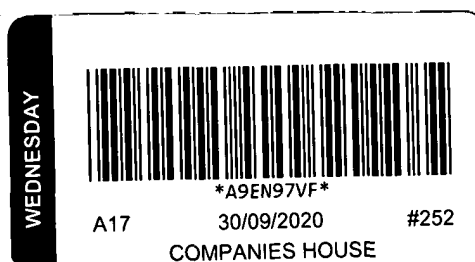


Company Registration No. 03841849 (England and Wales)

**PANDROL HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# PANDROL HOLDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr E Gartner	(Appointed 30 June 2019)
	Mr A Kulas	(Appointed 30 June 2019)
<b>Secretary</b>	Mr J M Baxter	
<b>Company number</b>	03841849	
<b>Registered office</b>	Osprey House 63 Station Road Addlestone Surrey United Kingdom KT15 2AR	
<b>Auditor</b>	Mazars LLP One St Peters Square Manchester United Kingdom M2 3DE	

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# **PANDROL HOLDINGS LIMITED**

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# **PANDROL HOLDINGS LIMITED**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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The directors present the strategic report for the year ended 31 December 2019.

### **Principal Activities**

The principal activity of the group is the design, manufacture and marketing of resilient rail track fastening systems and rail welding equipment under the 'Pandrol' brand name; the supply of track maintenance, signalling and monitoring products marketed under the 'Pandrol Vortok' brand name; and the supply of track installation and maintenance machines marketed under the 'Pandrol Rosenqvist' brand name, to the railway industry.

The company is an investment holding company and is not involved in any operational activities.

### **Review of the business**

#### **1.1 Current Year Business Highlights**

##### Significant features of the current performance of the business

The profit for the year is in line with expectations. Future prospects for the company are dependent on the activities of its subsidiary operations.

##### Analysis of the financial position and key accounting policies

The financial position of the company at the year end is considered satisfactory, concluding at a profit after tax of £2,307,000 (2018: £16,605,000) and net assets of £85,135,000 (2018: £85,021,000).

The key accounting policies of the company are set out under note 2.

##### Cash flows, ability to generate cash to meet commitments and fund growth

The company continues to generate adequate cash to meet its commitments.

#### **1.2 Business Objectives**

The goal of the group is to reinforce its position as a leading player and strategic partner to its customers in rail infrastructure. In support of this goal the Pandrol customer promise is to deliver an unrivalled customer experience through maximising rail infrastructure availability, safety and lifetime value. We support our customers at every stage of the process, from design and installation right through to operation, monitoring and maintenance.

The Business is committed to quality above all else – our approach combines market leading research and development with specialisation in track engineering; track maintenance and analysis; and noise and vibration attenuation.

The goal of the company's subsidiaries is to maintain and then increase market share whilst making reasonable improvements to its operating profits by the addition of new or improved products to market.

#### **1.3 Strategies for Achieving Objectives**

##### Research and development

The group's research and development is directed towards product development, with new products and services aligned to market needs. Where possible the company's subsidiaries look to generate technological solutions that result in new patented products.

# PANDROL HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### Brand strategy

The 'Pandrol' brand name is recognised throughout the world and is associated with technical solutions and close customer support. The company's subsidiaries' activities are directed towards retaining this healthy brand image.

### Supply chain

The group's development of the supply chain is a continual endeavour and additional resource has been deployed to improve its effectiveness. The company's subsidiaries and their suppliers work together to ensure that products and services meet customer expectations, whilst ensuring that cost competitiveness is maintained and on time delivery secured.

## **1.4 Principal Risks or Uncertainties**

### Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, liquidity risk, interest rate risk and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring debt finance and related finance costs.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The company's finance department implements the policies set by the board of directors. The department has a policy and procedure manual that sets out specific guidelines to manage interest rate risk and currency risk, and outlines the circumstances where it would be appropriate to use financial instruments to manage such risks.

#### **a. Liquidity risk**

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansion.

#### **b. Interest rate cash flow risk**

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances. Interest earned/paid is at floating rates. This is deemed acceptable as the difference is not material. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

### Treasury policies and objectives

The group treasury policy is to provide effective hedging to offset foreign exchange exposure. Surplus cash generated by the Company is passed at market rates to fellow subsidiaries in order to provide maximum benefit from cash management procedures, whilst retaining the ability to service the operations of the business.

### Brexit

At the date of signing significant uncertainty remains regarding the future trading arrangement that will apply between the UK and the European Union when the UK formally exits the Transition period on 31st December 2020. Possible outcomes range from a comprehensive free trade agreement allowing the free movement of goods, to a formal departure without any trade deal.

In the event of a departure with no trade deal the UK will leave the existing EU free trade agreements and customs union and move to trade on WTO terms, including the impact of associated tariffs and anticipated customs delays at the border. It is also anticipated a no deal Brexit will have a negative impact on the UK economy and currency.

The company's UK subsidiaries sell to, and purchase from, multiple territories, including many states within the European Union. Despite the high level of uncertainty on the possible outcomes, the Board of Directors has considered the potential impact of Brexit without a free trade agreement and has implemented a series of mitigating measures in these businesses. Management will continue to consider their options to mitigate the impact of Brexit as further information becomes known.

# PANDROL HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### Covid-19

The onset of the Covid-19 pandemic and the associated restrictions on social movement has had a profound effect on many countries around the world, and is expected to result in a contraction in the worldwide economy in 2020. Whilst the Group has seen a limited downturn in demand in some maintenance markets, the role of the business in supporting essential rail infrastructure is expected to insulate the business from the worst effects of the economic crisis.

Accordingly, the Group's operating companies continue to manufacture and supply, respecting the local operating restrictions and social distancing rules in force, and mandating home working for those employees in office based roles. The Group has sought to improve short to medium term liquidity through the drawdown of available revolving credit facilities at Delachaux Group, and through the use of local support schemes for the payment of furloughed employees and the deferment of tax and loan payments.

Given the economic impact on the business to date, and the additional measures enacted to improve Group liquidity, the Directors are confident that sufficient liquidity exists to enable the Company and UK Group to continue operating for the foreseeable future.

### **1.5 Key Performance Indicators**

The company is an investment holding company and as a result the directors do not review any key performance indicators. All key performance indicators are reviewed within the individual trading companies.

By order of the board



Mr J M Baxter

**Secretary**

25 September 2020

# PANDROL HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present their annual report and financial statements for the year ended 31 December 2019.

#### Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £2,193,000 (2018: £16,500,000). The directors do not recommend payment of a final dividend.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B Forster	(Resigned 30 June 2019)
Mr O V Antille	(Resigned 30 June 2019)
Mr E Gartner	(Appointed 30 June 2019)
Mr A Kulas	(Appointed 30 June 2019)

#### Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

#### Future developments

The directors expect the company to enjoy profitable business into the foreseeable future, based on the current strategies.

#### Auditor

The auditor, Mazars LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic and Director's Reports and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **PANDROL HOLDINGS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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### **Statement of disclosure to auditor**

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

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### **Matters covered in the strategic report**

A review of the business and principal risks and uncertainties are not shown in the directors' report as this information is included within the strategic report under s.414c(11) of the Companies Act 2006.

By order of the board



Mr J M Baxter

**Secretary**

25 September 2020



# PANDROL HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF PANDROL HOLDINGS LIMITED

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#### Opinion

We have audited the financial statements of Pandrol Holdings Limited (the 'Company') for the year ended 31 December 2019 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework').

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter - Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of COVID-19 as disclosed on page 3, and the consideration in the going concern basis of preparation on page 15 and non-adjusting post balance sheet events on page 24.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The impact of COVID-19 became significant in March 2020 and has caused widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that COVID-19 is a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 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.

# **PANDROL HOLDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF PANDROL HOLDINGS LIMITED**

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#### **Other information**

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

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

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

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

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# PANDROL HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF PANDROL HOLDINGS LIMITED

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#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Use of our report**

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



Charlene Lancaster (Sep 30, 2020 15:02 GMT+1)

#### **Charlene Lancaster (Senior Statutory Auditor)**

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

One St Peters Square

Manchester

M2 3DE

30 September 2020

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# PANDROL HOLDINGS LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Income from shares in group undertakings	5	2,193	16,500
Interest receivable from group undertakings	5	141	130
<b>Profit on ordinary activities before taxation</b>		<b>2,334</b>	<b>16,630</b>
Tax on profit on ordinary activities	6	(27)	(25)
<b>Profit for the year attributable to the company</b>		<b>2,307</b>	<b>16,605</b>

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on Pages 13 to 24 form part of the financial statements.

# **PANDROL HOLDINGS LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

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	<b>2019 £000</b>	<b>2018 £000</b>
<b>Profit for the year</b>	<b>2,307</b>	<b>16,605</b>
	<hr/>	<hr/>
<b>Other comprehensive income:</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>Total comprehensive income for the year</b>	<b>2,307</b>	<b>16,605</b>
	<hr/>	<hr/>

The notes on Pages 13 to 24 form part of the financial statements.

# PANDROL HOLDINGS LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
<b>Fixed assets</b>			
Investments	8	79,292	79,292
<b>Current assets</b>			
Trade and other receivables	10	6,624	6,503
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	11	781	774
<b>Net current assets</b>		5,843	5,729
<b>Total assets less current liabilities</b>		85,135	85,021
<b>Net assets</b>		85,135	85,021
<b>Capital and reserves</b>			
Called up share capital	13	22	22
Share premium account	14	79,405	79,405
Profit and loss account		5,708	5,594
<b>Total Shareholder's funds - equity</b>		85,135	85,021

The financial statements were approved by the board of directors and authorised for issue on 25 September 2020 and are signed on its behalf by:

  
Mr E Gartner  
Director

Company Registration No. 03841849

The notes on Pages 13 to 24 form part of the financial statements.

# PANDROL HOLDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Share capital	Share premium account	Retained earnings	Total
	Notes	£000	£000	£000	£000
<b>Balance at 1 January 2018</b>		22	79,405	5,489	84,916
<b>Year ended 31 December 2018:</b>					
Profit and total comprehensive income for the year		-	-	16,605	16,605
Dividends	7	-	-	(16,500)	(16,500)
<b>Balance at 31 December 2018</b>		22	79,405	5,594	85,021
<b>Year ended 31 December 2019:</b>					
Profit and total comprehensive income for the year		-	-	2,307	2,307
Dividends	7	-	-	(2,193)	(2,193)
<b>Balance at 31 December 2019</b>		22	79,405	5,708	85,135

### Retained Earnings

This reserve represents cumulative profits and losses of the company.

The notes on Pages 13 to 24 form part of the financial statements.

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 General Information

Pandrol Holdings Limited is a company limited by shares incorporated in England and Wales. The registered office is Osprey House, 63 Station Road, Addlestone, Surrey, United Kingdom, KT15 2AR.

The principal activity of the group is the design, manufacture and marketing of resilient rail track fastening systems and rail welding equipment under the 'Pandrol' brand name; the supply of track maintenance, signalling and monitoring products marketed under the 'Pandrol Vortok' brand name; and the supply of track installation and maintenance machines marketed under the 'Pandrol Rosenqvist' brand name, to the railway industry.

The company is an investment holding company and is not involved in any operational activities.

### 2 Accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards.

The company's functional currency is GBP Sterling, as this is the currency of the primary economic environment of that in which the Company operates. The financial statements are presented in GBP Sterling and are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of HRT UK Limited. The results of Pandrol Holdings Limited and its immediate parent entity HRT UK Limited are included in the consolidated financial statements of the ultimate controlling party, Delachaux S.A. The group accounts of Delachaux S.A. are available to the public and can be obtained as set out in note 18.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 'Financial Instruments: Disclosures' relating to financial instruments and the nature and extent of risks arising from such instruments;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement relating to the fair value measurement disclosure of financial assets and financial liabilities that are measured at fair value;
- the applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79a, iv) and the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73e);
- the requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- the requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;
- the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;
- the requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.

Where required, equivalent disclosures are given in the group accounts of Delachaux S.A. The group accounts of Delachaux S.A. are available to the public and can be obtained as set out in note 18.



# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 2 Accounting policies

(Continued)

#### 2.2 Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

##### *Impairment of non-financial assets*

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future earnings. Estimation uncertainty relates to the assumptions about future operating results and the determination of a suitable discount rate.

#### 2.3 Adoption of new and revised standards

##### **Standards, amendments and interpretations adopted in the current financial year ended 31 December 2019**

The adoption of the following mentioned standards and interpretations in the current year have not had a material impact on the Company's financial statements unless otherwise stated below:

Standard / amendment / interpretation	Effective Date – periods beginning on or after
IFRS 16, 'Leases'	1 January 2019
Amendments to IFRS 9, 'Financial instruments' – Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28, 'Investments in associates' - Long term interests in associates and joint ventures	1 January 2019
Amendments to IAS 19, 'Employee benefits' – Plan amendment, curtailment or settlement	1 January 2019
Annual improvements 2015-2017 IFRS 3, 'Business combinations' IFRS 11, 'Joint ventures' IAS 12, 'Income taxes' IAS 23, 'Borrowing costs'	1 January 2019
IFRIC 23, 'Uncertainty over income tax'	1 January 2019

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 2 Accounting policies

(Continued)

#### Standards, amendments and interpretations in issue but not yet effective

The adoption of the following mentioned standards and interpretations in future years are not expected to have a material impact on the Company's financial statements.

Standard / amendment / interpretation	Effective Date – periods beginning on or after
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8 – Definition of Material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS 3 - Definition of a Business	1 January 2020 (Not yet endorsed by the EU)
IFRS 17 Insurance Contracts	1 January 2023 (Not yet endorsed by the EU)
Amendments to IAS 1 - Classification of liabilities as current or non-current	1 January 2022 (Not yet endorsed by the EU)
Amendments to IFRS 10 and IAS 2 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet endorsed

#### 2.4 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### *Impact of Covid-19 on the directors going concern assessment*

A full assessment of the impact of Covid-19 is considered in note 17. Given the economic impact on the business to date, and the additional measures enacted to improve Group liquidity, the directors are confident that sufficient liquidity exists to enable the company and UK group to continue operating for the foreseeable future on a going concern basis.

#### 2.5 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

#### 2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand.

#### 2.7 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs.

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 2 Accounting policies

(Continued)

#### **Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

#### **Impairment of financial assets**

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

### 2.8 Financial liabilities

Financial liabilities are classified as trade and other payables.

#### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised in interest payable.

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

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

### 2.9 Taxation

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

#### **Current tax**

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

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 2 Accounting policies

(Continued)

#### **Deferred tax**

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **2.10 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 3 Auditor's remuneration

A charge of £3,000 (2018 - £5,000) was paid by another group company in relation to the auditor's remuneration of the company.

### 4 Employees

The company has no employees other than the directors, who did not receive any remuneration (2018 - £nil).

	2019 Number	2018 Number
Total	-	-

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 5 Investment income

	2019 £000	2018 £000
<b>Interest income</b>		
Interest receivable from group companies	141	130
<b>Income from fixed asset investments</b>		
Income from shares in group undertakings	2,193	16,500
<b>Total income</b>	<u>2,334</u>	<u>16,630</u>

The income from other fixed asset investments amounting to £2,193,000 (2018: £16,500,000) is dividend income received from subsidiary companies.

### 6 Income tax expense

	2019 £000	2018 £000
<b>Current tax</b>		
UK corporation tax on profits for the current period	27	25

#### Change in corporation tax rate

In 2016 the chancellor announced that the main UK corporation tax rate would be reduced from the rate of 20%, which was applied from 1 April 2015, to 19% from 1 April 2017 and 17% from 1 April 2020. The reduction in the corporation tax rate to 17% was included within the UK Finance Act 2016 that was enacted in September 2016.

In March 2020, the chancellor announced that the main UK corporation tax rate would be set at 19% from 1 April 2020 rather than reducing to 17%. This announcement was not enacted or substantively enacted at the end of the reporting period.

This change in tax rate has no impact on the financial statements.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £000	2018 £000
Profit before taxation	<u>2,334</u>	<u>16,630</u>
Tax charge at the applicable rate of 19%	443	3,160
UK dividend income	(416)	(3,135)
<b>Taxation charge for the year</b>	<u>27</u>	<u>25</u>

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7	Dividends	2019 per share	2018 per share	2019 £000	2018 £000
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Amounts recognised as distributions to equity holders:

### Ordinary Shares

Final dividend paid	0.98	7.40	2,193	16,500
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## 8 Investments

	Current 2019 £000	2018 £000	Non-current 2019 £000	2018 £000
Investments in subsidiaries	-	-	79,292	79,292

### Movements in non-current investments

	Shares in group undertakings £000
<b>Cost or valuation</b>	
At 1 January 2019 & 31 December 2019	79,292
<b>Impairment</b>	
At 1 January 2019 & 31 December 2019	-
<b>Carrying amount</b>	
At 31 December 2019	79,292
At 31 December 2018	79,292

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 9 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Pandrol Group Limited	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	100%	100%	Holding Company

The investment in the subsidiary undertaking in the financial statements of the company is reviewed annually for impairment.

Details of the company's indirect subsidiaries at 31 December 2019 are as follows:

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

### 9 Subsidiaries

(Continued)

Company	Address	Shareholder	%
Pandrol Finance Limited	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol Group Limited	100%
Pandrol International Limited	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol Finance Limited	100%
Pandrol 1520 LLC	15str2 1 Yamskogo Polya Str., Moscow 125040, Russia	Pandrol International Limited Track Technology Limited	70% 30%
Conil Holding B.V.	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol International Limited	92.83%
Pandrol AB	Hyggesvägen 4, SE-824 34 Hudiksvall, Sweden	Pandrol International Limited	100%
Pandrol Korea Ltd	7F, Jeong-an Bldg., 10, Teheran-ro 29-gil, Gangnam-gu, Seoul, Korea.	Pandrol International Limited	100%
Pandrol Limited	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol International Limited	100%
Pandrol Rail Fastenings Limited	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol International Limited	100%
Pandrol (Vortok) Limited	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol International Limited	100%
Track Technology Limited	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol International Limited	100%
Pandrol UK Limited	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol International Limited	100%
PT Pandrol Indonesia	K-Link Tower 27th Floor Suite D. Jl. Gatot Subroto No. 59A Jakarta Selatan 12950, Indonesia	Conil Holding B.V. Pandrol International Limited	60.6% 39.4%
Pandrol Rahee Technologies Private Limited	No 4 Ho-Chi Min Sarani, 1st Floor, Flat – 1C, Kolkata – 700 071, West Bengal, India	Pandrol International Limited	60%
Pandrol Australia Pty Limited	P.O. Box 653, Seven Hills, NSW 1730 Australia	Conil Holding B.V.	100%
Pandrol NV	Rue Felix Dutry 29, 6500 BEAUMONT, Belgium	Conil Holding B.V.	100%
Pandrol Canada Ltd	c/o Bennett Jones LLP, 4500 Bankers Hall, 855 2nd Street SW, Calgary, Canada, T2P4K7	Conil Holding B.V.	100%
IAT NV	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Conil Holding B.V.	100%
Intercast & Forge Pty Ltd	1 Schumacher Road, Wingfield SA 5013, Australia	Pandrol Australia Pty Limited	100%
RBSI SAS	Rue de la Gare – 57385, Teting-dur-Nied, France	Pandrol NV	100%
Pandrol Industria e Soluções Ferroviárias Ltda	Av. Severo Dullius, 2015, Bairro São João, CEP: 90200-310, Porto Alegre / RS / Brazil	IAT NV	100%
Pandrol Pension Trustees Ltd	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol Limited	100%
Railtech UK Limited	Gateford Road, Worksop. S81 2AX United Kingdom	Pandrol Limited	100%
Pandrol Pty Ltd	Towmaster Building, Edenvale Raod, Meadowbank, Germiston, South Africa	Pandrol Rail Fastenings Limited	40%
Rulco Holdings Pty Ltd	Sturrock and Robson Building, CR Greenvale and Germiston Road, Meadowbrook Ext 8, Germiston, 1610 South Africa	Pandrol Pty Ltd	40%
Pandrol Pvt Ltd	Derry House, Cnr Fife Street/ 6th Avenue, Bulawayo, Zimbabwe	Pandrol Pty Ltd	40%
Vortok Ltd	Osprey House, 63 Station Road, Addlestone. KT15 2AR. United Kingdom	Pandrol (Vortok) Limited	100%
Pandrol SA Pty Ltd	Sturrock and Robson Building, CR Greenvale and Germiston Road, Meadowbrook Ext 8, Germiston, 1610 South Africa	Track Technology Limited	29.6%
Foxglove International Inc	103 Springer Building, 3411 Silverside Road, Wilmington in the County of New Castle Delaware 19810.	Pandrol Finance Limited	100%
New Pandrol Inc.	103 Springer Building, 3411 Silverside Road, Wilmington in the County of New Castle, Delaware 19810.	Foxglove International Inc	100%
Pandrol Investments LLC	103 Springer Building, 3411 Silverside Road, Wilmington in the County of New Castle, Delaware 19810.	Foxglove International Inc	100%
Pandrol USA LP	501 Sharptown Road, Bridgeport, NJ 08014, USA	Pandrol Investments LLC New Pandrol Inc.	99% 1%



# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 10 Trade and other receivables

Due within one year

	2019 £000	2018 £000
Amounts due from subsidiary undertakings	6,624	6,503

The amounts due from subsidiary undertakings are unsecured and interest is charged at LIBOR +1.5% with no set date for repayment.

The directors consider the carrying amount of trade and other receivables approximate to their fair value.

### 11 Trade and other payables

Due within one year

	2019 £000	2018 £000
Amount due to parent undertaking	754	749
Social security and other taxation	27	25
	<u>781</u>	<u>774</u>

The amounts owed to group undertakings are unsecured and interest is charged at LIBOR +1.5% with no set date for repayment.

The directors consider the carrying amount of trade and other payables approximate to their fair value.

### 12 Creditors

	Notes	2019 £000	2018 £000
Creditors	11	754	749
Taxation and social security		27	25
		<u>781</u>	<u>774</u>

### 13 Share capital

	2019 £000	2018 £000
<b>Ordinary share capital</b>		
<i>Authorised</i>		
2,228,559 Ordinary Shares of £0.01 each	22	22
	<u>22</u>	<u>22</u>
<i>Issued and fully paid</i>		
2,228,559 Ordinary Shares of £0.01 each	22	22
	<u>22</u>	<u>22</u>

# PANDROL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 14 Share premium account

	2019 £000	2018 £000
At the beginning and end of the year	79,405	79,405

### 15 Contingent liabilities

In January 2012, certain members of the Pandrol Group including the company (the "Borrowing Group") entered into a Collective Sterling Net Overdraft and Other Facilities Agreement (the "Facilities Agreement") with HSBC Bank plc. The Facilities Agreement is subject to a standard clause that the Bank may at any time withdraw the Facilities and/or demand repayment of all sums owing to it. In addition, the Borrowing Group provided an Unlimited Composite Company Guarantee to secure all liabilities of each other.

### 16 Related party transactions

Delachaux S.A. is the ultimate controlling party and ultimate investor in Pandrol Holdings Limited.

As a result of the above, Delachaux S.A. and its subsidiaries are considered to be related parties of Pandrol Holdings Limited and its subsidiaries, as defined in FRS 101.

The Company has taken advantage of exemption offered by FRS 101 from "the requirements of paragraph 17 of IAS 24 Related Party Disclosures" not to disclose key management personnel compensation and from "the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group".

# **PANDROL HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **17 Events after the reporting date**

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

Whilst the Group has seen a limited downturn in demand in some maintenance markets, the role of the business in supporting essential rail infrastructure is expected to insulate the business from the worst effects of the economic crisis. Accordingly, the Group's operating companies continue to manufacture and supply, respecting the local operating restrictions and social distancing rules in force, and mandating home working for those employees in office based roles. The Group has sought to improve short to medium term liquidity through the drawdown of available revolving credit facilities at Delachaux Group, and through the use of local support schemes for the payment of furloughed employees and the deferment of tax and loan payments.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ending 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

Given the economic impact on the business to date, and the additional measures enacted to improve Group liquidity, the Directors are confident that sufficient liquidity exists to enable the Company and UK Group to continue operating for the foreseeable future on a going concern basis.

#### **18 Ultimate parent undertaking and controlling party**

HRT UK Limited, a company registered in the United Kingdom, is the registered and beneficial holder of the company's shares.

Delachaux S.A., which is registered in France, is the company's ultimate holding company and controlling party.

Delachaux S.A. heads the group of companies for which consolidated financial statements are prepared. Copies of these financial statements may be obtained by application to the registered office at Immeuble West Plaza, 9 Rue du Débarcadère, CS 90029, 92707 COLOMBES Cedex - France.