

COLT INVESTMENTS LIMITED

ANNUAL REPORT 2018



Registration No: 2647060

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The Directors present their Strategic Report for the year ended 31 December 2018.

1 PRINCIPAL ACTIVITY

The principal activity of the Company is a holding company for the Colt group of companies ("the Group") which designs, supplies, installs, commissions, services and maintains engineered solutions for ventilation, smoke control, climate control and solar shading for the built environment.

2 REVIEW OF THE BUSINESS

The Group has seen another good performance in its continuing operations, achieving record results in the UK. The Continental Europe division also had a strong year, particularly in the Climate Control and Service and Maintenance businesses, however the Solar Shading business did not perform as well as expected.

The performance of the Continental Europe Solar Shading business was adversely impacted by a combination of cost overruns and a large project being delayed into 2019. We have made key changes to the organisation and improved review processes for estimating, quoting and delivery and we fully expect to see the business return to profitability in 2019 and deliver controlled growth thereafter.

Revenues from continuing operations were up by 5% but the Group profit before taxation from continuing operations was down 9%. Excluding the disappointing result in the Solar Shading business in Continental Europe, the Group profit before tax increased by 9% versus the prior year.

The discontinued operation is the Colt International Pty Limited business in Australia which was placed into voluntary administration on 7 February 2018 and then into liquidation on 9 May 2018. The voluntary administration was a non-adjusting post balance sheet event in 2017 and the loss on disposal is shown in the 2018 financial statements. Details are included in note 26 to the financial statements.

The ventilation, smoke control and climate control solutions segments showed a combined 3% growth excluding the discontinued Australia business. The Group continued to deliver strong growth in Service and Maintenance achieving double digit revenue growth for the third successive year. Expanding Service and Maintenance is a key focus area of the Group's strategy. We believe that we can further penetrate our markets by increasing the proportion of the installed base of our products and solutions that are serviced by Colt.

The two acquisitions made in 2017, namely Colt España SA and Hype Final Design GmbH, have both performed well in 2018. In 2018 we acquired the outstanding order book and the brand of EMB, a German service and maintenance business, which was in administration, for a consideration of £0.04m. The 2018 trading results have already justified this acquisition. In summary, all three acquisitions have met the aims of the strategy to grow acquisitively where doing so would achieve faster growth than an organic approach.

Strong working capital management resulted in a £5.3m increase in cash in the year with the 31 December 2018 net cash balance reaching £29.8m.

With a robust position in European markets, the Group is well placed to take advantage of growth and the increasing demand for environmentally sustainable green buildings and infrastructure.

2 REVIEW OF THE BUSINESS (continued)

The Group continued to win awards for innovations and business performance. The Coltlite CLST won both a 2018 Iconic Award and a Red Dot “Best of the Best” Award. Colt Germany won the ‘Industry Excellence in Branding’ category at the 2018 German Brand Awards. This was the first time that we had won an award for the Colt brand rather than for a product or a project. The German business was a North Rhine Westphalia region winner and finalist in the Grosser Preis des Mittelstandes. Finally, the Group was listed in the 2018 Sunday Times Grant Thornton Top Track 250 of Britain’s private mid-market companies for the third year in succession.

3 MAIN OBJECTIVES, STRATEGY AND BUSINESS MODEL

The Group’s vision is to be recognised as a market leader in providing and servicing innovative solutions and products for ventilation, smoke control, climate technology and solar shading for the built environment.

The Group’s strategy is to focus on growth within its existing geographical footprint, building stable platforms to expand its engineered solutions and service and maintenance businesses in the natural ventilation, smoke control, climate control and solar shading sectors both organically and through acquisitions.

The Group’s value proposition is that its expertise, built on proven experience, delivers innovative, cost effective, sustainable solutions.

The Group provides and services innovative solutions and products for ventilation, smoke control, solar shading and climate technology. It operates as a specialist design and build contractor with a service and maintenance business and also manufactures a proportion of the unique products and systems that it uses in its solutions. The Group differentiates its offering through a combination of products, services and expertise tailored to each customer’s needs. The business operates through local, largely wholly owned subsidiaries supported by a global research and development team and regionally centralised manufacturing facilities.

4 PRINCIPAL RISKS AND UNCERTAINTIES

The management of risks within the Group underpins the execution of its strategy. A Group Risk Committee oversees risk management in the operating companies, who are required to identify and manage day-to-day risks in accordance with defined policies and procedures. Exceptional risks are escalated to the Group Risk Committee for review. The Group currently operates a Brexit risk review process covering operational, legal and financial risks and mitigation strategies.

Economic Environment

The investment decisions and levels of business activity of the Group’s customers are directly affected by changes in economic circumstances which are often regarded as the root cause of the cyclical nature of the construction industry. The Group seeks to manage this risk by maintaining diversity in its products and services and supplying to a wide range of industries and business segments as well as the public sector.

4 PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Product Development

The Group invests in research and development each year including maintaining centres of excellence to keep its subsidiaries up to date with developments in their key technologies and products.

Furthermore, the Group's subsidiaries undertake routine market research to understand better their customers' expectations and whether their needs are being met.

Competition

The Group faces competition both nationally and internationally which, in mature markets, can result in severe pressure on margins. The Group seeks to manage the risk by differentiating itself from its competitors by providing tailored and specialist solutions of a high quality to its customers.

Financial

The Board of Colt Group Limited monitors the operation of the financial systems put in place to manage the risks of transacting business across a number of different countries, with a number of its customers being contractors in the construction industry.

The Group has implemented policies that require appropriate credit checks on potential customers and financial institutions and they have certain credit insurance arrangements. The Group has in place facilities to supplement its cash resources as required. Known currency exposures are managed by entering into appropriate forward foreign exchange contracts.

The Group has short-term variable interest bearing liabilities. The Group's current and forecast cash flows are regularly reviewed by management to mitigate its exposure to changes in short term interest rates.

Pension Schemes

The Group operates defined benefit pension schemes in Germany and the UK (the UK scheme being closed to future accrual from 31 March 2013 and the German Scheme is not open to new entrants) the valuation of which is dependent on a number of assumptions such as longevity, interest rates and expectations of future inflation. Assumptions such as these are used by the trustees of the UK scheme to determine the level of contributions payable by the Colt Group Limited. The German scheme is unfunded and the scheme liabilities are paid by the Group as they fall due. The Group and the scheme trustees regularly review and manage the risks associated with such pension schemes supported by professional actuaries and investment managers.

5 FUTURE PROSPECTS

The Group aims to have a portfolio of businesses in smoke control and ventilation, solar shading and climate technology in each of its geographic markets.

The Group expects continued growth in operational profitability in all segments, particularly in its climate control technology and service segments.

5 FUTURE PROSPECTS (continued)

With increasing demand for green, low-energy climate control solutions, the Group foresees opportunities for its adiabatic cooling solutions, its range of natural ventilation solutions as well as its solar shading solutions which, by reducing the heat load on buildings, also contribute to a low energy solution.

6 KEY PERFORMANCE INDICATORS

Given the straightforward nature of the Company's business as an investment holding company, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the business.

The Board of Colt Investments Limited monitors the progress of the strategy for its subsidiaries and the individual strategic elements by reference to several key performance indicators but not all of the progress achieved can be measured by financial ratios.

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| (a) (Decrease) /Increase in Orders | (4.5%) | 21.0% |
| (b) Increase in Turnover | 4.8% | 8.3% |
| (c) Profit before Taxation | £8,146,000 | £8,955,000 |
| (d) Return on Capital Employed excluding Pension Liabilities | 19.3% | 21.4% |

(a) Year on year growth in orders expressed as a percentage, excluding the impact of exchange rate variances, for continuing operations.

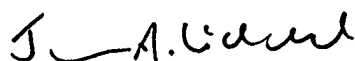
Orders were 4.5% lower in 2018 than in 2017 largely because the group ended 2017 with an abnormally high level of orders still to be fulfilled due to the high order intake towards the end of 2017.

(b) Year on year growth in turnover expressed as a percentage, excluding the impact of exchange rate variances, for continuing operations.

(c) Profit before taxation is in respect of continuing operations.

(d) Capital employed is the average of the total equity less the net cash at the start and end of the financial year excluding pension liabilities. Return is defined as profit before interest and tax.

BY ORDER OF THE BOARD



J Liddiard
Company Secretary
Waterlooville
Hampshire
P07 7YH

24 May 2019

COLT INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The Directors present their Report and audited consolidated Financial Statements for the year ended 31 December 2018.

1 PRINCIPAL ACTIVITY

The principal activity of the Company is a holding company for the Group which designs, supplies, installs, commissions, services and maintains engineered solutions for ventilation, smoke control, climate control and solar shading for the built environment.

2 DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

Mr J O'Hea (Chairman)
Mr A O'Hea
Mr S O'Hea
Mrs J M Leach
Mrs C M Gilchrist
Mr P J O'Hea
Mr P O'Hea
Mrs J A Corbisiero
Mrs P Lebus
Mrs C M Fitzsimons

3 DIVIDENDS

The Group profit before taxation amounted to £5,222,000 (2017: profit £5,972,000).

A First Interim Dividend for 2017 of £1,000,000 was declared and paid on 17 January 2018 (2017: £1,000,000).

A Second Interim Dividend for 2017 of £1,000,000 was declared and paid on 17 May 2018 (2017: £1,000,000).

The Directors do not recommend the payment of a final dividend (2017: nil).

A First Interim Dividend for 2018 of £1,000,000 was declared and paid on 16 January 2019.

4 EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

5 FINANCIAL RISKS*

The Board of Colt Group Limited regularly monitors the operation of the financial systems it has put in place to manage the risks of transacting business across a number of different countries, with a number of its customers being contractors in the construction industry.

The Group has implemented policies that require appropriate credit checks on potential customers and financial institutions and has certain credit insurance arrangements. It has in place facilities to supplement its cash resources as required. Known currency exposures are managed by entering into appropriate forward foreign exchange contracts. The Group has short-term variable interest bearing liabilities. The Group's current and forecast cash flows are regularly reviewed by management to mitigate its exposure to changes in short term interest rates.

6 FUTURE PROSPECTS*

The Group aims to have a portfolio of businesses in smoke control and ventilation, solar shading and climate technology in each of its geographic markets.

The Group expects continued growth and a further increase in operational profitability, particularly in its climate technology and service segments. With increasing demand for green, low-energy climate control solutions, the Group foresees opportunities for its Coolstream adiabatic cooling products, its range of natural ventilation products as well as its solar shading solutions which, by reducing the heat load on buildings, also contribute to a low energy solution.

7 RESEARCH AND DEVELOPMENT ACTIVITIES*

In order to avoid being overtaken by new developments leading to possible product obsolescence, the Group invests in research and development each year including maintaining centres of excellence to keep its subsidiaries up to date with developments in their key technologies and products. Furthermore, routine market research is undertaken to understand customer expectations and whether their needs are being met.

8 EMPLOYEE INVOLVEMENT

Employees are encouraged to contribute their ideas and suggestions within their local businesses and receive regular briefing notes and newsletters about the wider Group's activities.

9 DIRECTORS' INDEMNITY

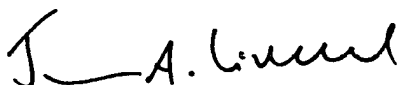
As permitted by the Articles of Association, each of the Directors has the benefit of an indemnity which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the respective period of Directorship during the last financial year, and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors. No indemnity is provided for the Company's auditors.

10 DIRECTORS' DECLARATION IN RELATION TO RELEVANT AUDIT INFORMATION

Each person who was a Director at the time this report was approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BY ORDER OF THE BOARD



J Liddiard
Company Secretary
Waterlooville
Hampshire
PO7 7YH

24 May 2019

* Also stated in the Strategic Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report and the Report of the Directors and the Group and Parent Company financial statements (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 prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 Group and the Company and of the profit or loss of the Group and 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 United Kingdom Accounting Standards, including FRS 102 have 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 Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

COLT INVESTMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLT INVESTMENTS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, Colt Investments Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company balance sheets as at 31 December 2018; the Consolidated profit and loss account and Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

As a result of the voluntary administration of Colt International Pty Limited, as described in note 26 to the financial statements, we were unable to obtain sufficient and appropriate audit evidence in respect of this subsidiary's results for the period to disposal, which are classified as discontinued operations. Our opinion on the 2017 financial statements was also qualified as a result of this matter.

Due to this limitation in scope, we were unable to determine whether any adjustments might be necessary to the results of Colt International Pty Limited for the year ended 31 December 2018. In addition, our opinion on the state of affairs of the Group at the balance sheet date is qualified solely on the basis of the possible effects of this prior year matter on the comparability of the current year's figures and the prior year figures.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the 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 Group's and 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to the administration of Colt International Pty Limited, described in the basis for qualified opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

COLT INVESTMENTS LIMITED

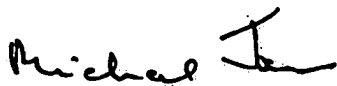
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COLT INVESTMENTS LIMITED (continued)

Companies Act 2006 exception reporting (continued)

Under the Companies Act 2006 we are also required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Michael Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
24 May 2019

COLT INVESTMENTS LIMITED
**CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2018**

| | Notes | 2018 | | | 2017 | | |
|---|-------|---|---|----------------|---|---|----------------|
| | | Continu- ing Operat- ions £'000 | Disconti- nued Operat- ions £'000 | Total £'000 | Continu- ing Operat- ions £'000 | Disconti- nued Operat- ions £'000 | Total £'000 |
| Turnover | 1 | 179,764 | - | 179,764 | 170,443 | 10,964 | 181,407 |
| Net operating expenses | 2 | (171,260) | - | (171,260) | (160,986) | (13,947) | (174,933) |
| Loss on disposal of operation | 26 | - | (2,924) | (2,924) | - | - | - |
| Operating profit/(loss) | | 8,504 | (2,924) | 5,580 | 9,457 | (2,983) | 6,474 |
| Income from interests in associated undertakings | | - | - | - | 3 | - | 3 |
| Profit/(loss) before interest and taxation | | 8,504 | (2,924) | 5,580 | 9,460 | (2,983) | 6,477 |
| Interest receivable and similar income | 4 | 26 | - | 26 | 45 | 1 | 46 |
| Interest payable and similar expenses | 5 | (384) | - | (384) | (550) | (1) | (551) |
| Profit/(loss) before taxation | | 8,146 | (2,924) | 5,222 | 8,955 | (2,983) | 5,972 |
| Tax on profit/(loss) | 6 | (2,286) | - | (2,286) | (1,743) | (378) | (2,121) |
| Profit/(loss) for the financial year | | 5,860 | (2,924) | 2,936 | 7,212 | (3,361) | 3,851 |
| Profit /(loss) for the financial year attributable to: | | | | | | | |
| - Shareholders | | 5,880 | (2,924) | 2,956 | 7,181 | (3,361) | 3,820 |
| - Non-controlling interests | | (20) | - | (20) | 31 | - | 31 |
| | | 5,860 | (2,924) | 2,936 | 7,212 | (3,361) | 3,851 |

COLT INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Profit for the financial year | 2,936 | 3,851 |
| Other comprehensive income: | | |
| Currency translation differences on reserves | 389 | 1,073 |
| Actuarial gain in respect of pension schemes | 1,430 | 6,774 |
| Movement on deferred tax relating to pension schemes | (309) | 200 |
| Other comprehensive income for the year | <u>1,510</u> | <u>8,047</u> |
| Total comprehensive income for the year | <u>4,446</u> | <u>11,898</u> |
| Total comprehensive income/(expense) attributable to: | | |
| - Shareholders | 4,464 | 11,865 |
| - Non-controlling interests | <u>(18)</u> | <u>33</u> |
| | <u>4,446</u> | <u>11,898</u> |

COLT INVESTMENTS LIMITED

BALANCE SHEETS
as at 31 December 2018

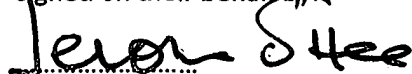
Registration No: 2647060

| | Notes | The Company | | The Group | |
|--|-------|---------------|---------------|----------------|----------------|
| | | 2018 | 2017 | 2018 | 2017 |
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible assets | 8 | - | - | 2,046 | 2,575 |
| Tangible assets | 9 | - | - | 12,072 | 12,129 |
| Investments | 10 | 12,177 | 12,177 | - | 283 |
| | | <u>12,177</u> | <u>12,177</u> | <u>14,118</u> | <u>14,987</u> |
| Current assets | | | | | |
| Stocks | 11 | - | - | 9,692 | 11,006 |
| Debtors | 12 | - | - | 53,310 | 62,308 |
| Cash at bank and in hand | | 2 | 2 | 37,119 | 34,257 |
| | | <u>2</u> | <u>2</u> | <u>100,121</u> | <u>107,571</u> |
| Creditors: amounts falling due within one year | 14 | - | - | (48,811) | (59,412) |
| Net current assets | | 2 | 2 | 51,310 | 48,159 |
| Total assets less current liabilities | | 12,179 | 12,179 | 65,428 | 63,146 |
| Creditors: amounts falling due after more than one year | 15 | - | - | (254) | (430) |
| Post-employment benefits deficit | 17 | - | - | (15,080) | (15,042) |
| Post-employment benefits surplus | 17 | - | - | 6,753 | 6,561 |
| Provisions for other liabilities | 16 | - | - | (7,397) | (7,231) |
| Net assets | | <u>12,179</u> | <u>12,179</u> | <u>49,450</u> | <u>47,004</u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | 2,245 | 2,245 | 2,245 | 2,245 |
| Capital redemption reserve | | 4,700 | 4,700 | 4,700 | 4,700 |
| Retained earnings | | 5,234 | 5,234 | 29,453 | 26,989 |
| Other reserves | | - | - | 13,005 | 13,005 |
| Equity attributable to the owners of the parent | | <u>12,179</u> | <u>12,179</u> | <u>49,403</u> | <u>46,939</u> |
| Non-controlling interests | | - | - | 47 | 65 |
| Total equity | | <u>12,179</u> | <u>12,179</u> | <u>49,450</u> | <u>47,004</u> |

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present its own profit and loss account or statement of comprehensive income. The Company's profit and total comprehensive income for the financial year was £2,000,000 (2017: profit and total comprehensive income £2,000,000).

The notes on pages 31 to 62 are an integral part of these financial statements.

The Financial Statements on pages 13 to 62 were approved by the Board of Directors on 24 May 2019 and signed on their behalf by:



J. O'Hea
Chairman and Director

COLT INVESTMENTS LIMITED

**STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2018**

| | Called up Share Capital £'000 | Capital Redemption Reserve £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|--|---|-------------------------------|--------------------------|
| The Company | | | | |
| Balance as at 1 January 2017 | 2,245 | 4,700 | 5,234 | 12,179 |
| Profit for the financial year | - | - | 2,000 | 2,000 |
| Total comprehensive income for the year | - | - | 2,000 | 2,000 |
| Dividends | - | - | (2,000) | (2,000) |
| Balance as at 31 December 2017 | 2,245 | 4,700 | 5,234 | 12,179 |
| Balance as at 1 January 2018 | 2,245 | 4,700 | 5,234 | 12,179 |
| Profit for the financial year | - | - | 2,000 | 2,000 |
| Total comprehensive income for the year | - | - | 2,000 | 2,000 |
| Dividends | - | - | (2,000) | (2,000) |
| Balance as at 31 December 2018 | 2,245 | 4,700 | 5,234 | 12,179 |

COLT INVESTMENTS LIMITED

**STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2018**

| | Called up Share Capital | Capital Redemp- tion Reserve | Retained Earnings | Other Reserves | Equity Attributable to the Owners of the Parent £'000 | Non- controlling interest £'000 | Total Equity £'000 |
|---|-------------------------------|---------------------------------------|----------------------|-------------------|---|--|--------------------------|
| The Group | £'000 | £'000 | £'000 | £,000 | £'000 | £'000 | £'000 |
| Balance as at 1 January 2017 | 2,245 | 4,700 | 17,124 | 13,005 | 37,074 | 32 | 37,106 |
| Profit for the financial year | - | - | 3,820 | - | 3,820 | 31 | 3,851 |
| Other comprehensive income for the year | - | - | 8,045 | - | 8,045 | 2 | 8,047 |
| Total comprehensive income for the year | - | - | 11,865 | - | 11,865 | 33 | 11,898 |
| Dividends | - | - | (2,000) | - | (2,000) | - | (2,000) |
| Balance as at 31 December 2017 | 2,245 | 4,700 | 26,989 | 13,005 | 46,939 | 65 | 47,004 |
| Balance as at 1 January 2018 | 2,245 | 4,700 | 26,989 | 13,005 | 46,939 | 65 | 47,004 |
| Profit /(loss) for the financial year | - | - | 2,956 | - | 2,956 | (20) | 2,936 |
| Other comprehensive income for the year | - | - | 1,508 | - | 1,508 | 2 | 1,510 |
| Total comprehensive income/(expense) for the year | - | - | 4,464 | - | 4,464 | (18) | 4,446 |
| Dividends | - | - | (2,000) | - | (2,000) | - | (2,000) |
| Balance as at 31 December 2018 | 2,245 | 4,700 | 29,453 | 13,005 | 49,403 | 47 | 49,450 |

Other Reserves arose on the acquisition of Colt Group Limited in 1992.

COLT INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|----------------|----------------|
| Cash flow from operations | 19 | 10,898 | 6,213 |
| Interest paid | | (259) | (282) |
| Taxation paid | | (1,297) | (1,251) |
| Net cash generated from operating activities | | <u>9,342</u> | <u>4,680</u> |
| Cash flow from investing activities | | | |
| Purchase of intangible assets | | (272) | (165) |
| Purchase of tangible assets | | (1,271) | (2,132) |
| Purchase of subsidiary undertakings | | - | (914) |
| Disposal of subsidiary | | (1,103) | - |
| Proceeds from disposal of tangible assets | | 228 | 2,060 |
| Interest received | | 26 | 46 |
| Net cash used in investing activities | | <u>(2,392)</u> | <u>(1,105)</u> |
| Cash flow from financing activities | | | |
| Repayment of obligations under finance leases | | (60) | (52) |
| Dividends paid to shareholders | | (2,000) | (2,000) |
| Net cash used in financing activities | | <u>(2,060)</u> | <u>(2,052)</u> |
| Net increase in cash and cash equivalents | | 4,890 | 1,523 |
| Cash and cash equivalents at the beginning of the year | | 24,522 | 21,757 |
| Exchange adjustments | | 423 | 1,242 |
| Cash and cash equivalents at the end of the year | | <u>29,835</u> | <u>24,522</u> |
| Cash and cash equivalents consist of: | | | |
| Cash at bank and in hand | | 37,119 | 34,257 |
| Bank overdrafts | | (7,284) | (9,735) |
| Net cash in hand at end of year | | <u>29,835</u> | <u>24,522</u> |

COLT INVESTMENTS LIMITED

ACCOUNTING POLICIES

for the year ended 31 December 2018

General information

Colt Investments Limited ("The Company") is a private company limited by shares and is incorporated in England. The address of the Company's registered office is Unit 12, The Briars, Waterberry Drive, Waterlooville, Hampshire, PO7 7YH.

The principal activity of the Company is a holding company for the Colt group of companies ("the Group") which designs, supplies, installs, commissions, services and maintains engineered solutions for ventilation, smoke control, climate control and solar shading for the built environment.

The Group consists of Colt Investments Limited and all of its subsidiaries.

Statement of compliance

These financial statements have been prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified to recognise certain financial instruments at fair value through the profit and loss account, the 1985 revaluation of freehold properties and the historic revaluation of the investments by the parent company in subsidiary companies.

The Group financial statements are prepared in pounds sterling, which is the functional currency of the Group and monetary amounts are rounded to thousands unless otherwise indicated.

The Company's functional and presentational currency is pounds sterling.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on pages 29-30.

COLT INVESTMENTS LIMITED

ACCOUNTING POLICIES (continued) for the year ended 31 December 2018

Basis of consolidation

The consolidated financial statements incorporate Colt Investments Limited and all of its subsidiary undertakings together with the Group's share of the results of associates.

A subsidiary undertaking is an entity that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits. Where necessary, when preparing the consolidated financial statements, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. Where the Group owns less than 50% of the voting power of an entity, but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group has a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The Group's share of the results of associates are accounted for using the equity method of accounting.

All financial statements are made up to 31 December 2018.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiary undertakings acquired during the year are consolidated using the purchase method. Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

A subsidiary is no longer consolidated when control is lost. The difference between any disposal proceeds and the carrying amount of the subsidiary's net assets (including related goodwill) is recognised in the profit and loss account as a gain or loss on disposal. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings.

Where an interest in a subsidiary is increased or reduced, but control is not obtained or lost, the difference between the fair value of any consideration paid or received and the change to the non-controlling interest is recognised directly in equity and attributed to owners of the parent.

Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

ACCOUNTING POLICIES (continued)
for the year ended 31 December 2018

Business combinations (continued)

On transition to FRS 102, the Group elected not to apply FRS 102 to business combinations effected before the date of transition of 1 January 2014. Consequently, any intangible assets subsumed within goodwill were not separately recognised and no adjustment was made to the carrying value of goodwill arising on those business combinations.

Revenue recognition

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax and other sales taxes.

Work is undertaken for customers either on the basis that time and materials are billed as incurred or according to the terms of fixed price contracts. For time and material contracts, turnover and profit is recognised when the right to consideration has been established according to time worked and materials expended.

With respect to fixed price contracts, turnover is recognised according to the percentage of the estimated total contract value completed or the achievement of contractual milestones. A proportion of profit is also recognised as the project progresses.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred. Revenue and profit is recognised from project variations when these are agreed with customers.

If a contract covers a number of assets, the construction of each asset is treated as a separate construction contract when the costs and revenues of each asset can be identified, the assets are subject to separate proposals and negotiation, and the part of the contract relating to each asset can be accepted or rejected. Contracts are combined and treated as a single construction contract when they are negotiated as a single package, performed concurrently or in a continuous sequence and so closely interrelated that they are, in effect, part of a single project with an overall profit margin.

In respect of short term and low value contracts, turnover and profit is recognised once the contract is complete. Completion is defined as the point at which all contractual obligations have been satisfied and the Group has an enforceable debt.

As turnover is recognised a corresponding amount is included within debtors. Advance payments received from customers are included in creditors as payments on account and amounts are set off against the value of work undertaken as the contracts progress.

Turnover for maintenance services is recognised in the accounting year in which the services are rendered.

Also included within turnover are royalties earned, licence fees and other payments for technical "know-how" which are recognised on an accruals basis.

**ACCOUNTING POLICIES (continued)
for the year ended 31 December 2018**

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Dividend income

Dividend income from the Company's investments in subsidiaries is recognised when the Company's right to receive payment is established.

Foreign currencies

Transactions in foreign currencies other than the functional currency are translated into sterling and recorded at an exchange rate that the Directors consider to be a reasonable approximation to the rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into sterling at the rate of exchange ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year.

Exchange differences arising on the re-translation of opening net investments in subsidiary companies and on translation of profit and loss account items at average rates are recognised in other comprehensive income and are accumulated in equity.

Research and development

The Group capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following:

- (a) The technical feasibility of completing the development so that the intangible asset will be available for use or sale.
- (b) Its intention to complete the development and to use or sell the intangible asset.
- (c) Its ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised development expenditure is amortised on a straight line basis over its useful life of 5 years.

All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred.

Expenditure on development plant and equipment is capitalised as tangible fixed assets and written off over its useful economic life.

Investments

Investments in subsidiary undertakings are included in the financial statements at cost, less any provision required for impairment.

Goodwill

Purchased goodwill, which arises on the acquisition of a business, is capitalised and amortised through the profit and loss account on a straight line basis over a period of up to 20 years as, in the opinion of the Directors, this represents the period over which the goodwill is expected to give rise to economic benefits. This is evaluated on a case by case basis.

Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account.

Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. The amount up to the fair value of the non-monetary assets acquired is credited to profit and loss in the period in which those non-monetary assets are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to profit and loss in the periods expected to benefit.

ACCOUNTING POLICIES (continued)
for the year ended 31 December 2018

Intangible fixed assets

Intangible fixed assets purchased are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on a straight-line basis at rates sufficient to write off the cost less estimated residual values of individual assets over their estimated useful economic lives and is charged to the profit and loss account.

The principal annual amortisation rates are as follows:

| | |
|------------------------------|-----------|
| Intellectual property rights | 3-5 years |
| Software | 3-5 years |

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible fixed asset is recognised in the profit or loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or deemed cost of each asset to its estimated residual value on a straight line basis over its estimated useful economic life. The principal annual rates used for this purpose are as follows:

| | |
|---|--|
| Freehold or long leasehold buildings | 50 years |
| Short leasehold properties | 10 years or period of lease if shorter |
| Plant and machinery | 3-10 years |
| Fixtures, fittings, tools and equipment | 3-10 years |

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Land and buildings are accounted for separately even when acquired together.

Leasehold improvements are depreciated over the shorter of the estimated useful lives of the assets or the unexpired lease term.

On transition to FRS 102 on 1 January 2014, the Group elected to use the revalued cost (1985 valuation) of freehold land and buildings as their deemed cost at the date of transition.

The difference between depreciation based on the deemed cost charged in the profit and loss account and the asset's original cost is transferred from the revaluation reserve to retained earnings.

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in the profit and loss account in the period in which they are identified.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the profit and loss account or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful economic life.

Stocks and work in progress

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first in first out basis and, for finished goods and work in progress, includes direct labour costs and overheads appropriate to the stage of manufacture.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in the profit and loss account.

Reversals of impairment losses are also recognised in profit and loss account.

Short-term contract work in progress is valued at direct cost plus a proportion of related production overheads, except where the contract is material, when it is accounted for as a long-term contract.

Long-term contract work in progress is stated at total cost incurred net of amounts transferred to the profit and loss account in respect of work carried out to date, less foreseeable losses and applicable payments on account. Profit is taken on those long-term contracts the outcome of which can reasonably be foreseen, in proportion to the stage of completion reached.

In the case of both short-term and long-term contracts provision is made for any anticipated losses in the period in which the losses are identified.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. Payments in excess of recorded turnover and long-term contract balances are included in creditors as payments received on account.

Cash

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities.

ACCOUNTING POLICIES (continued)
for the year ended 31 December 2018

Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Group substantially all of the risks and rewards incidental to ownership ("finance leases"). Lease payments are treated as consisting of capital and interest elements. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease on a straight-line basis.

Leased assets are depreciated over the shorter of the lease term and the estimated useful economic life of the asset. Assets are assessed for impairment at each reporting date.

Leases that do not transfer substantially all of the risks and rewards of ownership are classified as operating leases and the annual rentals, including any incentives received from the lessor, are charged to the profit and loss account on a straight line basis over the lease term.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Provision is made for the best estimate of the costs of meeting claims received against product guarantees and claims expected to be received against guarantees issued before the year-end. Estimates are based on past experience of the level of claims and costs incurred.

Contingent assets and liabilities

Contingent assets are not recognised, but are disclosed in the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in the financial statements unless the probability of an outflow of resources is remote. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control.

Taxation

The charge for taxation represents the sum of the current tax charge and deferred tax charge. Current tax is based on the taxable profit for the year or prior years. Taxable profit differs from total comprehensive income because it equals taxable income adjusted for amounts determined in accordance with the rules established by the taxation authorities.

Current tax assets are recognised when tax paid exceeds the tax payable. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the average tax rates that are expected to apply to the periods in which the asset is realised or the liability is settled based on tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Current and deferred tax is charged or credited in the profit or loss account, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial instruments

The Group has chosen to adopt the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in respect of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments (continued)

(i) Financial assets

Basic financial assets, including trade debtors and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction in which case the transaction is initially and subsequently measured at the present value of future receipts discounted at a market rate of interest.

A provision for impairment of financial assets is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the profit and loss account for the excess of the carrying value of the asset over the present value of the estimated future cash flows.

(ii) Financial liabilities and equity

Basic financial liabilities, including trade and other payables, and bank loans and overdrafts are initially recognised at transaction price unless the arrangement constitutes a financing transaction in which case the transaction is initially and subsequently measured at the present value of future payments discounted at a market rate of interest.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the profit and loss account in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

(iii) Hedging arrangements

The Group does not generally apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies.

(iv) Dividends

Final dividends to the Company's shareholders are recognised as liabilities in the period in which the dividends are approved by the shareholders. Interim dividends to the Company's shareholders are recognised as liabilities in the period in which the dividends are paid. These amounts are recognised in the statement of changes in equity.

(v) Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

ACCOUNTING POLICIES (continued)
for the year ended 31 December 2018

Pensions

The Group operates a small number of defined benefit pension schemes and a post-retirement health benefit scheme in the UK. Actuarial valuations are prepared in accordance with local legislative requirements and contributions are made in accordance with the actuary's recommendations.

Amounts charged to operating profit are the current and past service costs, gains and losses on settlements and curtailments and scheme expenses. Past service costs are recognised immediately in the profit and loss account. The net interest on the net defined benefit liability/(asset) is recognised in the profit and loss account under interest payable and similar charges/interest receivable and similar charges. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income. Pension scheme defined benefit surpluses are recognised where this is in accordance with the scheme rules and other agreements with the Trustees.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

The Group also operates defined contribution schemes. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions are charged directly to the profit and loss account as an expense as they fall due.

Related parties

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Share based payments

The Group operates a share-based compensation plan for certain employees. The valuation to participants of this plan is based on certain future realisation events occurring. The total amount expensed at the time of issue is determined by reference to the fair value of shares issued to participants at the time of issue, including market performance conditions, for example the value of the Group and the likelihood of whether certain realisation events will take place.

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenue and expenses during the year. Judgements and estimates are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

However, the nature of estimation means that actual outcomes are likely to differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below.

Critical accounting judgements and estimation uncertainty (continued)

(i) Pensions

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligations are determined based on assumptions concerning the discount rates on corporate bonds, future salary increases, mortality rates and future pension increases. The recognition of an accounting surplus on the UK defined benefit scheme is dependent on the Group being able to recover any surplus in the future through refunds from the plan and having considered the pension scheme rules a surplus is recognised on this basis when it arises. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

(ii) Deferred tax assets

A deferred tax asset is recognised by the Group insofar as it is expected to be recoverable. A part of the Group's deferred tax asset relates to accumulated tax losses held by overseas subsidiaries which will only become recoverable when those subsidiaries make taxable profits. Management have to make judgements concerning the future profitability of those subsidiaries and the timing of potential recovery of tax losses. A deferred tax asset is only recognised when losses are expected to be recoverable in the foreseeable future.

(iii) Revenue recognition for long term contracts

For long term fixed price contracts the Group recognises revenue once the outcome of the contract can be estimated reliably, and recognises revenue according to the stage of completion of the contract. Reliable estimation of both the outcome and the revenue to be recognised in the year requires management to assess for each such contract the stage of completion, future costs in fulfilling the contract and collectability of resulting debtors.

(iv) Product guarantee provisions

The Group guarantees the product it supplies and installs for an agreed period after satisfactory completion of each contract. Based on past experience management make a provision for future guarantee claims which have not been identified at the balance sheet date.

(v) Valuation of investments

The Company holds investments in its subsidiary companies at fair value, being cost less provisions for impairment. Where there are any indications of impairment management consider, by reference to the underlying net assets of the subsidiary and projections of its future profitability, whether any provision for impairment is required.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1 Turnover

All of the Group's turnover relates to the principal activity as described in the Report of the Directors.

| | Total 2018 £'000 | Discontinued Business 2017 £'000 | Continuing Business 2017 £'000 | Total 2017 £'000 |
|--------------------------------|------------------------|---|---|------------------------|
| Geographical markets supplied: | | | | |
| United Kingdom | 34,666 | - | 34,792 | 34,792 |
| Continental Europe | 131,654 | - | 120,727 | 120,727 |
| Rest of World | 13,444 | 10,964 | 14,924 | 25,888 |
| | <u>179,764</u> | <u>10,964</u> | <u>170,443</u> | <u>181,407</u> |

Turnover by source:

| | | | | |
|--------------------|----------------|---------------|----------------|----------------|
| United Kingdom | 35,411 | - | 34,860 | 34,860 |
| Continental Europe | 133,987 | - | 125,016 | 125,016 |
| Rest of World | 10,366 | 10,964 | 10,567 | 21,531 |
| | <u>179,764</u> | <u>10,964</u> | <u>170,443</u> | <u>181,407</u> |

Turnover by segment:

| | | | | |
|---|----------------|---------------|----------------|----------------|
| Ventilation, Smoke Control and Climate Control solutions | 130,482 | 10,892 | 127,018 | 137,910 |
| Service | 48,299 | 37 | 42,486 | 42,523 |
| Royalties | 983 | 35 | 939 | 974 |
| | <u>179,764</u> | <u>10,964</u> | <u>170,443</u> | <u>181,407</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

2 Net Operating Expenses

| | 2018 £'000 | 2017 £'000 |
|---|----------------|----------------|
| Change in stocks of finished goods and work in progress | (167) | 138 |
| Raw materials and sub-contractor costs | 93,804 | 98,434 |
| Staff costs (note 3) | 56,259 | 54,046 |
| Depreciation - owned assets | 1,230 | 1,190 |
| - under finance leases | 161 | 103 |
| Amortisation of intangible assets | 816 | 708 |
| Profit on disposal of fixed assets | (122) | (294) |
| Research and development costs | 1,056 | 1,060 |
| Credit in respect of research and development | (92) | (72) |
| Foreign exchange gains | (66) | (43) |
| Other operating expenses | 18,381 | 19,663 |
| Total operating expenses | <u>171,260</u> | <u>174,933</u> |

Included in net operating expenses are costs associated with the relocation of the UK business and Group head office of £nil (2017: £335,000).

Other operating expenses includes a reversal of impairment of stocks and work in progress (excluding long term contract work in progress) of £115,000 (2017: impairment reversal £195,000).

Services provided by the Group's auditors and network firms

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors at costs as detailed below:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Audit services | | |
| Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements | 97 | 101 |
| The audit of the Company's subsidiaries pursuant to legislation | 272 | 271 |
| Non-Audit services | | |
| Tax services | - | 21 |
| Tax advisory services | 131 | - |
| Other services pursuant to legislation | - | 35 |
| | <u>500</u> | <u>428</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

3 Employees and Directors – The Group

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Staff costs:- | | |
| Wages and salaries | 45,003 | 44,102 |
| Social security costs | 7,867 | 7,343 |
| Pension costs – defined contribution schemes | 1,973 | 2,039 |
| Pension costs – defined benefit schemes | 1,416 | 562 |
| | <u>56,259</u> | <u>54,046</u> |

The average monthly number of employees including Directors in the Group during the year was:

| | 2018 No. | 2017 No. |
|------------------------|--------------|--------------|
| Selling and Operations | 889 | 911 |
| Manufacturing | 143 | 149 |
| | <u>1,032</u> | <u>1,060</u> |

Key Management Compensation

Key management includes the Directors of Colt Group Limited. The compensation paid or payable to key management for employee service is shown below:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Salaries and other short-term benefits | 1,714 | 1,750 |
| Post-employment benefits | 31 | 16 |
| | <u>1,745</u> | <u>1,766</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

3 Employees and Directors (continued) – The Company

There are no employees or staff costs borne by the Company.

The following remuneration in respect of the Directors of the Company was borne by the Company's subsidiary Colt Group Limited:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Aggregate emoluments | 197 | 194 |
| Defined contribution pension paid during the year | - | - |

No Directors (2017: None) are covered by a defined contribution pension scheme at the year end.

No Directors (2017: None) have pensions accruing under defined benefit schemes at the year-end.

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| The highest paid director: | | |
| Aggregate emoluments | 108 | 106 |
| Defined contribution pension paid during the year | - | - |
| Amount of accrued pension under a defined benefit scheme | - | - |

4 Interest receivable and similar income – The Group

| | 2018 £'000 | 2017 £'000 |
|--------------------------|---------------|---------------|
| Bank interest receivable | 20 | 43 |
| Other | 6 | 3 |
| | <u>26</u> | <u>46</u> |

5 Interest payable and similar expenses – The Group

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Bank loans and overdrafts | 235 | 262 |
| Finance leases | 7 | 8 |
| Net interest expense on post-employment benefits | 125 | 269 |
| Other | 17 | 12 |
| | <u>384</u> | <u>551</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

6 Tax on profit/(loss)

| | The Group | |
|--|------------------|--------------|
| Tax expense shown in consolidated profit and loss account | 2018 | 2017 |
| | £'000 | £'000 |
| Current tax: | | |
| UK corporation tax on profits/(losses) of the year | 793 | 706 |
| Adjustments in respect of previous periods | 99 | 3 |
| Double taxation relief | (24) | (41) |
| Overseas taxes | 1,860 | 926 |
| Overseas tax in respect of previous periods | (11) | (14) |
| Total current tax | 2,717 | 1,580 |
| Deferred tax: | | |
| Movement in pension scheme balances | (246) | (246) |
| Origination and reversal of timing differences | (438) | 676 |
| Amounts relating to change in rate | 46 | 11 |
| Derecognition of tax losses previously recognised | - | 214 |
| Adjustments in respect of previous periods | 207 | (114) |
| Total deferred tax | (431) | 541 |
| Tax on profit/(loss) | 2,286 | 2,121 |

Reconciliation of tax charge

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19.00 % (2017: 19.25%). The differences are explained below:

| | 2018 | 2017 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Profit before taxation | 5,222 | 5,972 |
| Current tax on profit calculated at the standard rate of corporation tax in the UK of 19% (2017: 19.25%) | 992 | 1,150 |
| Effects of: | | |
| Items not deductible for tax purposes | 642 | 140 |
| Adjustments in respect of previous periods | 295 | (125) |
| Adjustments in respect of pension schemes | - | (184) |
| Deferred tax not recognised | 126 | 1,106 |
| Movement on deferred tax on revalued properties | - | (7) |
| Different tax rates on overseas earnings | 224 | (2) |
| Irrecoverable overseas tax | 25 | 37 |
| Research & development tax credit | (4) | (5) |
| Deferred tax rate changes | 46 | 11 |
| Release of historic tax provision | (60) | - |
| Tax on profit/(loss) | 2,286 | 2,121 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

6 Tax on profit (continued)

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Under FRS 102, provision has been made for deferred tax on gains recognised on revaluing property to its market value. However, such tax would become payable only if the property was sold without it being possible to claim rollover relief.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures unless it is intended for such earnings to be remitted. Deferred tax liabilities have not been discounted.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). As a result, the main rate reduced to 19% from 1 April 2017 and a further reduction to 17% will take effect from 1 April 2020. Deferred tax balances for the Group's subsidiaries in the United Kingdom at 31 December 2018 have been calculated using a rate of 17% as this is the enacted rate for the period over which the deferred tax balances are forecast to be utilised.

7 Dividends

A First Interim Dividend for 2017 of £1,000,000 (44.54p per share) was declared, paid and accounted for on 17 January 2018, (2017: £1,000,000, 44.54p per share).

A Second Interim Dividend for 2017 of £1,000,000 (44.54p per share) was declared, paid and accounted for on 17 May 2018 (2017: £1,000,000).

The Directors do not recommend the payment of a Final Dividend (2017: None).

A First Interim Dividend for 2018 of £1,000,000 (44.54p per share) was declared, paid and accounted for on 16 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

8 Intangible Assets—The Group

| | Goodwill | Intellectual Property Rights | Software | Other | Total |
|---------------------------------|----------|------------------------------------|----------|-------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| At 1 January 2018 | 3,160 | 135 | 2,147 | 208 | 5,650 |
| Additions | - | - | 204 | 68 | 272 |
| Disposals | - | (135) | (31) | - | (166) |
| Discontinued business | (382) | - | (14) | - | (396) |
| Reclassification | 8 | - | 13 | (5) | 16 |
| Exchange adjustment | 41 | - | 23 | 2 | 66 |
| At 31 December 2018 | 2,827 | - | 2,342 | 273 | 5,442 |
| Accumulated Amortisation | | | | | |
| At 1 January 2018 | 1,246 | 135 | 1,631 | 63 | 3,075 |
| Charge for year | 435 | - | 285 | 96 | 816 |
| Disposals | - | (135) | (31) | - | (166) |
| Discontinued business | (382) | - | (10) | - | (392) |
| Reclassification | 3 | - | 13 | - | 16 |
| Exchange adjustment | 24 | - | 21 | 2 | 47 |
| At 31 December 2018 | 1,326 | - | 1,909 | 161 | 3,396 |
| Net book value | | | | | |
| At 31 December 2018 | 1,501 | - | 433 | 112 | 2,046 |
| At 31 December 2017 | 1,914 | - | 516 | 145 | 2,575 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

9 Tangible Assets – The Group

| | Land & Buildings £'000 | Leasehold Improve- ments £'000 | Plant & Machinery £'000 | Fixtures Fittings Tools & Equipment £'000 | Total £'000 |
|--|------------------------------|---|-------------------------------|---|----------------|
| Cost | | | | | |
| At 1 January 2018 | 14,219 | 1,946 | 4,269 | 8,142 | 28,576 |
| Exchange adjustment | 159 | - | 32 | 115 | 306 |
| Additions | 424 | 27 | 145 | 746 | 1,342 |
| Disposals | (360) | - | (151) | (1,161) | (1,672) |
| Discontinued business | - | (9) | (16) | (232) | (257) |
| Reclassification | 27 | (22) | 5 | (24) | (14) |
| At 31 December 2018 | <u>14,469</u> | <u>1,942</u> | <u>4,284</u> | <u>7,586</u> | <u>28,281</u> |
| Accumulated Depreciation | | | | | |
| At 1 January 2018 | 6,297 | 495 | 3,232 | 6,423 | 16,447 |
| Exchange adjustment | 78 | - | 26 | 107 | 211 |
| Charge for year | 381 | 98 | 208 | 704 | 1,391 |
| Disposals | (347) | - | (151) | (1,153) | (1,651) |
| Discontinued business | - | (3) | (14) | (158) | (175) |
| Reclassification | (27) | 28 | 5 | (20) | (14) |
| At 31 December 2018 | <u>6,382</u> | <u>618</u> | <u>3,306</u> | <u>5,903</u> | <u>16,209</u> |
| Net book value | | | | | |
| At 31 December 2018 | <u>8,087</u> | <u>1,324</u> | <u>978</u> | <u>1,683</u> | <u>12,072</u> |
| At 31 December 2017 | <u>7,922</u> | <u>1,451</u> | <u>1,037</u> | <u>1,719</u> | <u>12,129</u> |
| | | | | 2018 £'000 | 2017 £'000 |
| The net book value of land included in land and buildings above comprises: | | | | | |
| Freeholds | | | | 997 | 668 |
| Long leaseholds | | | | 183 | 184 |
| Net book value | | | | <u>1,180</u> | <u>852</u> |

The net carrying amount of assets held under finance leases included in fixtures, fittings, tools and equipment is £109,000 (2017: £98,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

10 Investments

| | |
|-----------------------------------|---------------|
| | Subsidiaries |
| The Company | £'000 |
| At 1 January and 31 December 2018 | <u>12,177</u> |
| | Unlisted |
| | Investments |
| The Group | £'000 |
| At 1 January 2018 | 283 |
| Disposals | <u>(283)</u> |
| At 31 December 2018 | <u>-</u> |

Unlisted investments represent minority holdings in unlisted companies incorporated in the United Kingdom. These have been written off in the year as these companies are in liquidation.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

10 Investments (continued)

Details of the subsidiary and associate undertakings are as stated below. Unless otherwise indicated, all companies are incorporated in England and Wales and are 100% equity owned by the Group.

| Owned by the Company | Country of Registration or Incorporation | Registered address |
|---|---|--|
| Colt Group Limited | | Unit 12, The Briars, Waterberry Drive, Waterlooville, PO7 7YH |
| Owned by another Group undertaking | | |
| Colt International Ltd | | Colt House Ridgeway Office Park, Petersfield, Hampshire, GU32 3QF |
| Colt International Licensing Ltd | | Unit 12, The Briars, Waterberry Drive, Waterlooville, PO7 7YH |
| Colt International Holdings Ltd | | Unit 12, The Briars, Waterberry Drive, Waterlooville, PO7 7YH |
| Colt International Holding BV | Holland | Korte Oyen 4, 5433 NE Katwijk NB, Postbus 29, 5430 AA Cuijk, Holland |
| Colt International Pty Limited (In liquidation) * | Australia | 81 Market Street, Smithfield, NSW 2164, Australia |
| Colt International GesmbH | Austria | Winetzhhammerstrasse 12, A-4030 Linz, Austria |
| Colt International GmbH | Germany | Briener Strasse 186, D-47533 Kleve, Germany |
| Colt Technocon GmbH Consultancy & Engineering | Germany | Briener Strasse 186, D-47533 Kleve, Germany |
| Hype GmbH – Final Design | Germany | Am Weiher 3, D-89359, Kötzing, Germany |
| Colt International Beheer BV | Holland | Korte Oyen 4, 5433 NE Katwijk NB, Postbus 29, 5430 AA Cuijk, Holland |
| Colt International BV | Holland | Korte Oyen 4, 5433 NE Katwijk NB, Postbus 29, 5430 AA Cuijk, Holland |
| Colt International Productie BV | Holland | Korte Oyen 4, 5433 NE Katwijk NB, Postbus 29, 5430 AA Cuijk, Holland |
| SA Colt International NV | Belgium | Zandvoortstraat, Mechelen 2800, Belgium |
| Colt France SARL | France | Paris Nord 2, 165 rue de la Belle Etoile, 95700 Roissy, France |

* Following a number of years of losses Colt Group Limited withdrew its funding of Colt International Pty Limited and on 7 February 2018 Colt International Pty Limited was put into voluntary administration and on 9 May 2018 went into liquidation.

COLT INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018
10 Investments (continued)

| Owned by another Group undertaking (continued) | Country of Registration or Incorporation | Registered address |
|---|---|---|
| Colt International (Schweiz) AG | Switzerland | Oberneuhofstraße 3, CH 6340 Baar, Switzerland |
| Colt Ventilation East Asia Pte Ltd | Singapore | 10 Anson Road, #35-06A International Plaza, Singapore 079903 |
| Colt Arabia Ltd | Saudi Arabia | PO Box 9788, Dammam 31423, Kingdom of Saudi Arabia |
| Colt International s.r.o. | Czech Republic | Strakonicka 150 00, Prague 5, Czech Republic |
| Colt International s.r.o. | Slovakia | Haanova 12, 851 04 Bratislava, Slovakia |
| Colt International Sp.z.o.o. | Poland | ul. Przasnyska 6A, 01-756 Warsaw, Poland |
| Colt Portugal SA | Portugal | Rua Vale, Formoso de Cima No. 148, A-B Lisbon, Portugal |
| CCMC (Hong Kong) Ltd (91.47%) | Hong Kong | 25F, OTB Building, 160 Gloucester Road, Wan Chai, Hong Kong |
| Colt (China) Manufacturing Company Ltd (91.47%) | China | 1st floor of Building 2, Hua Chuang Da Science & Technology Park, Da Fu Road of Da Fu Industrial Park, Ao Bei of Kukeng, Shenzhen, China |
| Colt España SA | Spain | Colt España SA, Avda. de la Granvia, 179 08908 Hospitalet de Llobregat, Barcelona, Spain |
| Colt International (LLC) | Dubai | PO Box 36926, Dubai, United Arab Emirates |
| Colt Malaysia Sdn Bhd | Malaysia | F-3-5 Plaza Damas, 60 Jalan Sri Hartamas 1, 50480 Kuala Lumpur, Malaysia |
| Colt Ventilation & Solar Systems (LLC) (49%) | Abu Dhabi | Third Floor Eyad Hammad Hassan Salim Building, Al Dhafra Street, Abu Dhabi |
| Colt Nordic ApS | Denmark | c/o Mazars dk, Østerfælled Torv 10, 2. Sal, DK-2100, København Ø, Denmark |
| Colt Italia Srl | Italy | 16123 Genova, Salita Santa Caterina, 10/10, Italy |
| Colt USA Holdings LLC | USA | 16192 Coastal Highway, Lewes, Delaware 19958, County of Sussex, USA |

All subsidiaries are involved in the principal activity of the Group, or as Intermediate holding companies.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

| 11 Stocks | The Company | | The Group | |
|---|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Stocks comprise: | | | | |
| Raw materials and consumables | - | - | 5,667 | 5,674 |
| Work-in-progress | - | - | 1,136 | 1,172 |
| Finished goods | - | - | 357 | 399 |
| | - | - | 7,160 | 7,245 |
| Long-term contracts: | | | | |
| Net costs less foreseeable losses | - | - | 5,808 | 6,496 |
| Less: Payments invoiced on account | - | - | (3,276) | (2,735) |
| | - | - | 2,532 | 3,761 |
| | - | - | 9,692 | 11,006 |
| | | | | |
| 12 Debtors | The Company | | The Group | |
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | - | - | 39,316 | 41,025 |
| Amounts recoverable on long-term contracts | - | - | 6,424 | 12,393 |
| Corporation tax | - | - | 43 | 409 |
| Other debtors | - | - | 2,485 | 2,479 |
| Derivative financial instruments | - | - | 3 | 70 |
| Prepayments and accrued income | - | - | 2,142 | 2,661 |
| | - | - | 50,413 | 59,037 |
| Amounts falling due after more than one year: | | | | |
| Deferred tax asset (note 13) | - | - | 2,897 | 3,271 |
| | - | - | 53,310 | 62,308 |

Group trade debtors are stated after provisions for impairment of £2,957,000 (2017: £3,065,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

| 13 Deferred tax asset | The Company | | The Group | |
|---|--------------------|----------|------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts recognised are as follows: | | | | |
| Retirement benefit obligation | - | - | 2,172 | 2,216 |
| Tax losses | - | - | 322 | 725 |
| Other timing differences | - | - | 403 | 330 |
| | <u>-</u> | <u>-</u> | <u>2,897</u> | <u>3,271</u> |
| At 1 January | | | 3,271 | 2,281 |
| Prior year adjustment | | | (198) | 121 |
| On acquisition | | | - | 211 |
| Exchange adjustment | | | 18 | 55 |
| Deferred tax charged to profit and loss account | | | (46) | (510) |
| Transfer (to)/from OCI | | | (108) | 15 |
| Reclassification from provisions | | | - | 1,094 |
| Rate change | | | (40) | 4 |
| At 31 December | | | <u>2,897</u> | <u>3,271</u> |
| Total potential deferred tax asset | The Company | | The Group | |
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Retirement benefit obligation | - | - | 2,172 | 2,216 |
| Tax losses | - | - | 2,278 | 4,703 |
| Other timing differences | - | - | 502 | 392 |
| | <u>-</u> | <u>-</u> | <u>4,952</u> | <u>7,311</u> |

There is an unrecognised deferred tax asset in the Group of £2,055,000 (2017: £4,040,000) of which £1,956,000 (2017: £3,978,000) relates to a proportion of accumulated tax losses held by a number of overseas subsidiaries which have not been recognised at the balance sheet date. The full potential deferred tax asset will be recovered when sufficient future profits become available to utilise the accumulated tax losses. The amount presently recognised represents the Directors' best estimate of the amount of tax losses recoverable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

14 Creditors: amounts falling due within one year

| | The Company | | The Group | |
|------------------------------------|--------------------|----------|------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank overdrafts | - | - | 7,284 | 9,735 |
| Trade creditors | - | - | 15,011 | 21,353 |
| Payments received on account | - | - | 7,745 | 8,509 |
| Finance lease obligations | - | - | 46 | 87 |
| Corporation tax | - | - | 1,632 | 578 |
| Other taxation and social security | - | - | 4,020 | 2,882 |
| Other creditors | - | - | 868 | 1,301 |
| Accruals and deferred income | - | - | 12,205 | 14,967 |
| | <u>-</u> | <u>-</u> | <u>48,811</u> | <u>59,412</u> |

Bank overdrafts attract interest at various commercial rates linked to the Libor or the Euribor as appropriate. Amounts owed to group undertakings are unsecured. Non trade balances owed to group undertakings incur interest at commercial rates linked to the Libor.

15 Creditors: amounts falling due after more than one year

| | The Company | | The Group | |
|------------------------------|--------------------|----------|------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | - | - | 11 | 11 |
| Payments received on account | - | - | 27 | 202 |
| Finance lease obligations | - | - | 63 | 12 |
| Other creditors | - | - | 100 | 100 |
| Accruals and deferred income | - | - | 53 | 105 |
| | <u>-</u> | <u>-</u> | <u>254</u> | <u>430</u> |

The maturity analysis of the Company's and Group's bank and other borrowings is as follows:

| | The Company | | The Group | |
|---|--------------------|----------|------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Within one year or less or on demand | - | - | 7,330 | 9,822 |
| In more than one year but not more than two years | - | - | 63 | 12 |
| | <u>-</u> | <u>-</u> | <u>7,393</u> | <u>9,834</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

16 Provisions for other liabilities

The Group

| | Product Guarantees | Deferred Taxation | Long Term Employee Benefits | Dilapid- ations | Other | Total |
|--|-----------------------|----------------------|-----------------------------------|--------------------|-------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2018 | 2,243 | 3,988 | 899 | - | 101 | 7,231 |
| Exchange adjustments | 35 | 21 | 17 | - | 2 | 75 |
| Utilised | (704) | - | (136) | - | (5) | (845) |
| Released to profit and loss account | (66) | - | (14) | - | (2) | (82) |
| Charged /(credited) to profit and loss account | 1,304 | (721) | 128 | 20 | 161 | 892 |
| Transfer to OCI | - | 201 | - | - | - | 201 |
| Business disposal | (81) | - | (20) | - | - | (101) |
| Tax rate change | - | 6 | - | - | - | 6 |
| Reclassifications | (4) | - | - | 20 | 4 | 20 |
| At 31 December 2018 | 2,727 | 3,495 | 874 | 40 | 261 | 7,397 |

Long term employee benefits

The Group provides certain employees with benefits that are payable on long service anniversaries, or on retirement, or if the employee is made redundant. £248,000 (2017: £223,000) is funded by short term deposits, with the balance being unfunded and payable out of cash. The long term employee benefits provision is stated net of the funded amounts.

Other provisions

In respect of the Group there are contract related provisions of £115,000 (2017: £60,000) and restructuring provisions of £57,000 (2017: nil) which are expected to be utilised within the next 12 months. The Group has an onerous lease provision of £1,000 (2017: £1,000).

Product guarantees

The Group guarantees the products it supplies and installs for an agreed period after satisfactory completion of each contract. Provision has been made for all specific claims received at 31 December 2018 and an additional amount has been provided based on past experience of the level of payments made. Guarantee costs are expected to be incurred over a period of between 1 and 10 years from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

16 Provisions for other liabilities (continued)

| Provision for deferred taxation | The Company | | The Group | |
|------------------------------------|-------------|----------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Accelerated capital allowances | - | - | 158 | 182 |
| Property revaluations | - | - | 202 | 201 |
| Other timing differences | - | - | 2,035 | 2,544 |
| Post-employment benefit obligation | - | - | 1,100 | 1,061 |
| | <u>-</u> | <u>-</u> | <u>3,495</u> | <u>3,988</u> |

The Group's net deferred tax liability expected to reverse in 2019 is £2,192,000 (2018: 2,928,000). This primarily relates to the difference between Group (UK GAAP) and local accounting policies, offset by other timing differences.

17 Post-employment benefits**The Group**

| | £'000 |
|---|----------------|
| At 1 January 2018 | 8,481 |
| Exchange adjustment | 145 |
| Utilised | (410) |
| Charged to the profit and loss account | 1,541 |
| Net actuarial gain reported through the statement of other comprehensive income | <u>(1,430)</u> |
| At 31 December 2018 | <u>8,327</u> |

The balance at 31 December 2018 comprises post-employment benefits deficits of £15,080,000 (2017: £15,042,000) and a post-employment benefits surplus of £6,753,000 (2017: £6,561,000).

The Group operates pension schemes on behalf of its employees, with the exception of the Netherlands and Switzerland where the Group participates in a local collective arrangement. In addition, a post-retirement healthcare arrangement was offered in the past for eligible UK employees and a number of beneficiaries remain covered by that arrangement.

The Group has accounted for all of its post-employment benefit arrangements in accordance with FRS 102. Full details are provided in note 23.

COLT INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

| 18 Called up Share Capital | 2018 | 2017 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Authorised | | |
| Equity: 2,300,000 ordinary shares of £1 each | 2,300 | 2,300 |
| Non-Equity: 4,700,000 cumulative redeemable 12.5% preference shares of £1 each | 4,700 | 4,700 |
| | <u>7,000</u> | <u>7,000</u> |
| Issued and fully paid 2,245,361 ordinary shares of £1 each | <u>2,245</u> | <u>2,245</u> |

19 Notes to the statement of cash flows

| | 2018 | 2017 |
|--|---------------|--------------|
| | £'000 | £'000 |
| Profit for the financial year | 2,936 | 3,851 |
| Adjustments for: | | |
| Tax on profit | 2,286 | 2,121 |
| Loss on disposal of operations | 2,924 | - |
| Interest receivable and similar income | (26) | (46) |
| Interest payable and similar expenses | 384 | 551 |
| Income from interests in associated undertakings | - | (3) |
| Operating profit before loss on disposal of operations | 8,504 | 6,474 |
| Increase in stocks and work in progress | (593) | (2,265) |
| Decrease / (increase) in debtors | 4,889 | (8,867) |
| (Decrease) / increase in creditors | (5,951) | 8,726 |
| Increase in provisions | 1,044 | 274 |
| Difference between service cost and contributions paid in respect of pension schemes | 1,006 | 164 |
| Depreciation of tangible assets | 1,391 | 1,293 |
| Amortisation of intangible assets | 816 | 708 |
| Gain on disposal of fixed assets | (208) | (294) |
| Cash flow from operations | <u>10,898</u> | <u>6,213</u> |

Non-cash transactions

The Group has acquired tangible assets of £71,000 (2017: £42,000) under finance leases.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

| 20 Financial Commitments | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Minimum future lease payments under finance leases: | | |
| Payable within: | | |
| 1 year | 50 | 48 |
| 2 – 5 years | 66 | 54 |
| | <u>116</u> | <u>102</u> |
| Less: Finance charges included above: | (7) | (3) |
| | <u>109</u> | <u>99</u> |

The Group had the following future minimum lease payments due under non-cancellable operating leases for each of the following periods

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Payments due: | | |
| Not later than one year | 3,488 | 3,222 |
| Later than one year and not later than five years | 5,835 | 6,349 |
| Later than five years | 27,662 | 28,289 |
| | <u>36,985</u> | <u>37,860</u> |

£3,631,000 (2017: £3,120,000) was charged to the profit and loss account in respect of operating leases in the year.

Future minimum lease payments due under non-cancellable operating leases in respect of surplus properties amount to £30,017,000 (2017: £30,842,000). Minimum amounts receivable under non-cancellable operating leases in respect of these properties is £7,214,000 (2017: £7,920,000) as disclosed below.

The Group had the following future minimum amounts receivable under non-cancellable operating leases for each of the following periods

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Amounts receivable: | | |
| Not later than one year | 755 | 733 |
| Later than one year and not later than five years | 2,913 | 2,913 |
| Later than five years | 3,546 | 4,274 |
| | <u>7,214</u> | <u>7,920</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

21 Capital Commitments

Contractual commitments for the acquisition of property, plant and equipment are as follows:

| | The Company | | The Group | |
|---------------------------------|--------------------|-------|------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Contracted but not provided for | - | - | - | 8 |

22 Financial Instruments**The Group**

| | 2018 | | 2017 | |
|---|--------------|---------------|----------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| - Trade debtors | 39,316 | | 41,025 | |
| - Other debtors | <u>2,485</u> | | <u>2,479</u> | |
| | | 41,801 | | 43,504 |
| Financial assets measured at fair value through profit and loss | | | | |
| - Derivative financial instruments | | 3 | | 70 |
| Financial liabilities measured at amortised cost | | | | |
| - Finance leases | (109) | | (99) | |
| - Trade creditors | (15,022) | | (21,364) | |
| - Other creditors | <u>(968)</u> | | <u>(1,401)</u> | |
| | | (16,099) | | (22,864) |
| | | <u>25,705</u> | | <u>20,710</u> |

The Group from time to time uses forward foreign exchange currency contracts to manage transactional currency risks arising from the Group's operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Company has no financial assets or financial liabilities at 31 December 2018 or 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments

The Group operates a number of pension schemes throughout the world and participates in collective arrangements in the Netherlands and Switzerland. The major schemes are of the defined benefit type and based on final pensionable pay, the most significant of which is in the UK. With the exception of the main unfunded scheme in Germany, assets are held in independently administered funds.

Details in respect of the schemes are provided below in accordance with FRS 102.

An actuarial valuation was carried out as at 31 December 2017 for the UK defined benefit scheme by an independent qualified actuary and in accordance with FRS 102 was updated to 31 December 2018.

Actuarial valuations were carried out as at 31 December 2018 and adjusted for the German defined benefit scheme and the German partial retirement arrangement by an independent qualified actuary in accordance with FRS 102.

An actuarial valuation was carried out at 31 December 2018 for the UK post-retirement medical scheme by an independent qualified actuary in accordance with FRS 102.

An actuarial valuation was carried out as at 31 December 2016 and updated to 31 December 2018 for the Belgian defined benefit scheme by an independent qualified actuary in accordance with FRS 102.

As required by FRS 102, the defined benefit liabilities have been measured using the projected unit method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

The UK defined benefit scheme, the Colt Life Assurance and Retirement Scheme (CLARS), closed to future accrual with effect from 31 March 2013.

The Company paid no contributions to CLARS in 2018 (2017: £nil).

The most recent actuarial valuation of CLARS was at 31 December 2017. No deficit contributions were paid into the Scheme over 2018, in accordance with the Schedules of Contributions in place during the year. No contributions are due over 2019.

On 26 October 2018, a judgement was made in the High Court in relation to UK defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. An estimate of the extent to which the judgment crystallises additional liabilities for CLARS is £0.8m, which has been recognised as a Past Service Cost for the year to 31 December 2018.

Under FRS 102, the Company is able to recognise a net asset for pension scheme surpluses if it has an unconditional right to a surplus. The Company has sought legal advice in relation to CLARS and believes that it has an unconditional right to a surplus and can therefore recognise a net pension asset under FRS 102.

The Group has accounted for its contributions to the Dutch and Swiss collective arrangements (which are defined benefit in nature) as if they were defined contribution schemes. This is in accordance with the current requirements of FRS 102 relating to multi-employer defined benefit arrangements.

The following tables set out the FRS 102 disclosure for the UK defined benefit scheme, the post-retirement medical scheme and the non-UK defined benefit schemes.

The following table sets out the key FRS 102 assumptions used.

| Assumptions | 31 December 2018 | | |
|--------------------------|------------------|----------------|-----------------------------------|
| | UK Scheme | Non-UK Schemes | UK Post-Retirement Medical Scheme |
| Price inflation | 3.15% pa | 1.75% pa | 3.15% pa* |
| Consumer price inflation | 2.15% pa | n/a | n/a |
| Discount rate | 2.90% pa | 1.95% pa | 2.90% pa |
| Pension increases | 3.05% pa | 1.50% pa | n/a |
| General salary growth | n/a | 2.00% pa | n/a |

* In addition, medical advance inflation of 2.5% pa is assumed plus an age related scale.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

On the basis of the assumption used for life expectancy for the UK Scheme and the UK Post-Retirement Medical Scheme, a male pensioner currently aged 65 would be expected to live for a further 22.2 years (2017: 22.3 years). A male pensioner aged 65 in 20 years' time would be expected to live for a further 23.6 years (2017: 23.7 years).

On the basis of the assumption used for life expectancy for the German Scheme (the most significant of the non-UK schemes), a male pensioner currently aged 65 would be expected to live for a further 20.0 years (2017: 18.0 years). A male pensioner aged 65 in 20 years' time would be expected to live for a further 22.8 years (2017: 20.7 years).

31 December 2017

| Assumptions | UK Scheme | Non-UK Schemes | UK Post-Retirement Medical Scheme |
|--------------------------|------------------|-----------------------|--|
| Price inflation | 3.10% pa | 1.75% pa | 3.10% pa* |
| Consumer price inflation | 2.10% pa | n/a | n/a |
| Discount rate | 2.50% pa | 1.90% pa | 2.50% pa |
| Pension increases | 2.95% pa | 1.50% pa | n/a |
| General salary growth | n/a | 2.00% pa | n/a |

* In addition, medical advance inflation of 2.5% pa is assumed plus an age related scale.

31 December 2016

| Assumptions | UK Scheme | Non-UK Schemes | UK Post-Retirement Medical Scheme |
|--------------------------|------------------|-----------------------|--|
| Price inflation | 3.15% pa | 1.75% pa | 3.15% pa* |
| Consumer price inflation | 2.15% pa | n/a | n/a |
| Discount rate | 2.65% pa | 1.80% pa | 2.65% pa |
| Pension increases | 3.00% pa | 1.50% pa | n/a |
| General salary growth | n/a | 2.00% pa | n/a |

* In addition, medical advance inflation of 2.5% pa is assumed plus an age related scale.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

The amounts included in the balance sheet arising from the Group's obligations in respect of the schemes are as follows:

| 31 December 2018 | | | |
|---|-------------------------|----------------------------------|---|
| | UK Scheme £m | Non-UK Schemes £m | UK Post-Retirement Medical Scheme £m |
| Present value of defined benefit obligation | 137.7 | 14.7 | 0.8 |
| Fair value of plan assets | (144.5) | (0.4) | n/a |
| | <u> </u> | <u> </u> | <u> </u> |
| (Surplus)/Deficit | <u>(6.8)</u> | <u>14.3</u> | <u>0.8</u> |

| 31 December 2017 | | | |
|---|-------------------------|----------------------------------|---|
| | UK Scheme £m | Non-UK Schemes £m | UK Post-Retirement Medical Scheme £m |
| Present value of defined benefit obligation | 146.8 | 14.7 | 0.8 |
| Fair value of plan assets | (153.4) | (0.4) | n/a |
| | <u> </u> | <u> </u> | <u> </u> |
| (Surplus)/Deficit | <u>(6.6)</u> | <u>14.3</u> | <u>0.8</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

The amounts recognised in profit and loss are as follows:

Year ended 31 December 2018

| | UK Scheme £m | Non-UK Schemes £m | UK Post-Retirement Medical Scheme £m |
|---|-------------------------|----------------------------------|---|
| Employer's part of current service cost* | n/a | 0.2 | - |
| Past service cost* | 0.8 | 0.1 | - |
| Administration expenses* | 0.3 | - | - |
| Interest on net defined benefit (asset) / liability** | (0.2) | 0.3 | - |
| Total charge recognised in profit and loss | 0.9 | 0.6 | - |

* Recognised in the profit and loss account within net operating expenses

** Recognised in the profit and loss account as other finance expense / (income)

Year ended 31 December 2017

| | UK Scheme £m | Non-UK Schemes £m | UK Post-Retirement Medical Scheme £m |
|---|-------------------------|----------------------------------|---|
| Employer's part of current service cost* | n/a | 0.2 | - |
| Administration expenses* | 0.3 | - | - |
| Interest on net defined benefit liability ** | - | 0.3 | - |
| Total charge recognised in profit and loss | 0.3 | 0.5 | - |

* Recognised in the profit and loss account within net operating expenses

** Recognised in the profit and loss account as other finance expense

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

The allocation of the schemes' assets is as follows:

| 31 December 2018 | | | |
|----------------------------------|------------------|-----------------------|--|
| | UK Scheme | Non-UK Schemes | UK Post-Retirement Medical Scheme |
| Equity | 14.7% | n/a | n/a |
| Diversified Growth Funds | 30.6% | n/a | n/a |
| Specialist equity | 3.7% | n/a | n/a |
| Bonds | 9.8% | n/a | n/a |
| Property | 4.6% | n/a | n/a |
| Liability Driven Investment Fund | 18.1% | n/a | n/a |
| Diversified Credit Funds | 16.9% | n/a | n/a |
| Other | 1.6% | 100% | n/a |
| | <u>100%</u> | <u>100%</u> | <u>n/a</u> |
| 31 December 2017 | | | |
| | UK Scheme | Non-UK Schemes | UK Post-Retirement Medical Scheme |
| Equity | 21.4% | n/a | n/a |
| Diversified Growth Funds | 28.6% | n/a | n/a |
| Specialist equity | 4.0% | n/a | n/a |
| Bonds | 9.5% | n/a | n/a |
| Property | 4.2% | n/a | n/a |
| Liability Driven Investment Fund | 23.2% | n/a | n/a |
| Diversified Credit Funds | 8.1% | n/a | n/a |
| Other | 1.0% | 100% | n/a |
| | <u>100%</u> | <u>100%</u> | <u>n/a</u> |
| 31 December 2016 | | | |
| | UK Scheme | Non-UK Schemes | UK Post-Retirement Medical Scheme |
| Equity | 23.1% | n/a | n/a |
| Diversified Growth Funds | 27.6% | n/a | n/a |
| Specialist equity | 5.0% | n/a | n/a |
| Bonds | 9.1% | n/a | n/a |
| Property | 4.1% | n/a | n/a |
| Liability Driven Investment Fund | 24.2% | n/a | n/a |
| Diversified Credit Funds | 5.6% | n/a | n/a |
| Other | 1.3% | 100% | n/a |
| | <u>100%</u> | <u>100%</u> | <u>n/a</u> |

There is no investment in financial securities issued by Colt Investments Limited or its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

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

| | Year ended 31 December 2018 | | |
|---|-----------------------------|-------------------------|--|
| | UK Scheme £m | Non-UK Schemes £m | UK Post-Retirement Medical Scheme £m |
| Opening defined benefit obligation | 146.8 | 14.7 | 0.8 |
| Employer's part of current service cost | n/a | 0.2 | - |
| Past service costs | 0.8 | 0.1 | - |
| Interest cost | 3.6 | 0.3 | - |
| Actuarial (gains) / losses | (7.8) | (0.4) | 0.1 |
| Benefits paid | (5.7) | (0.3) | (0.1) |
| Exchange differences on foreign plans | - | 0.1 | - |
| Closing defined benefit obligation | 137.7 | 14.7 | 0.8 |

COLT INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

Year ended 31 December 2017

| | UK Scheme £m | Non-UK Schemes £m | UK Post-Retirement Medical Scheme £m |
|---|-------------------------|----------------------------------|---|
| Opening defined benefit obligation | 151.9 | 13.9 | 0.8 |
| Employer's part of current service cost | n/a | 0.2 | - |
| Interest cost | 3.9 | 0.3 | - |
| Actuarial (gains)/losses | (0.9) | - | 0.1 |
| Benefits paid | (8.1) | (0.3) | (0.1) |
| Exchange differences on foreign plans | - | 0.6 | - |
| Closing defined benefit obligation | 146.8 | 14.7 | 0.8 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

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

| | Year ended 31 December 2018 | | |
|--|-----------------------------|-------------------------|--|
| | UK Scheme £m | Non-UK Schemes £m | UK Post-Retirement Medical Scheme £m |
| Opening fair value of plan assets | 153.4 | 0.4 | - |
| Interest income | 3.8 | - | - |
| Actuarial gains losses | (6.7) | - | - |
| Contributions by the employer | - | 0.3 | 0.1 |
| Administration expenses | (0.3) | - | - |
| Benefits paid | (5.7) | (0.3) | (0.1) |
| Closing fair value of plan assets | 144.5 | 0.4 | - |

The actual return on the UK Scheme assets over 2018 was a negative return of £3.0m (2017: positive return of £9.7m).

COLT INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

Year ended 31 December 2017

| | UK Scheme £m | Non-UK Schemes £m | UK Post-Retirement Medical Scheme £m |
|--|-------------------------|----------------------------------|---|
| Opening fair value of plan assets | 152.1 | 0.3 | - |
| Interest income | 3.9 | - | - |
| Actuarial gains | 5.8 | 0.1 | - |
| Contributions by the employer | - | 0.3 | 0.1 |
| Administration expenses | (0.3) | - | - |
| Benefits paid | (8.1) | (0.3) | (0.1) |
| Closing fair value of plan assets | 153.4 | 0.4 | - |

The actual return on the UK Scheme assets over 2017 was a positive return of £9.7m (2016: £29.8m).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

23 Pension Commitments (continued)

The Group operates defined contribution schemes. The amount of contributions payable to these defined contribution pension schemes in respect of the financial year and charged to the profit and loss account was £1,980,000 (2017: £2,039,000).

24 Contingent Liabilities

At the accounting date there were contingent liabilities in respect of:-

- a) Guarantees issued to banks in connection with overdraft facilities granted to certain companies in the Group. The Company has contingent liabilities in respect of guarantees issued to banks in connection with overdraft facilities to certain group companies. Any such liability would be limited to the extent of the overdraft borrowing of the participating group companies, not exceeding £2.6m (2017: £2.6m).
- b) Counter-indemnities issued to banks in connection with guarantees issued by them to customers amounting to £20.7m (2017: £19.4m), which includes £0.1m (2017: £0.5m) in respect of Colt International Pty Limited (in liquidation). None of this amount (2017: none) relates to the Company.
- c) Guarantees issued to customers by the Company in connection with performance obligations relating to contracts with a total sales value of £3.9m (2017: £3.9m). Of these, £1.2m (2017: £1.3m) relates to a contract undertaken by Colt International Pty Limited (in liquidation), which was completed in 2016.
- d) The Group can be subject to claims and potential claims from customers and other third parties from time to time. Liabilities for which a cash outflow is considered probable are provided for in the Group's financial statements. Liabilities for which a cash outflow is considered possible are disclosed as a contingent liability in the Group's financial statements. At the date of the signing of these financial statements the Directors consider that there are no matters which are considered necessary to be disclosed in these financial statements.

COLT INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2018

25 Related Party Transactions

The Company and the Group have taken advantage of exemptions under FRS 102 not to disclose transactions with wholly owned subsidiaries.

The Group

Transactions with non 100% owned subsidiaries

Purchases by Group companies from non 100% owned companies in the year included:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Colt (China) Manufacturing Company Limited | <u>1,318</u> | <u>4,064</u> |

Year-end debtor balances owed by non 100% owned companies:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| CCMC (Hong Kong) Limited | 500 | 474 |
| Colt (China) Manufacturing Company Limited | <u>112</u> | <u>658</u> |
| | <u>612</u> | <u>1,132</u> |

Year-end creditor balances owed by non 100% owned companies:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Colt (China) Manufacturing Company Limited | <u>52</u> | <u>780</u> |

Services of £10,000 (2017: £6,000) were provided to the Group by a Director of the ultimate controlling party.

Dividends paid to Directors

Dividends of £1,230,000 (2017: £1,047,000) were paid to Directors who are also shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

26 Discontinued Business

On 7 February 2018, the directors of Colt International Pty Limited placed Colt International Pty Limited into voluntary administration. The decision to appoint administrators followed a number of years of losses incurred by the company. These losses were previously financed by Colt Group Limited as one of the shareholders of the company.

The profit and loss account loss on disposal of £2,924,000 represents the disposal on administration of the net assets of Colt International Pty Limited at 31 December 2017, less any amounts subsequently recovered, and the payment of parent guarantee fees by Colt Group Limited, in relation to Colt International Pty Limited, made in 2018.

As a result of the date the administration started, the profit and loss account for the year-ended 31 December 2017 and the balance sheet at 31 December 2017 of Colt International Pty Limited could not be audited. Therefore, the consolidated financial statements contain an unaudited allocation of results between financial years 2018 and 2017, both shown as discontinued operations, with the total profit and loss account impact for 2018 reported within the loss on disposal of operation. The profit and loss account for continuing operations for both years and the balance sheet at 31 December 2018 are unaffected by this matter.

27 Controlling Party

There is no ultimate controlling party.

Colt Investments Limited is the largest and smallest group to consolidate these financial statements. A copy of these consolidated financial statements can be obtained from the following address: Colt Group Limited, Unit 12, The Briars, Waterberry Drive, Waterlooville, Hampshire, PO7 7YH

COLT INVESTMENTS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

J O'Hea (Chairman)
A O'Hea
S O'Hea
J M Leach
C M Gilchrist
P J O'Hea
P O'Hea
J A Corbisiero
P Lebus
C M Fitzsimons

COMPANY SECRETARY

J Liddiard

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

REGISTERED OFFICE

Unit 12, The Briars
Waterberry Drive
Waterlooville
Hampshire
PO7 7YH

The Company is registered in England.