

Engineering Support Group Limited
Annual report and financial statements
For the year ended 31 December 2017

Registered number: 03038421

FRIDAY



A38 *A7FF6CSJ* #305
28/09/2018
COMPANIES HOUSE

Engineering Support Group Limited
Annual report and financial statements
For the year ended 31 December 2017
Contents

Strategic report for the year ended 31 December 2017	1
Directors' report for the year ended 31 December 2017	3
Independent auditors' report to the members of Engineering Support Group Limited	6
Income Statement for the year ended 31 December 2017	9
Statement of financial position as at 31 December 2017	10
Statement of changes in equity for the year ended 31 December 2017	11
Notes to the financial statements for the year ended 31 December 2017	12

Engineering Support Group Limited

Strategic report for the year ended 31 December 2017

The directors present their strategic report on Engineering Support Group Limited for the year ended 31 December 2017.

Principal activities and business review

The principal activity of the company is the provision of technical engineering consultancy, technology integration services, strategic consultancy and project management services to the rail industry in the UK and abroad. The company employs a highly skilled and experienced workforce capable of supporting many different types of railway engineering projects.

The results for the company show a loss for the financial year after tax of £163,000 and revenue of £4,444,000 for the year ended 31 December 2017, (2016: loss after tax of £167,000 and revenue of £5,825,000).

2017 was a year of consolidation following the restructuring that took place during 2016. The company profit has continued to be affected by the financial impact of a long-term vehicle refurbishment design project, where increases of costs to complete the project have not been matched by increases in revenue. Following a detailed and comprehensive review of the project concerned, actions have been agreed to improve future performance.

In May 2017 the company re-branded to highlight that it is one of the Deutsche Bahn AG (DB) group of railway engineering companies. This involved the creation of a new company website, www.db-esgrail.com, and joint participation with other DB companies at the UK Railtex exhibition.

Future developments

The increasing capital investment in the UK rail industry, driven by increasing passenger numbers, is expected to continue with strong growth opportunities in the UK rail and associated railway engineering consultancy sector as a result.

Through closer alignment and collaboration within the DB group, the company is looking to become the UK route to market for DB's technology companies. DB is one of the world's leading partners in infrastructure, engineering, mobility and transport with more than 5000 experts worldwide. The company's strategy is to successfully deliver existing and new projects whilst developing a multi-skilled team of staff that are able to drive growth in various DB company revenues. Sharing staff expertise, technical capability, product offerings, local knowledge and facilities, should allow all the DB companies to increase their share of the rail market in the UK. It is also recognised there is a mobile pool of talent within the company who can deliver projects secured via DB market intelligence around the world. Increasing the focus on these diverse opportunities will also help to grow the company's non-UK business.

The 2017 closing balance sheet shows a £958,000 shortfall in shareholders' funds. The DB group have arranged for continuation of an intercompany credit facility to February 2019. The Directors' anticipate that the company's financial performance, alongside the company's inclusion within an aligned DB business strategy, will prompt continuation of the credit facility as necessary to support future operations.

Engineering Support Group Limited

Strategic report for the year ended 31 December 2017 (continued)

Key performance indicators

The key performance indicators monitored by the directors for the company include earnings before interest and taxation (EBIT), total revenue, average fulltime equivalent headcount (FTE), and revenue per FTE

	2017	2016	2015
Total Revenue	£4,444k	£5,825k	£6,280k
EBIT	(£114k)	(£134k)	(£1,130k)
Average Fulltime Equivalent Headcount (FTE)	43	51	71
Average Revenue Per FTE	£103k	£114k	£88k

Financial risk management

The DB group corporate internal control system processes for the management of financial risk have been implemented within the company.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The company is at risk from delays to the national programmes for capital investment and the re-tendering of franchises, however, the strategy is to have a mixed portfolio of projects across a diverse range of customers that utilise a flexible workforce.

There is uncertainty around the extension of intercompany credit upon which the company relies to fund operations. Further explanation is given in the going concern section of the Directors report.

Due to the UK rail industry currently experiencing a strong period of growth and with demand for experienced staff outstripping supply, the company is at risk of losing key staff with experience that are not readily replaceable. To mitigate this, the management team are in regular communication with staff and ensure training and recruitment needs are satisfied and opportunities for career development are available to all our staff.

On behalf of the board
21st September 2018



N Goodhand
Director

G Dungworth
Director

Engineering Support Group Limited

Directors' report for the year ended 31 December 2017

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

Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors of the company who held office up to the date of signing the financial statements were as follows:

N Goodhand
G Dungworth

In accordance with the articles of association, no directors are required to retire by rotation.

Going Concern

The company incurred a net loss of £163,000 during the year ended 31 December 2017, and at that date, had net liabilities of £958,000 (2016: net liabilities of £795,000) and net current liabilities of £1,129,000 (2016: £1,036,000). The company is reliant on the extension of an intercompany credit facility, which is in place until 15th February 2019.

In assessing the basis of preparation of the financial statements, the directors have had regard to the funding requirements of the company.

Whilst there is uncertainty over the extension of the intercompany credit facility beyond 15th February 2019, the directors have considered the track record of previous extensions to intercompany credit facilities being granted. One strategy also under consideration would be to reduce the level of credit available after a permanent equity injection from DB Group. Considering the ongoing monthly reporting and communications with DB Group including agreement of 5 Year Plan targets, the directors believe that appropriate access to finance will be available to take the business forward.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Nevertheless after making enquiries and considering the matters described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. It is on this basis that the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Engineering Support Group Limited

Directors' report for the year ended 31 December 2017 (continued)

Employees

The directors recognise that improving the position of the company in its sector depends on the skills and motivation of its employees and as such the company is committed to pursue employment policies which will attract, retain, develop and motivate its employees.

Effective employee communications are particularly important, and throughout the business it is the directors' policy to promote the understanding by all employees of the company's business aims and performance. This is achieved through internal publications, presentations on company performance and developments and regular team meetings. Employees are consulted on issues through seeking their feedback informally and formally, one-to one discussions and working group meetings.

The directors believe that it is important to recruit and retain staff based upon their capabilities and personal attributes. In doing so, the directors are fully committed to ensuring equality legislation is adhered to and that there are no unnecessary barriers to employment, training or development.

Future developments

The future developments of the company are discussed in the strategic report.

Statement of directors responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Engineering Support Group Limited

Directors' report for the year ended 31 December 2017 (continued)

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

On behalf of the board
21st September 2018



N Goodhand
Director



G Dungworth
Director

Engineering Support Group Limited

Independent auditors' report to the members of Engineering Support Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Engineering Support Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £163,000 during the year ended 31 December 2017 and, at that date, the company's liabilities exceeded its total assets by £958,000 and it had net current liabilities of £1,129,000. The company is reliant on the extension of an intercompany credit facility which is in place until 15 February 2019. These conditions, along with the other matters explained in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Engineering Support Group Limited

Independent auditors' report to the members of Engineering Support Group Limited (continued)

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

Engineering Support Group Limited

Independent auditors' report to the members of Engineering Support Group Limited (continued)

We have no exceptions to report arising from this responsibility.



Kevin Strauther (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
21st September 2018

Engineering Support Group Limited

Income statement for the year ended 31 December 2017

		2017	2016
	Note	£'000	£'000
Revenue	4	4,444	5,825
Cost of sales		(3,624)	(4,318)
Gross profit		820	1,507
Administrative expenses		(934)	(1,641)
Operating loss		(114)	(134)
Finance costs	8	(17)	(21)
Loss before income tax		(131)	(155)
Income tax expense	9	(32)	(12)
Loss for the financial year		(163)	(167)

The results for the current and prior year derive from continuing activities.

There is no other comprehensive income for the year.

Engineering Support Group Limited

Statement of financial position as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	10	171	241
		171	241
Current assets			
Trade and other receivables	11	2,058	2,496
Cash at bank and in hand		9	-
		2,067	2,496
Creditors: amounts falling due within one year	12	(3,196)	(3,532)
Net current liabilities		(1,129)	(1,036)
Total assets less current liabilities		(958)	(795)
Net liabilities		(958)	(795)
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		(958)	(795)
Total shareholders' deficit		(958)	(795)

The financial statements on pages 9 to 22 were approved by the board of directors on 21st September 2018 and were signed on its behalf by:



N Goodhand
Director



G Dungworth
Director

Registered number: 03038421

Engineering Support Group Limited

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital £'000	Profit & Loss Account £'000	Shareholders Funds £'000
At 1 January 2016	-	(628)	(628)
Loss and total comprehensive loss for the financial year	-	(167)	(167)
At 31 December 2016	-	(795)	(795)
Loss and total comprehensive loss for the financial year	-	(163)	(163)
At 31 December 2017	-	(958)	(958)

Engineering Support Group Limited

Notes to the financial statements

1 General information

The principal activity of the company during the year was the provision of technical engineering consultancy and project management services to the rail industry in the UK and continental Europe. This is expected to remain so for the foreseeable future. The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Lakeside Business Park, Carolina Way, Doncaster, South Yorkshire, DN4 5PN.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

These financial statements have been prepared on the going concern basis in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). They are prepared in accordance with applicable International Financial Reporting Standards and under the historical cost convention. Refer to note 3.2 for further detail

FRS 101 sets out a reduced disclosure framework for a “qualifying entity” as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 16 gives details of the Company’s ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The principle disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;

Engineering Support Group Limited

Notes to the financial statements (continued)

- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies (the company has no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16).

2.2 Pensions and other post-retirement benefits

The Company's employees are members of the Rail Pension Scheme Defined Benefit Plan. For this scheme, in line with the multi-employer exemption in IAS19, defined benefit accounting is not used because the entity is unable to identify its share of the underlying assets and liabilities of the scheme. The directors consider that DB Cargo (UK) Holdings Limited employs or has employed a significant majority of both the active and pensionable members of the scheme, and that any exercise to identify the proportion of the scheme relating to active and pensionable employees of Engineering Support Group Limited would have negligible benefit to the financial statements. On this basis the directors believe that any future changes to the scheme, for example changes in contribution rates or in actuarial assumptions, will not result in any implications for the company. Therefore, as required by IAS19 the cash contributions are charged directly to the profit and loss account as if the scheme were a defined contribution scheme.

2.3 Deferred taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred tax assets (to the extent that they are recoverable) and liabilities arising from timing differences on accelerated capital allowances, accruals for pension costs, unrelieved tax losses and other short term timing differences.

No provision is made for timing differences on revaluation surpluses on fixed assets unless there is a firm commitment to sell the asset in question, nor is any provision raised on gains rolled over in replacement assets.

2.4 Fixed Assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives from the time assets come into service as follows:

Plant, machinery and equipment	3 to 5 years
Fixtures and fittings	10 years

2.5 Revenue

Revenue is stated net of value added tax and represents amounts recognised in respect of long term contracts and other direct sales to customers. Contracted revenue is recognised in accordance with the provisions of FRS 101 with any excess of payments on account being classified as such within creditors.

Engineering Support Group Limited

Notes to the financial statements (continued)

3 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Cost to complete in long term projects

When goods and services are being supplied to customers under a long term contract, a proportionate amount of turnover, and associated costs, is recognised in the financial statements based on the stage of completion. Profit is recognised if the final outcome can be assessed with reasonable certainty. Losses are recognised in full when a contract is identified to be loss-making.

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

b) Trade Receivables

Trade receivables are disclosed net of provisions for bad and doubtful debts. Any provision for bad and doubtful debts is based on specific risk assessments with reference to past default experience.

Engineering Support Group Limited

Notes to the financial statements (continued)

3.2 Critical judgements in applying the entity's accounting policies

Going Concern

The company incurred a net loss of £163,000 during the year ended 31 December 2017, and at that date, had net liabilities of £958,000 (2016: net liabilities of £795,000) and net current liabilities of £1,129,000 (2016: £1,036,000). The company is reliant on the extension of an intercompany credit facility, which is in place until 15th February 2019.

In assessing the basis of preparation of the financial statements, the directors have had regard to the funding requirements of the company.

Whilst there is uncertainty over the extension of the intercompany credit facility beyond 15th February 2019, the directors have considered the track record of previous extensions to intercompany credit facilities being granted. One strategy also under consideration would be to reduce the level of credit available after a permanent equity injection from DB Group. Considering the ongoing monthly reporting and communications with DB Group including agreement of 5 Year Plan targets, the directors believe that appropriate access to finance will be available to take the business forward.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Nevertheless after making enquiries and considering the matters described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. It is on this basis that the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

4 Revenue

The company's turnover and loss on ordinary activities before taxation arise primarily from its principal activity of the provision of technical engineering consultancy and project management services to the rail industry in the UK and continental Europe.

	2017	2016
	£'000	£'000
UK	4,027	5,625
EU	289	200
ROW	128	-
	4,444	5,825

Engineering Support Group Limited

Notes to the financial statements (continued)

5 Operating loss

Loss on ordinary activities before taxation is stated after charging:

	2017	2016
	£'000	£'000
Audit Fee	12	15
Depreciation of tangible assets	83	113
Rentals payable under operating leases:		
Other operating leases	25	34

6 Remuneration of directors

The total emoluments paid to the directors for their services to the company was £180,172 (2016: £ 40,761).

Engineering Support Group Limited

Notes to the financial statements (continued)

7 Staff numbers and costs

The average monthly number of persons employed by the company during the year, analysed by category, was as follows:

	2017	2016
	Number	Number
Management and operation of consultancy services	40	48
	40	48

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£'000	£'000
Wages and salaries	1,681	2,187
Social security costs	176	225
Other pension costs (note 15)	188	249
	2,045	2,661

8 Finance costs

	2017	2016
	£'000	£'000
Interest payable to group undertakings	17	21
	17	21

Engineering Support Group Limited

Notes to the financial statements (continued)

9 Income tax expense

	2017 £'000	2016 £'000
UK corporation tax:		
Current tax arising in the year	(25)	(31)
Adjustment in respect of prior years	59	62
Total current tax	34	31
Deferred tax:		
Origination and reversal of timing differences	(2)	(19)
Total deferred tax	(2)	(19)
Total tax	32	12

The standard rate of corporation tax in the UK changed from 20% to 19%, with effect from 1 April 1 2017. Accordingly, the company profits are taxed at the standard rate of 19.25% (2016: 20.00%). The actual tax credit for the year is lower (2016: lower) than the standard rate for the reasons set out in the following reconciliation:

	2017 £'000	2016 £'000
Loss before tax	(132)	(155)
Tax on loss at standard rate	(25)	(31)
Adjustment in respect of prior years	59	62
Deferred Tax Adjustment	(2)	(19)
Total tax	32	12

Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated taxable profit for the year. The UK corporation tax rate change from 20% to 19%, substantively enacted on 26 October 2015, is effective from 1 April 2017, and a further change from 19% to 17%, substantively enacted on 6 September 2016, is effective from 1 April 2020. Deferred tax balances at the year end have been measured at the rate at which timing differences are expected to reverse.

Engineering Support Group Limited

Notes to the financial statements (continued)

10 Tangible Assets

	Fixtures and Fittings	Plant, Machinery Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2017	142	646	788
Additions	-	21	21
Disposals	(7)	-	(7)
At 31 December 2017	135	667	802
Accumulated depreciation			
At 1 January 2017	(40)	(507)	(547)
Charge for the year	(12)	(72)	(84)
At 31 December 2017	(52)	(579)	(631)
Net book amount			
At 31 December 2017	83	88	171
At 31 December 2016	102	139	241

11 Trade and other receivables

	2017	2016
	£'000	£'000
Trade receivables	755	1,602
Amounts due from group undertakings	126	274
Amounts recoverable on contracts	988	463
Corporation tax	26	31
Prepayments and accrued income	139	104
Deferred tax asset	24	22
	2,058	2,496

Amounts due from group undertakings are unsecured and are receivable on demand.

Engineering Support Group Limited

Notes to the financial statements (continued)

An analysis of deferred tax assets, included within debtors, is as follows:

	£'000
At 1 January 2017	22
Charge for the year	2
At 31 December 2017	24

Deferred tax arises on the difference between the accounting and tax depreciation on our fixed assets.

	2017 £'000	2016 £'000
Short term timing differences	2	19
	2	19

12 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	665	1,161
Amounts due to group undertakings	1,535	1,745
Payments on account	98	179
Other taxes and social security	165	192
Other creditors	35	40
Accruals and deferred income	698	215
	3,196	3,532

Amounts due to group undertakings are unsecured and repayable on demand.

Included in the amount owed to group undertakings is £1,494,000 (2016: £1,687,000) owed to DB Mobility Logistics as part of the central cash pooling arrangement. Interest is charged at LIBOR +0.75% on negative balances and paid at LIBOR -0.25% on positive balances

Engineering Support Group Limited

Notes to the financial statements (continued)

13 Called up share capital

	2017	2016
	£	£
Allotted and fully paid		
3 (2016: 3) ordinary shares of £1 each	3	3

There is one vote per share

14 Capital and other commitments

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings £'000	2017 Other £'000	Land and buildings £'000	2016 Other £'000
Within one year	85	23	85	21
In the second to fifth years inclusive	15	24	99	24
In over five years	-	-	-	-
	100	47	184	45

The company had no capital commitments at the year end (2016 : Nil)

Engineering Support Group Limited

Notes to the financial statements (continued)

15 Pension scheme

The company participates in a defined benefit pension scheme for its employees operated by DB Cargo (UK) Limited. The pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities.

The total contribution rate payable under the Railways Pension Scheme (RPS) is normally split in the proportion 60:40 between the company and the members. If a surplus or deficit arises, the provisions in the rules mean that the company and the members benefit from or pay for this respectively in the proportion 60:40.

The underlying assets of the scheme are £1,193.0m (2016: £1,115.0m) and liabilities are £1,453.0m (2016: £1,406.0m). Further details are available in the financial statements of DB Cargo (UK) Limited.

The company is unable to identify its share of the underlying assets and liabilities of the group scheme and therefore the scheme will be accounted for by the company as a defined contribution scheme under IAS19.

The cost of contributions, on a defined contribution basis, was £219,000 (2016: £281,000).

16 Ultimate parent company and controlling party

The immediate parent company is DB Cargo (UK) Holdings Limited.

The directors' consider that the ultimate parent company, the smallest and the largest group in which the results of the company are consolidated is that headed by Deutsche Bahn AG, which is incorporated in the Federal Republic of Germany. The financial statements of Deutsche Bahn AG can be viewed at www.db.de. There are no transitional adjustments.