing strong growth in demand for its Coolstream adiabatic cooling products across all European businesses and also secured the first orders for these products in Australia.

In 2016 the Group continued to feel the impact of ongoing delays in contract awards and political uncertainty in the Middle East, and faced strong competition in Australia. However, the climate technology segment in Europe is growing

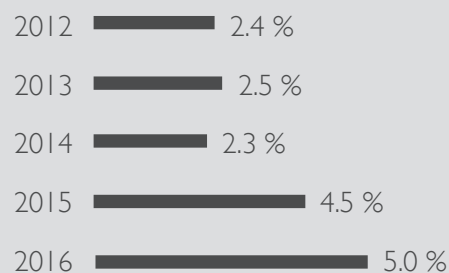
TURNOVER (£)



PROFIT BEFORE TAX (£)



PBT / SALES (%)





Iconic Award: Smog Free Tower prototype being demonstrated in Rotterdam before it travelled to Beijing for a tour of Chinese cities supported by China's Ministry of Environmental Protection.

successfully and continues to be a key initiative for the Group. Smoke control, service and solar shading segments remain stable.

In the food industry Colt has firmly established itself as a leader in providing innovative climate solutions to bakeries and other food providers, creating conditions which enable them to eliminate preservatives from their products.

Most, but not all, of our construction markets have now emerged from the Great Recession that began in 2008. We expect continued growth in demand in climate technology. With increasing demand for green, low-energy climate control solutions, we foresee opportunities for our Coolstream adiabatic cooling products, and our range of natural ventilation products as well as our solar shading solutions which, by reducing the heat loads on buildings, also contribute to the low energy solution.

AWARDS

The Group continued the trend of gaining recognition for its innovations. We picked up the German Design Award for our Solarleaf algae façade collaboration with leading engineers Arup, where photosynthesis takes place within the solar shading panels using up the carbon dioxide exhaust from a building's heating and cooling system, thus giving a truly carbon neutral building.

The Smog Free Tower, a collaboration with Dutch designer Daan Roosegaarde, won the Iconic Award, a global competition that recognises innovative architecture. The tower, billed as the world's largest vacuum

cleaner, uses ion technology to create dust free zones in public spaces. Finally, our German business has been shortlisted for the prestigious "Großer Preis des Mittelstandes" (translated as the Grand Prize for Mid-Sized Companies).

VISION, VALUE PROPOSITION AND STRATEGY

As the incoming CEO at the end of April 2016, I set a goal of working with the Executive Team and Board to carry out a full strategic review of the business and agree new vision, value proposition and growth strategy by the end of September so that our businesses had a basis for formulating their three year business plans. I am pleased to report that we achieved this goal.

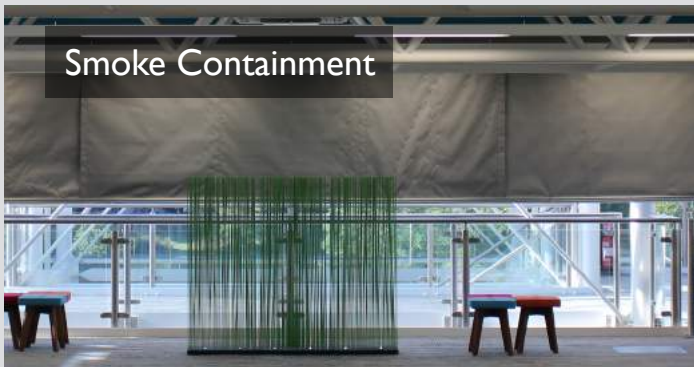
As part of this exercise we clarified our business model, which is to operate as a specialist design and build contractor with an associated service and maintenance business, and also to manufacture a proportion of the unique products and systems that we use in our solutions. We differentiate our offering through a combination of products, services and expertise tailored to each customer's needs. We achieve this by operating through local, wholly owned subsidiaries supported by a global research and development team and regionally centralised manufacturing facilities.

VISION

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



German Design Award: Close up view of Colt Solarleaf showing waste carbon dioxide passing through the algae-filled solar shading panel.





With the inclusion of the word “servicing” in our vision, we emphasise the importance of the service and maintenance element of our business. It has been core in some of our businesses for many years but we believe that, with greater focus and marketing, we will be able to grow this part of our business. Our vision also makes reference to the provision of products as well as solutions, reflecting that our business model involves being a vertically integrated manufacturer, contractor and servicing company and that we can offer products as well as fully installed and commissioned systems.

VALUE PROPOSITION

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

The purpose of our new value proposition: “Expertise built on proven experience delivers innovative, cost effective, sustainable solutions” is to communicate succinctly to customers why they should choose Colt. The proposition is that Colt has more experience and better expertise than other players in the specialist areas of smoke control and ventilation, solar shading and climate control for manufacturing industries. This greater proven experience and expertise means that Colt can offer the most innovative and cost-effective solutions to meet both legal and customer requirements.

Strategically we are shifting from the policy of the past few years of controlled geographical expansion, strategic partnerships and selective acquisitions to a strategy that is

focused on growth within our existing geographical footprint by our wholly owned businesses. We seek to build stable platforms to expand our contracting and service and maintenance businesses in the smoke control, natural ventilation, climate control and solar shading segments, both organically and through acquisitions. The key elements of this strategy are to:

- Focus on our existing geographical footprint, since we believe we can grow in our existing markets, through greater penetration and share gain, more effectively than by entering new markets where we lack experience.
- Focus where we have majority control and on gaining it where we do not have it, re-embracing one of the Cardinal Business Principles of the Group’s founder “complete or majority control over any venture”.
- Grow our Service and Maintenance activities and protect and grow our market leading positions in smoke control and ventilation solutions across our geographic footprint.
- Leverage our Climate Control and Solar Shading capabilities from our Centres of Excellence in Continental Europe into the UK and other markets.
- Make acquisitions that meet specific criteria that can accelerate our growth, especially in Service and Maintenance and Climate Control.

I look forward to implementing this strategy and leading the Group into its next phase of both revenue and profit growth.

Mark Oliver
Chief Executive Officer

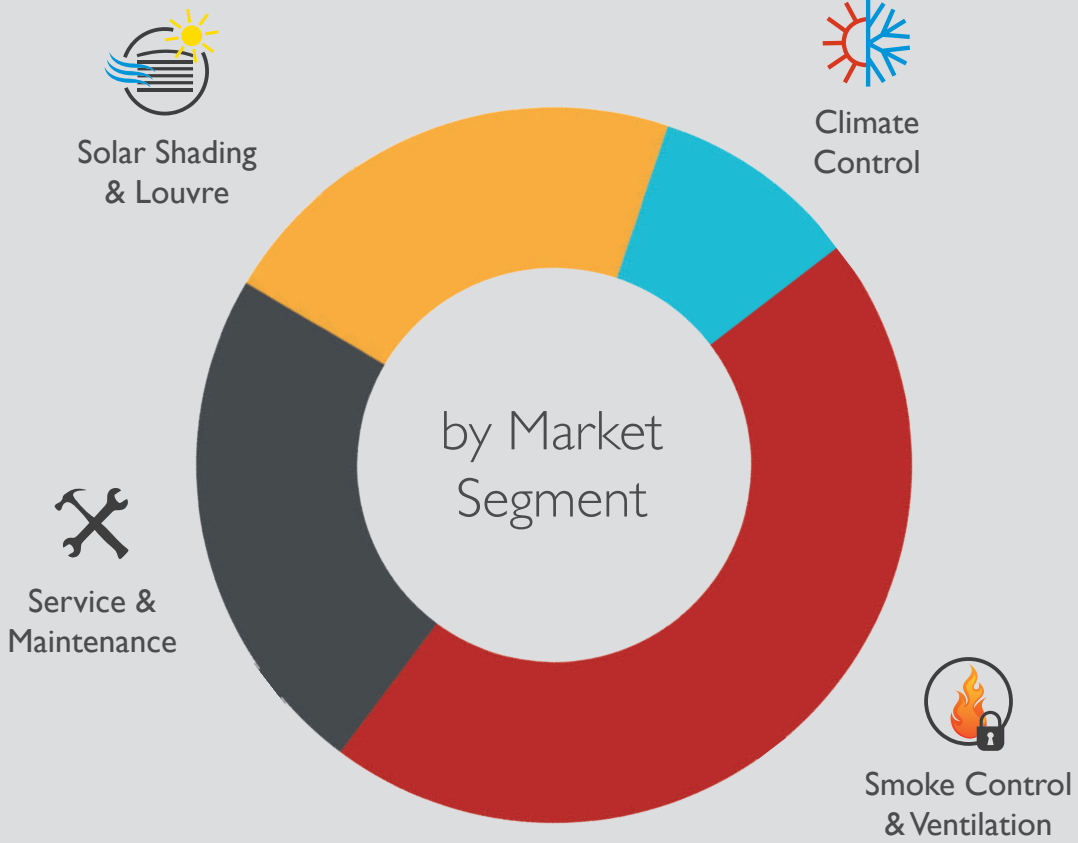
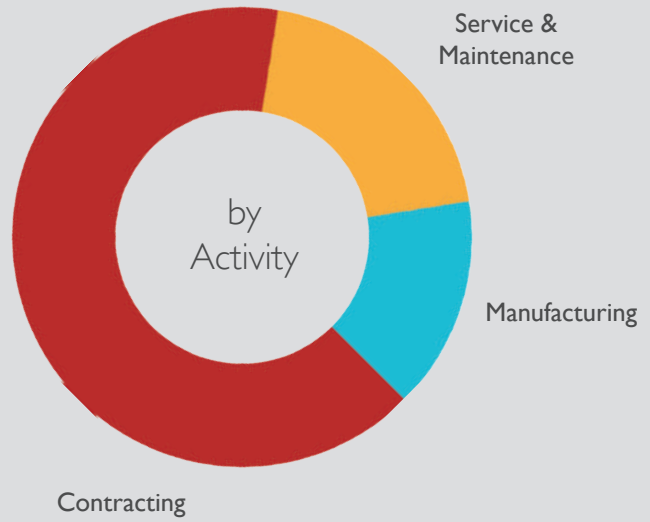
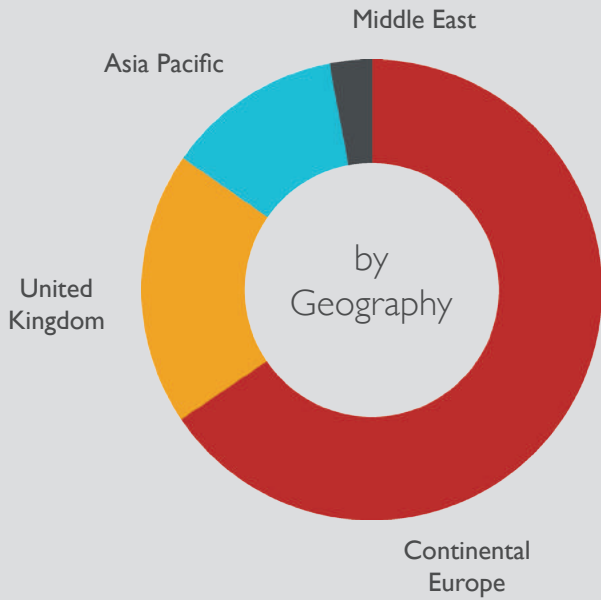
CARDINAL BUSINESS PRINCIPLES

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.



Colt manufactures proprietary products in plants in Germany, the Netherlands, the UK and China that are included in Colt systems and solutions.

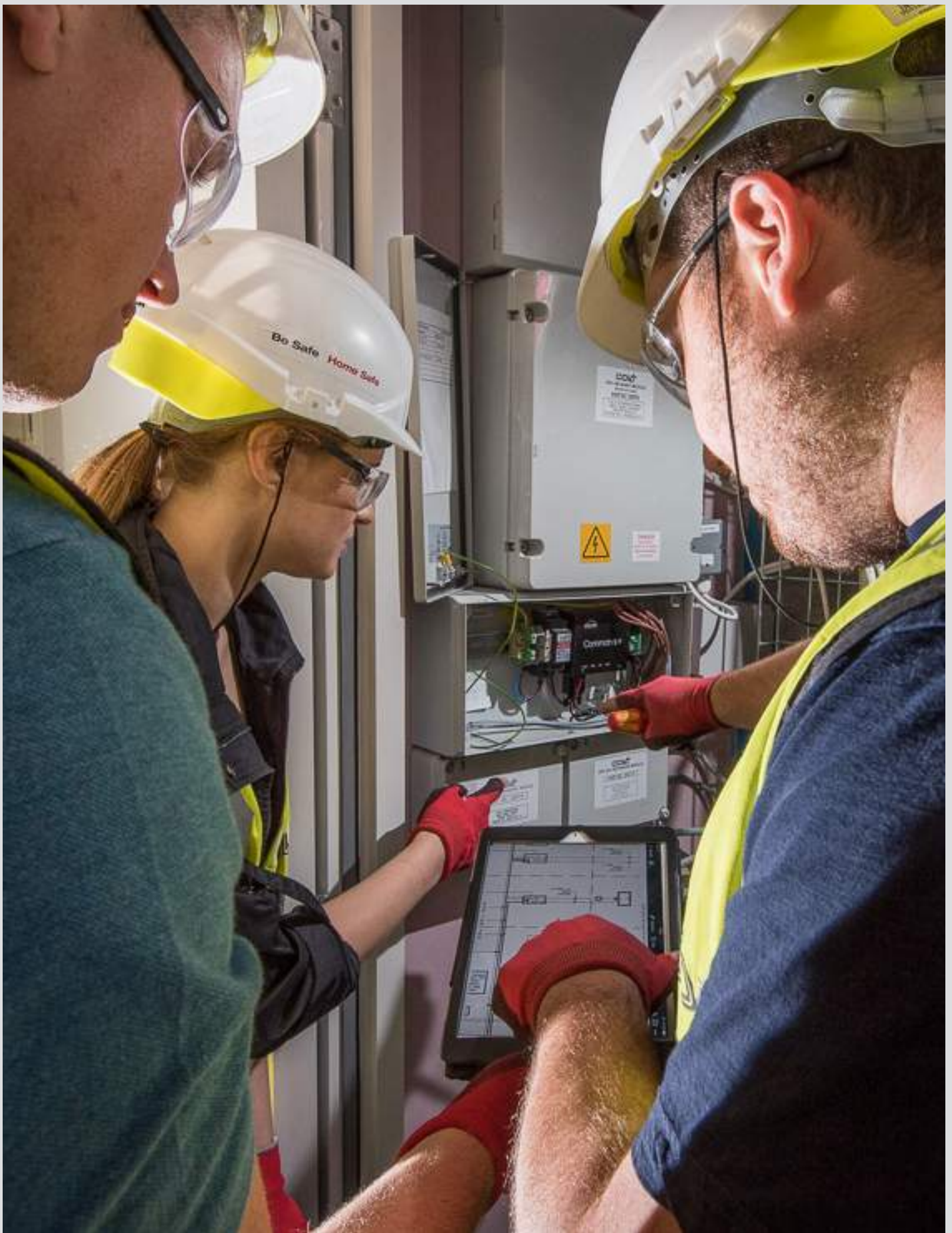


FINANCIAL HIGHLIGHTS

Colt Group of Companies

PROFIT AND LOSS ACCOUNT YEAR TO 31 DECEMBER	2016 £'000	2015 £'000
Turnover	158,236	141,739
Operating expenses	(149,774)	(134,880)
Operating profit	8,462	6,859
Share of (losses) / profits of associates	(82)	6
Net interest payable	(448)	(484)
Profit before tax	7,932	6,381
Taxation	(2,079)	(1,410)
Profit after tax	5,853	4,971
BALANCE SHEET AT 31 DECEMBER		
Fixed Assets	14,552	13,364
Current Assets		
Stocks and work in progress	8,476	8,602
Debtors	51,649	42,477
Cash at bank and in hand	27,570	27,722
Total Assets	102,247	92,165
Liabilities		
Bank loans and overdrafts	5,815	7,767
Creditors	39,443	35,336
Provisions	19,885	12,957
Total Liabilities	65,143	56,060
Net Assets	37,104	36,105
Financed by:		
Share capital	4,493	4,493
Reserves	32,579	31,584
Minority interests	32	28
Equity Shareholders' Funds	37,104	36,105

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 2016 and 2015. 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.



Engineers commissioning the controls of a Coltshaft smoke exhaust ventilation system.



A UK service and maintenance technician maintains an actuator on a Colt ECO smoke control ventilator.

COLT FOUNDATION

Occupational Health Research

The Colt Foundation was established as a charitable trust by the O’Hea family in 1978 with a donation of part of their ownership of the Colt Group of companies.

The Foundation currently owns 22% of the shares in the Colt Group, and the dividends from this holding provide an important part of the income of the Foundation, with the remainder coming from listed investments. Being endowed, the Foundation does not seek donations from the public.

Grants of over £16.3 million have been awarded since 1978, with a particular emphasis on research into the effects of commerce and industry on health and the environment, and the Foundation is currently the largest funder of occupational health research in the UK. One of the projects currently being supported at the University of Edinburgh, UK, is looking at how air pollution can

raise heart disease risk.

Air pollution causes millions of premature deaths a year worldwide, but working out how it does so is difficult because carbon pollutants are hard to trace in the body. The team at the University of Edinburgh used easily detectable gold nanoparticles at an equivalent size to diesel, as a proxy for such pollutants. They exposed healthy volunteers to airborne gold nanoparticles for two hours before taking blood and urine samples, see photographs. After 24 hours, almost all volunteers had traces of gold in their blood, and they found that the gold had accumulated in the fatty areas inside blood vessels that are responsible for heart attacks and strokes.

These findings are of wide importance for human health, and the scientists believe we must now focus our attention on reducing emissions and exposure to airborne particles.



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

Back Cover: A Colt Coolstream adiabatic cooler being lowered by helicopter lift onto the Dulux paint factory in Victoria, Australia. Colt provided a green low energy climate control solution based on combining natural ventilation with adiabatic cooling and traditional airconditioning.



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