Company Registration No. 00521438 (England and Wales)

PANDROL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

PANDROL LIMITED

COMPANY INFORMATION

Directors	Mr O V Antille Mr S J Cox Mr G H J P Talbourdet Mr W M Peacock Mr B Forster
Secretary	Mr J M Baxter
Company number	00521438
Registered office	Osprey House 63 Station Road Addlestone Surrey United Kingdom KT15 2AR
Auditor	Mazars LLP Tower Bridge House St Katherine's Way London United Kingdom E1W 1DD

PANDROL LIMITED

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PANDROL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

Principal Activities

The company is engaged in the design, manufacture and marketing of resilient rail track fastening systems and assemblies marketed under the 'Pandrol' brand name. The operating activities of the company are focused in the UK, with the main overseas markets being the rest of Europe, Asia, and the Middle East.

Pandrol Limited trades in its own name and as Pandrol UK Limited. The company results include all the trading and non-trading activities of Pandrol UK Limited. Pandrol Limited is the Statutory Employer of all employees of Pandrol UK Limited and Pandrol Limited.

Review of the business

1.1 Business and Competitive Environment

<u>Macro and regulatory environment</u>
In the UK sales revenues increased by 9% over the levels seen in 2016, reflecting both a recovery in the volume of maintenance and project work, alongside the stock-build of concrete sleepers in advance of the planned closure of the Cemex sleeper production facility in 2018. A subsequent contraction in UK market revenues is expected in 2018, however, with Network Rail facing budgetary constraints as the current Control Period ("CP5") draws to a close in March 2019.

Business in the rest of Europe decreased by (27)% compared to 2016, primarily driven by a fall in maintenance activity in the Nordic markets. The Business successfully secured a new 5 year framework contract for the Swedish market, however the timing of this tender process, alongside the planned transition to a new generation fastening, contributed to a decline in annual sales. Central and Eastern Europe continue to offer significant business opportunities for the Company, however competitive pressure and the availability of project funding remain key challenges for the business.

In Asia and Australasia sales increased by 6% compared to 2016, largely reflecting the timing of project opportunities in Bangladesh, India, Singapore and Thailand. Prospects in this region remain promising for 2018, with the Company successful in securing substantial new projects in Malaysia, Myanmar, Thailand and Vietnam.

In the Middle East annual sales decreased by (66)% or £(9.0)M compared to prior year, primarily reflecting the successful delivery of the Saudi Arabia Riyadh Metro Line 4,5 & 6 project in 2016. Whilst rail infrastructure plans are well developed for this region, the availability of funding, particularly with respect to the global oil price, contributes to uncertainty over project timing. As such, revenues in 2018 are expected to remain comparable with 2017, largely reflecting a new Transit project secured in UAE Dubai.

<u>Competition</u>
The company continually monitors the market and its' competitors to ensure that its products and market strategies remain valid and that the company is providing new products and solutions that maximise rail infrastructure availability, safety and lifetime value. The company is committed to ensuring that its products meet the needs of the market.

The company's principal global competitors are Vossloh Fastenings Systems, Germany and Schwihag, Switzerland. In some markets the company also faces competition from local generic producers, some of which are beginning to emerge on the global stage.

<u>Products and new opportunities</u>
The focus of the company is to innovate, to adapt existing applications to meet customer needs and provide a high level of customer service. To obtain a better appreciation of Pandrol products and its applications, etc. please visit the Pandrol website at www.pandrol.com.

1.2 Current Year Business Highlights

Significant features of the current performance of the business

A geographical analysis of revenue by destination is provided, see note 3 to the financial statements. Revenue for the year was £59,244,000 (2016: £69,324,000). As noted above, the decline in annual sales reflects both a contraction in maintenance activity in the Nordic markets, alongside a decline in project opportunities in the Middle East.

Analysis of the financial position and critical accounting policies
The financial position of the company at the year end is considered satisfactory, concluding at a profit after tax of £3,051,000 (2016: £2,098,000) and net assets of £20,706,000 (2016: £16,682,000).

The critical accounting policies of the company are set out under note 2 to the financial statements along with changes arising on adoption of new accounting standards in the year.

The company continues to generate adequate cash to meet its commitments and fund growth.

1.3 Business Objectives

The goal of the company is to reinforce its position as a leading player and strategic partner to its customers in rail infrastructure. To achieve this goal the company will endeavour to provide products and solutions that maximise rail infrastructure availability, safety and lifetime value. Accordingly, the company seeks to maintain and then increase market share whilst making reasonable improvements to its operating profits through the addition of new or improved products or services to the market.

The company services its markets from a UK based organisation responsible for design, manufacture and marketing of resilient rail track fastening systems and assemblies. The design and development function provides support to Pandrol global operations under a series of technical service agreements.

1.4 Strategies for Achieving Objectives

Research and development
Research and development is directed towards product development and new products aligned to market needs. Where possible the company looks to generate technological solutions that result in new patented products.

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

Supply chain
Development of the supply chain is a continual endeavour and additional resource is being deployed to improve its effectiveness. The company and its suppliers work together to ensure that product meets customer's expectations whilst ensuring that cost control is maintained and deliveries are secure.

1.5 Principal Risks and Uncertainties

The risks and uncertainties in the market as a result of the timing of contracts will continue in the short term. In general the prospects for the company remain positive and the long-term prognosis is for continued growth in the railway sector worldwide.

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, credit risk, 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. The company uses derivative financial instruments to manage foreign exchange or interest rate risks, to provide an effective hedge; these are discussed below.

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, credit risk, currency risk and circumstances where it would be appropriate to use financial instruments to manage these.

a. Price risk
The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equities securities price risk, as it holds no listed or other equity investments.

b. Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to approval by the board of directors and such approval is limited to financial institutions with an AA rating or better. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

c. Liquidity risk
The company has access to 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.

d. 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.

e. Foreign exchange risk
The company undertakes regular reviews to ensure compliance with the group policy on exchange rate exposure management, to allow effective hedge accounting, by ensuring that requests for foreign exchange cover meet the following requirements:

1. To hedge material contract exposure for designated currencies.
2. To hedge uncertain forecast exposures.
3. To arrange forward cover contracts to mature at the time of expected foreign currency cashflow, after assessment of natural hedges (receipts and payments in a currency).
4. That appropriate formally approved documentation accompanies any request.

<u>Treasury policies and objectives</u>
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 benefits from cash management procedures, while retaining the ability to service the operations of the business.

At the date of signing significant uncertainty remains regarding the terms of the United Kingdom exit from the European Union, specifically the nature of future trading arrangements. The stated objective of the UK Government is to negotiate a trade deal that allows "frictionless" trade with the European Union, and in this scenario the Directors do not envisage a material impact on the performance or financial position of the company. Nevertheless, the Board of Directors have commenced contingency planning in the event of a "hard" exit from the European Union, where no interim trading arrangement is in place.

1.6 Key performance indicators

The company utilises a number of key performance indications to monitor and manage the business, foremost amongst these are the measurement of turnover, margins and orders received. These measures indicate the levels of operation achieved, its profitability and allow management to forecast future sales and identify new opportunities.

By order of the board

Mr J M Baxter
Secretary
20 September 2018

The directors present their annual report and financial statements for the year ended 31 December 2017.

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

No ordinary dividends were paid. 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 O V Antille	
Mr D J Cooke	(Resigned 31 December 2017)
Mr S J Cox	
Mr G H J P Talbourdet	
Mr W M Peacock	
Mr B Forster	
Mr D Webster	(Resigned 28 June 2018)

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.

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 Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

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

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 any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of 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 Bàxter
Secretary
20 September 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PANDROL LIMITED

Opinion

We have audited the financial statements of Pandrol Limited (the 'company') for the year ended 31 December 2017 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 2017 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.

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and the Directors 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 our 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of the audit 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.

Robert Neate (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katherine's Way
London
E1W 1DD

24 September 2018
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PANDROL LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £000	2016 £000
Revenue	3	59,244	69,324
Cost of sales		(43,247)	(50,901)
Gross profit		15,997	18,423
Distribution costs		(9,608)	(4,745)
Administrative expenses		(5,804)	(12,209)
Other operating income		3,751	2,208
Operating profit	4	4,336	3,677
Interest receivable from group undertakings	8	4	4
Interest payable to group undertakings	9	(338)	(322)
Other interest payable and similar charges	9	(273)	(361)
Profit on ordinary activities before taxation		3,729	2,998
Tax on profit on ordinary activities	11	(678)	(900)
Profit for the financial year attributable to the company		3,051	2,098

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

The notes on Pages 13 to 35 form part of the financial statements.

PANDROL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £000	2016 £000
Profit for the year	3,051	2,098
Other comprehensive income:		
Actuarial gain/(loss) on defined benefit pension schemes	1,172	(2,025)
Tax relating to items not reclassified	(199)	344
Other comprehensive income	973	(1,681)
Total comprehensive income for the year	4,024	417

The notes on Pages 13 to 35 form part of the financial statements.

PANDROL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £000	2016 as restated £000
Fixed assets			
Property, plant and equipment	**12**	4,988	4,800
Current assets			
Inventories	**13**	7,746	5,879
Deferred tax asset	**16**	1,377	1,892
Trade and other receivables	**14**	31,662	30,103
Cash at bank and in hand		8,666	8,305
		49,451	46,179
Creditors: amounts falling due within one year			
Trade and other payables	**15**	25,361	22,871
Net current assets		24,090	23,308
Total assets less current liabilities		29,078	28,108
Creditors: amounts falling due after more than one year			
Deferred income	**17**	74	97
Provisions for liabilities			
Retirement benefit obligations	**19**	8,099	11,129
Deferred tax liabilities	**16**	187	188
Other provisions	**18**	12	12
		8,298	11,329
Net assets		20,706	16,682
Capital and reserves			
Called up share capital	**20**	1	1
Profit and loss account		20,705	16,681
Total Shareholder's funds - equity		20,706	16,682

The financial statements were approved by the board of directors and authorised for issue on 20 September 2018 and are signed on its behalf by:

Mr O V Antille
Director

Company Registration No. 00521438

The notes on Pages 13 to 35 form part of the financial statements.

PANDROL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £000	Retained earnings £000	Total £000
As restated for the period ended 31 December 2016:			
Balance at 1 January 2016	1	16,264	16,265
Balance at 1 January 2016	1	16,264	16,265
Year ended 31 December 2016:			
Profit for the year	-	2,098	2,098
Other comprehensive income:			
Actuarial gains on defined benefit plans	-	(2,025)	(2,025)
Tax relating to other comprehensive income	-	344	344
Total comprehensive income for the year	-	417	417
Balance at 31 December 2016	1	16,681	16,682
Year ended 31 December 2017:			
Profit for the year	-	3,051	3,051
Other comprehensive income:			
Actuarial gains on defined benefit plans	-	1,172	1,172
Tax relating to other comprehensive income	-	(199)	(199)
Total comprehensive income for the year	-	4,024	4,024
Balance at 31 December 2017	1	20,705	20,706

Retained Earnings
This reserve represents cumulative profits and losses of the company.

The notes on Pages 13 to 35 form part of the financial statements.

1 General Information

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

The company is engaged in the design, manufacture and marketing of resilient rail track fastening systems and assemblies marketed under the 'Pandrol' and 'Pandrol Track Systems' brand names. The operating activities of the company are focused in the UK, with the main overseas markets being the rest of Europe, Asia, the Middle East and South America.

Pandrol Limited trades in its own name and as Pandrol UK Limited. The company results include all the trading and non-trading activities of Pandrol UK Limited. Pandrol Limited is the Statutory Employer of all employees of Pandrol UK Limited and Pandrol Limited.

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 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 financial statements have been prepared on the historical cost basis. 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 24.

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 2017

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.

	Effective Date – periods beginning on or after
Amendment to IAS 7 *Statement of Cash Flows:* Disclosure initiative	1 January 2017
Amendment to IAS 12 *Income Taxes:* Recognition of deferred tax assets for unrealised losses	1 January 2017
Annual Improvements to IFRSs (2014-2016): Clarification of the scope of IFRS 12 *Disclosure of Interests in Other Entities*	1 January 2017

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.

	Effective Date – periods beginning on or after
Amendments to IAS 28 *Investments in Associates and Joint Ventures:* Long-term interests in Associates and Joint Ventures	Expected to be endorsed 2018
Amendment to IFRS 2 *Share-based Payment:* Classification and measurement of share-based payment transactions	Expected to be endorsed Q1 2018
IFRS 9 *Financial Instruments*	1 January 2018
Amendments to IFRS 9 *Financial Instruments:* Prepayment features with negative compensation	Expected to be endorsed 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarifications to IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
Annual Improvements to IFRSs (2014-2016)	Expected to be endorsed Q1 2018

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.

2.5 Revenue

Revenue comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

2.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	3.33% - 5% per annum
Plant and equipment	10% - 33% per annum
Motor vehicles	20% - 33% per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

2.7 Impairment of non-financial assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.9 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand.

2.11 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.

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.

2 Accounting policies **(Continued)**

Impairment of financial assets

Financial assets 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.

2.12 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 on an effective yield basis.

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

2.13 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.

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.

2.14 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2 Accounting policies **(Continued)**

2.16 Retirement benefits
Pension costs and other post-retirement benefits

The Company operates both defined benefit and defined contribution schemes.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of comprehensive income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at the rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each year end date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the statement of financial position.

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included in either accruals or prepayments in the statement of financial position.

The company has adopted IAS 19, however the company is a participant in a multi employer defined benefit pension scheme and is unable to identify its share of the underlying assets, but the liabilities of the scheme can be accurately determined. Rather than treat the scheme as a defined contribution scheme, the assets have been apportioned in line with liabilities so that a reasonable assessment of the financial situation of the scheme is reflected in each of the participating company accounts (Multiclip Company Limited and Pandrol Limited).

2.17 Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2.18 Grants
Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

2.19 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 are included in the profit and loss account for the period.

3 Revenue

The company is engaged in the design, manufacture and marketing of resilient rail track fastening systems and assemblies marketed under the Pandrol brand name. The operating activities of the company are focused in the UK, with the main overseas markets being the rest of Europe, Asia, and the Middle East.

An analysis of the company's revenue is as follows:

	2017 £000	2016 £000
Track Systems	59,244	69,324

	2017 £000	2016 £000
Turnover analysed by geographical market		
United Kingdom	16,506	15,147
Rest of Europe	12,464	17,130
North America, including Canada	483	17
South America	805	481
Middle East & North Africa	4,748	13,776
Asia & Australasia	24,238	22,773
	59,244	69,324

4 Operating profit

	2017 £000	2016 £000
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(104)	1,186
Research and development costs	1,046	1,423
Fees payable to the company's auditor for the audit of the company's financial statements	33	34
Fees payable to the company's auditor for the audit of group company financial statements	30	43
Depreciation of property, plant and equipment	850	948

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2017 £000	2016 £000
For audit services		
Audit of the financial statements of the company	33	34
Audit of the financial statements of other UK group entities	30	43
	63	77

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Production	128	125
Technical	54	61
Sales & Marketing	22	26
Administration	25	25
	229	237

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	9,832	9,786
Social security costs	1,029	1,044
Pension costs	996	1,069
	11,857	11,899

7 Directors' remuneration

	2017 £000	2016 £000
Remuneration for qualifying services	1,210	904
Defined Benefit - pension costs	60	51
Defined Contribution - pension costs	29	31
	1,299	986

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2016 - 5).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2016 - 3).

7 Directors' remuneration (Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017	2016
	£000	£000
Remuneration for qualifying services	311	264
Accrued pension at the end of the year	-	4
	311	268

8 Investment income

	2017	2016
	£000	£000
Interest income		
Interest receivable from group companies	4	4

9 Finance costs

	2017	2016
	£000	£000
Interest on financial liabilities		
Interest payable to group undertakings	338	322
Interest on other loans	273	361
	611	683

10 Other operating income

	2017	2016
	£000	£000
Other operating income	3,751	3,394
Foreign exchange difference (loss)/gain	-	(1,186)
	3,751	2,208

11 *Income tax expense*

	2017 £000	2016 £000
Current tax		
Current year taxation	363	403
Deferred tax		
Origination and reversal of temporary differences	315	224
Changes in tax rates	-	273
	315	497
Total tax charge	678	900

Change in corporation tax rate

The Chancellor has announced that the main UK corporation tax rate will be reduced from the current 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.

Deferred income tax is measured at income tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on income tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred income tax has therefore been provided at 17%.

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2017 £000	2016 £000
Profit before taxation	3,729	2,998
Tax at the applicable rate of 19.25% (2016: 20%)	718	600
Expenses not deductible in determining taxable profit	21	27
Income not taxable	(4)	-
Research and development tax credit	(17)	-
Deferred tax adjustments in respect of prior years	2	-
Effect of change in deferred tax rate	-	273
Defined benefit pension adjustments	(42)	-
Total tax charge for the year	678	900

11 Income tax expense (Continued)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017	2016
	£000	£000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	199	(344)

12 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At 31 December 2016	2,443	12,586	45	15,074
Additions	105	944	-	1,049
Disposals	-	(186)	-	(186)
At 31 December 2017	2,548	13,344	45	15,937
Accumulated depreciation and impairment				
At 31 December 2016	1,190	9,047	37	10,274
Charge for the year	89	758	3	850
Eliminated on disposal	-	(175)	-	(175)
At 31 December 2017	1,279	9,630	40	10,949
Carrying amount				
At 31 December 2017	1,269	3,714	5	4,988
At 31 December 2016	1,253	3,539	8	4,800

13 Inventories

	2017	2016
	£000	£000
Raw materials	1,230	711
Finished goods	6,516	5,168
	7,746	5,879

The difference between purchase price or production cost of inventories and their replacement cost is not considered material.

14 Trade and other receivables

Due within one year:

	2017 £000	2016 £000
Trade receivables	7,401	9,863
Other receivables	355	457
Amount due from parent undertaking	21,126	1,979
Amounts due from fellow group undertakings	2,232	17,345
Prepayments	548	459
	31,662	30,103

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.

15 Trade and other payables

Due within one year:

	2017 £000	2016 £000
Trade creditors	8,808	6,982
Amount due to parent undertaking	192	512
Amounts due to fellow group undertakings	13,409	11,145
Accruals	1,538	1,800
Social security and other taxation	153	487
Other creditors	1,261	1,945
	25,361	22,871

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.

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs	Retirement benefit obligations	Total
	£000	£000	£000
Deferred tax liability at 1 January 2016	195	-	195
Deferred tax asset at 1 January 2016	-	(1,998)	(1,998)
Deferred tax movements in prior year			
Credit to profit or loss	46	150	196
Credit to other comprehensive income	-	(344)	(344)
Effect of change in tax rate - profit or loss	-	300	300
Other	(53)	-	(53)
Deferred tax liability at 1 January 2017	188	-	188
Deferred tax asset at 1 January 2017	-	(1,892)	(1,892)
Deferred tax movements in current year			
Credit to profit or loss	(1)	316	315
Credit to other comprehensive income	-	199	199
Deferred tax liability at 31 December 2017	187	-	187
Deferred tax asset at 31 December 2017	-	(1,377)	(1,377)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017	2016
	£000	£000
Deferred tax liabilities	187	188
Deferred tax assets	(1,377)	(1,892)
	(1,190)	(1,704)

17 Deferred revenue

	2017	2016
	£000	£000
Arising from government grants	74	97

Analysis of deferred revenue

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2017	2016
	£000	£000
Non-current liabilities	74	97

18 Provisions for liabilities

	2017	2016
	£000	£000
	12	12

Movements on provisions:

	£000
At 1 January 2017 and 31 December 2017	12

19 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £374,000 (2016 - £380,000).

19 Retirement benefit schemes **(Continued)**

Defined benefit scheme

Since 1 June 2000, the company and Pandrol Limited (the "Pandrol UK Group") have participated in the Pandrol Group Pension Scheme (PGPS). Until 31 December 2002 the PGPS only operated a defined benefit pension scheme, this section was then closed to new members and from January 2003 a defined contribution section was introduced, open to all new members, this section was closed during 2009. All members accumulated funds from the defined contribution section and future contributions were/are paid into a standalone plan, the Pandrol Group Pension Plan (PGPP), which is open to all new employees.

Contributions to the defined benefits scheme are based on periodic actuarial valuations and are charged against income on a systematic basis over the expected average remaining service lives of current employees. All of the assets are held in a separately administered fund.

Contributions to the defined contribution plan, the PGPP, referred to above requires the company to contribute 2% for each 1% contributed by the member up to a maximum 8% contribution by the company. All of the assets are held in a separately administered fund.

For the defined benefit scheme an independent qualified actuary advises the trustees and it has been agreed with the trustees that the pension charge be determined on the basis of a market related actuarial valuation. The fourth valuation of the PGPS took place as at 31 March 2010. The actuarial funding method used for the purpose of this valuation is known as the "Projected Unit Method". The last valuation of the PGPS took place in January 2015.

The funding of a pension scheme is long not short term and although there has been a fall in the funding level of the PGPS, it has been agreed with the trustees that contributions reflect this long term approach. From 1 January 2009, the contributions reflect the results of the full valuation undertaken as at 31 March 2007. From 1 January 2012, the contributions reflect the results of the full valuation undertaken as at 31 March 2010.

Valuation

Pandrol Limited (the Company) operates a defined benefit pension arrangement called the The Pandrol Group Pension Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The Company also operates a defined contribution scheme but this is not included in these disclosures.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts.

The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

19 Retirement benefit schemes **(Continued)**

Risks

The Scheme exposes the Company to a number of risks:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term the short-term volatility can cause additional funding to be required if deficit emerges.
- Interest rate risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Mortality risk. In the event that members live longer than assumed a deficit will emerge in the Scheme.

There were no plan amendments, curtailments or settlements during the period.

Key assumptions	**2017** %	**2016** %
Discount rate	2.6	2.85
Pension growth rate	3.2	3.25
Salary growth rate	3	3
Future pension increases	3.35	3.4

Mortality assumptions	**2017**	**2016**
Assumed life expectations on retirement at age 65:	**Years**	**Years**
Retiring today		
- Males	21.8	21.8
- Females	24.9	24.9

Post retirement mortality assumption is based on S2PXA CMI_2015 with 105% rating for males and 95% rating for females.

Mortality tables are the same as those adopted for the last actuarial valuation of the scheme and those adopted last year.

19 Retirement benefit schemes **(Continued)**

Amounts recognised in the income statement	**2017 £000**	**2016 £000**
Current service cost	781	724
Net interest on defined benefit liability/(asset)	273	361
Total costs	1,054	1,085

Amounts recognised in other comprehensive income	**2017 £000**	**2016 £000**
Actuarial changes arising from changes in demographic assumptions	598	(632)
Actuarial changes arising from experience adjustments	2,403	8,540
Actuarial changes related to plan assets	(4,105)	(5,788)
Allowance for annuity policies held not accounted for in prior disclosures	-	(95)
Total costs/(income)	(1,104)	2,025

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2017 £000	**2016 £000**
Present value of defined benefit obligations	64,662	61,191
Fair value of plan assets	(56,563)	(50,062)
Deficit in scheme	8,099	11,129

Movements in the present value of defined benefit obligations	**2017 £000**	**2016 £000**
At 1 January 2017	61,191	50,584
Current service cost	781	724
Benefits paid	(1,737)	(1,352)
Contributions from scheme members	92	111
Actuarial gains and losses	3,001	7,908
Interest cost	1,709	1,999
Other	(375)	1,217
At 31 December 2017	64,662	61,191

19 Retirement benefit schemes **(Continued)**

Movements in the fair value of plan assets:	2017 £000	2016 £000
At 1 January 2017	50,062	40,594
Interest income	1,436	1,638
Return on plan assets (excluding amounts included in net interest)	4,105	5,788
Benefits paid	(1,737)	(1,352)
Contributions by the employer	2,912	1,972
Contributions by scheme members	92	111
Other	(307)	1,311
At 31 December 2017	56,563	50,062

The assets do not include any investment in shares of the company.

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

	2017 £000	2016 £000
Equity instruments	54%	53%
Corporate Bonds	18%	17%
Gilts	17%	18%
Diversified growth funds	8%	9%
Insured pensions	2%	3%
Cash	1%	-
	100%	100%

19 Retirement benefit schemes **(Continued)**

Sensitivity of the defined benefit obligations to changes in assumptions

Adjustments to assumptions	Approximate effect on liabilities
Discount Rate	
Increased by 0.25% pa	(2,831,000)
Reduced by 0.25% pa	3,024,000
Deferred revaluation	
Increased by 0.25% pa	149,000
Pension increases	
Increased by 0.25% pa	1,449,000
Salary increases	
Reduced by 0.25% pa	(736,000)
More prudent mortality	
CMI 2015 [1.5%]	1,116,000

20 Share capital

	2017	2016
	£000	£000
Ordinary share capital		
Authorised		
5,000,000 Ordinary Shares of £1 each	5,000	5,000
Issued and fully paid		
1,000 Ordinary Shares of £1 each	1	1

21 Contingent liabilities

Bank guarantees given in the normal course of business and outstanding at 31 December 2017 amounted to £5,150,000 (2016: £4,380,000).

The company is a participant in a multi-employer defined benefit pension scheme The Pandrol Group Pension Scheme. Information reflecting the company deficit in the multi-employer scheme is disclosed in note 19. As Pandrol Limited is reflecting £8,099,000 (2016: £11,129,000) of the deficit before deferred tax in its financial statements, and the overall deficit before deferred tax is £8,332,000 (2016: £11,379,000), there is a potential contingent liability before deferred tax associated with the difference in these two numbers (which is the value reflected in financial statements of Pandrol Limited's fellow subsidiary Multiclip Company Limited) of £233,000 (2016: £250,000).

In September 2011, a senior facilities agreement (the Facility Agreement) was entered into between Delachaux S.A. (the Borrower), HRT SAS and Railtech International S.A. (the Original Obligors) and a group of banks.

In addition, on the same date an Intercreditor Agreement was entered into between the Borrower, the Original Obligors and a group of banks.

In November 2011, the company's shareholder Pandrol International Limited entered into a share pledge, whereby Pandrol International Limited granted security over its shares in the company.

In 2012, the company and Multiclip Company Limited, as participants in Pandrol Group Pension Scheme (the Scheme) entered into a Debenture and granted a first-ranking security up to an amount of £9,000,000 to the Pandrol Group Pension Trustees Limited, as trustee of the Scheme, and a second-ranking security over its assets and undertakings in favour of the Security Agent, on behalf of a group of banks under the Facility Agreement. As the security arrangements involve first and second-ranking security, a Deed of Priority was also entered into.

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.

22 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2017	2016
	£000	£000
Minimum lease payments under operating leases	77	181

22 Operating lease commitments (Continued)

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£000	£000
Within one year	61	145
Between two and five years	68	36
	129	181

23 Related party transactions

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

As a result of the above, Delachaux S.A. and its subsidiaries are considered to be related parties of Pandrol 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".

During the year the company earned royalty income of £72,000 (2016: £116,000) from Pandrol SA (Proprietary) Limited. The balance owed by Pandrol SA (Proprietary) Limited as at 31 December 2017 was £15,000 (2016: £18,000). Pandrol SA (Proprietary) Limited is an associated undertaking of Track Technology Limited and a fellow subsidiary undertaking of Pandrol Limited.

24 Ultimate parent undertaking and controlling party

Pandrol International 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.

25 Prior period adjustment

The accounts have been restated to incorporate the impact of a misclassification of the deferred tax asset on the defined benefit pension deficit. The deferred tax asset is now disclosed as a separate asset rather than net of the defined benefit pension liability. This is a balance sheet reclassification with no overall impact to net assets, equity or the income statement.

Changes to the statement of financial position

	At 31 December 2016		
	Previously reported	Adjustment	As restated
	£000	£000	£000
Current assets			
Deferred tax asset	-	1,892	1,892
Provisions for liabilities			
Pension obligations	(9,237)	(1,892)	(11,129)
Net assets	16,682	-	16,682
Total equity	16,682	-	16,682

Changes to the income statement

	Period ended 31 December 2016		
	Previously reported	Adjustment	As restated
	£000	£000	£000
Profit for the financial period	2,098	-	2,098