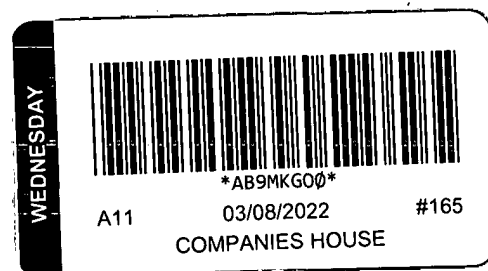


Engineering Support Group Limited  
Annual report and financial statements  
For the year ended 31 December 2021

Registered number: 03038421



Engineering Support Group Limited  
Annual report and financial statements  
For the year ended 31 December 2021  
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# Engineering Support Group Limited

## Strategic report for the year ended 31 December 2021

The directors present the strategic report on Engineering Support Group Limited for the year ended 31 December 2021.

### Principal activities and business review

Engineering Support Group Limited (trading as 'DB ESG') is a people business, the principal activity of the company is the provision of technical engineering consultancy, technology integration services and project management services to the rail industry in the UK and overseas. The company employs a highly skilled and experienced workforce capable of supporting many different types of railway engineering projects. The company's primary objective is to create value for our stakeholders, providing positive outcomes for our clients, providing an attractive place to work for our people and delivering appropriate financial returns to our parent company.

The results for the company show a profit for the financial year after tax of £263,000 and revenue of £6,348,000 for the year ended 31 December 2021 (2020: profit after tax of £130,000 and revenue of £5,550,000).

2021 was another successful year despite the continued challenges presented by the COVID19 pandemic. In addition to an improved financial performance and net assets position the company received a number of significant orders (totalling £8.6m in 2021) giving a robust secured orderbook which will be delivered over the next few years.

Throughout 2021 the company continued to work closely in collaboration with other companies from the Deutsche Bahn AG (DB) group of railway engineering companies. The strategy of introducing products and services from our parent company DB Systemtechnik, in addition to the core services already offered, has led to a more diverse and stable business moving forward.

Further information and news of the business can be seen in the company website at [www.deutschebahn.com/dbesg](http://www.deutschebahn.com/dbesg)

### Future developments

Through ongoing close alignment and collaboration within the Deutsche Bahn Group (DB), the company will continue to be 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 5,000 experts worldwide. Capital investment in the UK rail industry, is expected to continue with strong growth opportunities in the UK rail and associated railway engineering consultancy sector as a result. Whilst the effects of Coronavirus did have an impact on the number of passengers using the railway, passenger numbers have returned to almost 90% of pre-COVID levels.

In May 2021 the government unveiled its commitment in the Williams-Shapps Plan for Rail to create a new public body, Great British Railways (GBR), which will own the infrastructure, receive the fare revenue, run and plan the network and set most fares and timetables. Network Rail, the current infrastructure owner, will be absorbed into this new organisation, as will many people and functions from the Rail Delivery Group (RDG) and the DfT. Great British Railways will own the railways across Great Britain and run them as an integrated system to achieve common outcomes in the public interest. The new organisation will work closely with partners across the sector, including freight operators and suppliers, to help deliver a customer-focused rail system.

# Engineering Support Group Limited

## Strategic report for the year ended 31 December 2021 (continued)

The DB ESG strategy has been reviewed in light of the creation of Great British Railways with only some minor adjustments being made with regard to our existing customer base to mitigate arising risks from potential changes to the way in which GBR may operate going forward. The situation will continue to be monitored and assessed throughout 2022 but it is not expected to have a detrimental impact to our business.

Our core strategy is built upon a diverse product offering to a wide and varied customer base that does not only rely on passenger railways but also freight. 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 sales growth in the company and wider DB Group. 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 2021 closing net liabilities position shows a £441,000 shortfall in shareholders' deficit. However, the DB Group have approved the issuance of a new share with a nominal value of £1, which will be subscribed by the payment of a price of £1.5 million by DB Cargo (UK) Holdings Limited. The issuance of the new share was approved on the 30<sup>th</sup> June 2022 and the transfer of funds was completed on the 12<sup>th</sup> July 2022. Please refer to the Going Concern section in the Director's report for further details.

### Key performance indicators

The key performance indicators monitored by the directors for the company include earnings before interest and taxation (EBIT) and total revenue,

|               | 2021    | 2020    |
|---------------|---------|---------|
| Total Revenue | £6,348k | £5,550k |
| EBIT          | £304k   | £164k   |

### Financial risk management

The DB group corporate internal control system processes for the management of financial risk have been implemented within the company. This involves a detailed self-assessment of finance and risk management processes against standard criteria communicated by DB Corporate Audit.

### Principal risks and uncertainties

We continue to manage a number of potential risks and uncertainties which could have a material impact on our strategic and operational objectives. Many of the risks are common to other companies and we assess them regularly as part of management review. There is some uncertainty related to delays to some of our key customers' programmes for capital investment and the creation of Great British Railways, however, the strategy is to have a mixed portfolio of projects across a diverse range of customers that utilise a flexible workforce to mitigate against reliance on any single customer.

The company continues to monitor developments in relation to the UK's exit from the European Union and any potential risks which may impact the company. However, at this stage the company continues to conclude that the impact of the UK's departure from the EU presents minimal risk to its continued operations.

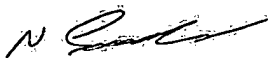
The effects of Coronavirus on the business have been minimal. The company has continued to deliver on its EBIT commitments to the parent company in 2021. None of our employees were furloughed or made

# Engineering Support Group Limited

## Strategic report for the year ended 31 December 2021 (continued)

redundant and the entire company continued to work effectively and efficiently from home during this period. Our IT infrastructure was moved to the 'Cloud' in early 2020 and we updated our communications to Microsoft Teams at the same time, meaning the transition to remote working for all of our staff, including contractors, was uneventful. From July 2021, the business transitioned to a hybrid working model where our staff may opt to continue to work remotely for a proportion of the working week which is beneficial to both our employees and the company. However, the IT infrastructure, processes and procedures remain in place such that if further lockdowns are experienced, the company can very quickly revert to remote working.

On behalf of the board  
29 July 2022



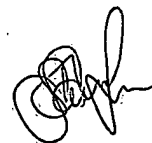
N Goodhand

**Director**



J Hornsby

**Director**



S Samjatin

**Director**

# **Engineering Support Group Limited**

## **Directors' report for the year ended 31 December 2021**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021. Details of future developments and management of financial risk are included in the Strategic report starting on page 1.

### **Dividends**

The directors do not recommend the payment of a dividend in 2021 (2020: £nil).

### **Directors**

The directors of the company who held office throughout the year and up to the date of signing of the financial statements were:

N Goodhand

The director of the company who was appointed on 01 June 2021 was:

J Hornsby

The director of the company who was appointed on 01 August 2021 was:

S Samjatin

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

### **Going Concern**

The company recorded a profit after tax of £263,000 during the year ended 31 December 2021 (2020: profit after tax of £130,000), and at that date, had net liabilities of £441,000 (2020: net liabilities of £704,000) and net current liabilities of £627,000 (2020: £904,000).

The company is a 100% subsidiary of DB Cargo (UK ) Holdings Limited (DBCUKH) and is under the management responsibility of DB Systemtechnik GmbH (DBST). The capital resources of fully consolidated companies in the DB Group should in principle be such that financing on a stand-alone basis is possible. Analysis has shown that DB ESG has insufficient capital resources (as of December 31, 2021, net liabilities of £441,000). As such, DB ESG's equity base will be increased by issuance of a new share with a nominal value of £1, which will be subscribed by the payment of a price of £1.5 million by DBCUKH. The issuance of the new share was approved on the 30<sup>th</sup> June 2022 and the transfer of funds was completed on the 12<sup>th</sup> July 2022.

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

# **Engineering Support Group Limited**

## **Directors' report for the year ended 31 December 2021 (continued)**

Considering the ongoing communications with DB Group including agreement of 5 Year Plan targets, with every year showing a positive EBIT, as well as the additional approved investment by the parent company the directors believe that appropriate access to finance will continue to be available to take the business forward.

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.

### **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 director's 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, 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.

# Engineering Support Group Limited

## Directors' report for the year ended 31 December 2021 (continued)

The directors are 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 also 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.

### Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

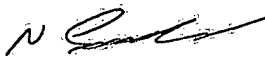
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

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.

On behalf of the board  
29 July 2022



N Goodhand  
**Director**



J Hornsby  
**Director**



S Samjatin  
**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 2021 and of its profit 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 2021; the Income statement and 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.

#### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **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

# **Engineering Support Group Limited**

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

### **Reporting on other information (continued)**

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.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Railways Act 1993, the Railways Regulations 2016, health and safety regulations, employment law and environmental legislation, and we considered the extent to which non-compliance might have a

# **Engineering Support Group Limited**

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

### **Auditors' responsibilities for the audit of the financial statements (continued)**

material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to manipulate financial performance and management bias in determining significant accounting estimates, including revenue recognition. Audit procedures performed by the engagement team included:

- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- testing accounting estimates that we deemed to present a risk of material misstatement, including assessing the data, methods and assumptions applied by management in the development of each estimate, particularly in respect of revenue recognition;
- identifying and testing journal entries using a risk-based targeting approach for unexpected account combinations, in particular in relation to revenue; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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:

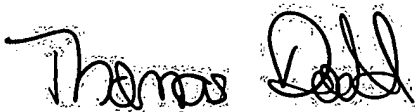
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified 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)**

#### **Companies Act 2006 exception reporting (continued)**

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Thomas Dodd', with a stylized flourish at the end.

Thomas Dodd (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
29 July 2022

# Engineering Support Group Limited

## Income statement

**For the year ended 31 December 2021**

|                                      |      | <b>2021</b>    | <b>2020</b>  |
|--------------------------------------|------|----------------|--------------|
|                                      | Note | <b>£'000</b>   | <b>£'000</b> |
| <b>Revenue</b>                       | 4    | <b>6,348</b>   | 5,550        |
| Cost of sales                        |      | <b>(4,504)</b> | (3,973)      |
| <b>Gross profit</b>                  |      | <b>1,844</b>   | 1,577        |
| Administrative expenses              |      | <b>(1,540)</b> | (1,413)      |
| <b>Operating profit</b>              | 5    | <b>304</b>     | 164          |
| Finance costs                        | 8    | <b>(24)</b>    | (24)         |
| <b>Profit before income tax</b>      |      | <b>280</b>     | 140          |
| Income tax expense                   | 9    | <b>(17)</b>    | (10)         |
| <b>Profit for the financial year</b> |      | <b>263</b>     | 130          |

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

There is no other comprehensive income for the year.

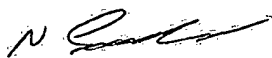
# Engineering Support Group Limited

## Statement of financial position

As at 31 December 2021

|   | Note | 2021<br>£'000  | 2020<br>£'000  |
|---|------|----------------|----------------|
| <b>Fixed assets</b>   |      |                |                |
| Tangible assets   | 10   | 80             | 77             |
| Right-of-use-assets   | 11   | 201            | 292            |
|   |      | <b>281</b>     | <b>369</b>     |
| <b>Current assets</b>   |      |                |                |
| Trade and other receivables                                   | 12   | 1,052          | 800            |
| Contract assets   | 13   | 1,260          | 1,482          |
|   |      | <b>2,312</b>   | <b>2,282</b>   |
| <b>Creditors amounts falling due within one year</b>          |      |                |                |
| Trade and other payables                                      | 14   | (2,595)        | (3,014)        |
| Contract liabilities  | 15   | (344)          | (172)          |
|   |      | <b>(2,939)</b> | <b>(3,186)</b> |
| <b>Net current liabilities</b>                                |      | <b>(627)</b>   | <b>(904)</b>   |
| <b>Total assets less current liabilities</b>                  |      | <b>(346)</b>   | <b>(535)</b>   |
| <b>Creditors amounts falling due after more than one year</b> | 11   | <b>(95)</b>    | <b>(169)</b>   |
| <b>Net liabilities</b>  |      | <b>(441)</b>   | <b>(704)</b>   |
| <b>Capital and reserves</b>                                   |      |                |                |
| Called up share capital                                       | 16   | -              | -              |
| Accumulated losses  |      | (441)          | (704)          |
| <b>Total shareholders' deficit</b>                            |      | <b>(441)</b>   | <b>(704)</b>   |

The financial statements on pages 13 to 32 were approved by the directors on 29 July 2022 and were signed on its behalf by:



N Goodhand  
Director



J Hornsby  
Director



S Samjatin  
Director

Registered number: 03038421

# Engineering Support Group Limited

## Statement of changes in equity

For the year ended 31 December 2021

|                               | <b>Called up<br/>share capital<br/>£'000</b> | <b>Accumulated<br/>losses<br/>£'000</b> | <b>Total<br/>shareholders'<br/>deficit<br/>£'000</b> |
|-------------------------------|--|---|--|
| At 1 January 2020             | -  | (834)                                   | (834)  |
| Profit for the financial year | -  | 130                                     | 130  |
| At 31 December 2020           | -  | (704)                                   | (704)  |
| Profit for the financial year | -  | 263                                     | 263  |
| <b>At 31 December 2021</b>    | <b>-</b>                                     | <b>(441)</b>                            | <b>(441)</b>   |

# 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, technology integration services and project management services to the rail industry in the UK and overseas. 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.

The financial statements of Railway Approvals Limited have been prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” (FRS 101). The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

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. The Company is a qualifying entity for the purposes of FRS 101. Note 19 gives details of the Company’s ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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

- IAS 1 information on management of capital.
- IAS 7 statement of cash flows
- 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.
- IAS 24 disclosures in respect of related party transactions entered 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).
- IFRS 7 Financial Instruments Disclosures



# **Engineering Support Group Limited**

## **Notes to the financial statements (continued)**

### **Summary of significant accounting policies (continued)**

#### **2.2 Going Concern**

The company recorded a profit after tax of £263,000 during the year ended 31 December 2021 (2020: profit after tax of £130,000), and at that date, had net liabilities of £441,000 (2020: net liabilities of £704,000) and net current liabilities of £627,000 (2020: £904,000).

The company is a 100% subsidiary of DB Cargo (UK ) Holdings Limited (DBCUKH) and is under the management responsibility of DB Systemtechnik GmbH (DBST). The capital resources of fully consolidated companies in the DB Group should in principle be such that financing on a stand-alone basis is possible. Analysis has shown that DB ESG has insufficient capital resources (as of December 31, 2021, net liabilities of £441,000). As such, DB ESG's equity base will be increased by issuance of a new share with a nominal value of £1, which will be subscribed by the payment of a price of £1.5 million by DBCUKH. The issuance of the new share was approved on the 30<sup>th</sup> June 2022 and the transfer of funds was completed on the 12<sup>th</sup> July 2022.

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

Considering the ongoing communications with DB Group including agreement of 5 Year Plan targets, with every year showing a positive EBIT, as well as the additional approved investment by the parent company the directors believe that appropriate access to finance will continue to be available to take the business forward.

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

## Notes to the financial statements (continued)

### Summary of significant accounting policies (continued)

#### 2.3 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) 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.

#### 2.4 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on 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 pensions costs and other short-term timing differences.

#### 2.5 Fixed Assets

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     |

All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

# **Engineering Support Group Limited**

## **Notes to the financial statements (continued)**

### **Summary of significant accounting policies (continued)**

#### **2.6 Revenue**

Revenue is stated at the fair value of the consideration received or receivable in respect of long-term contracts and other direct sales to customers and is net of value added tax.

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.

For direct sales of short-term projects, they are structured with sufficient and appropriate performance obligations to allow invoicing following achievement of the project deliverables.

#### **2.7 Trade Receivables**

Trade receivables are recognised and carried at original invoice amount. An allowance is made when collection of the full amount is no longer probable. The company applies IFRS9 to measure this allowance for expected credit losses, and when accompanying trade receivables based on shared risk characteristics and days past due. Bad debts are written off when identified.

#### **2.8 Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities with amounts falling due after one year.

#### **2.9 Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at the bank and on hand. Cash equivalents are classed as loans and receivable financial instruments.

#### **2.10 Impairment of non-current assets**

Non-current assets are reviewed for impairment whenever events or changes in circumstances dictate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

#### **2.11 Foreign currency Translation**

Items included in the financial statements of the company are presented as Pounds Sterling (£)

Foreign currency transactions are translated into Pounds Sterling using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### Summary of significant accounting policies (continued)

#### 2.12 Financial Instruments

##### *Initial Measurement of Financial instruments*

All financial instruments are initially measured at fair value plus or minus in the case of a financial asset or liability not a fair value through profit or loss, transaction costs.

##### *Subsequent measurement of financial assets*

IFRS9 divides all financial assets into two classifications – those measured at amortised cost and those measured at fair value.

Where assets are measured at fair value, gains and losses are either recognised entirely in profit and loss (fair value through profit and loss – FVTPL) or recognised in other comprehensive income (fair value through other comprehensive income FVTOCI)

The classification of a financial asset is made at the time it is initially recognised. If certain conditions are met, the classification of assets may subsequently need to be reclassified.

##### *Subsequent measurement of financial liabilities*

IFRS9 divides all financial liabilities into two measurement categories: FVPTL and amortised costs

##### *Derecognition of financial assets*

A financial asset is derecognised when the company determines it has transferred substantially all of the risks and reward of ownership of the asset.

##### *Derecognition of financial liabilities*

A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires.

#### 2.13 Share Capital

Ordinary shares are classified as equity. Preference shares are classified as liabilities.

### 3 Critical accounting estimates and judgements

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.

# **Engineering Support Group Limited**

## **Notes to the financial statements (continued)**

### **Critical accounting estimates and judgements policies (continued)**

#### **a) Cost to complete in long term projects**

Under IFRS15 it remains necessary to estimate the total costs of fulfilling the performance obligations associated with long-term contracts. The recognition of revenue over time is determined based on the progress of completion of costs related to the performance obligations. Future project costs are estimated using purchase order information combined with project management knowledge and opinion. Estimates are refined on a monthly basis as actual costs are incurred and knowledge of the contracts is gained.

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**

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on past default experience and forward looking assessments of the economic environment in accordance with IFRS 9 Financial Instruments. The company has no significant concentration of credit risk with exposure spread over many customers.

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 4 Revenue

The company's turnover and profit 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, continental Europe and Rest of the World.

|                   | Timing of Revenue Recognition |                    |           | Timing of Revenue Recognition |                    |           |
|-------------------|-------------------------------|--------------------|-----------|-------------------------------|--------------------|-----------|
|                   | 2021                          | At a point in time | Over time | 2020                          | At a point in time | Over time |
|                   | £'000                         | £'000              | £'000     | £'000                         | £'000              | £'000     |
| United Kingdom    | 5,642                         | 1,260              | 4,382     | 5,362                         | 1,444              | 3,918     |
| European Union    | 226                           | 226                | -         | 113                           | 113                | -         |
| Rest of the world | 480                           | 480                | -         | 75                            | 75                 | -         |
|                   | 6,348                         | 1,966              | 4,382     | 5,550                         | 1,632              | 3,918     |

### 5 Operating Profit

Operating profit is stated after charging:

|  | 2021  | 2020  |
|--|-------|-------|
|  | £'000 | £'000 |
| Auditors' remuneration for the audit of these financial statements | 33    | 21    |
| Depreciation of tangible assets (note 10)                          | 40    | 46    |
| Depreciation of right of use assets (note 11)                      | 107   | 90    |
| Rentals payable under operating leases                             | -     | 1     |

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 6 Remuneration of directors

|   | 2021  | 2020  |
|---|-------|-------|
|   | £'000 | £'000 |
| Directors emoluments                                      | 184   | 201   |
| Value of company pension contributions to pension schemes | 17    | 14    |

The amounts in respect of the highest paid director are as follows:

|   |     |     |
|---|-----|-----|
| Remuneration                                    | 124 | 110 |
| Company pension contributions to pension scheme | 12  | 9   |

One of the directors is employed by our parent company DB Systemtechnik and does not receive any remuneration from Engineering Support Group Limited.

### 7 Staff numbers and costs

The year-end number of persons employed by the company, analysed by category, was as follows:

|                                    | 2021<br>Number | 2020<br>Number |
|------------------------------------|----------------|----------------|
| Management of consultancy services | 6              | 6              |
| Operation of consultancy services  | 41             | 41             |
|                                    | 47             | 47             |

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

|                                    | 2021<br>Number | 2020<br>Number |
|------------------------------------|----------------|----------------|
| Management of consultancy services | 6              | 6              |
| Operation of consultancy services  | 41             | 42             |
|                                    | 47             | 48             |

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 7 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

|                               | 2021  | 2020  |
|-------------------------------|-------|-------|
|                               | £'000 | £'000 |
| Wages and salaries            | 2,486 | 2,166 |
| Social security costs         | 258   | 227   |
| Other pension costs (note 18) | 242   | 237   |
|                               | 2,986 | 2,630 |

In addition to the above, the company also employed 5 people who worked for Railway Approvals Limited. These costs are recharged to Railway Approvals Limited each month.

### 8 Finance costs

|  | 2021  | 2020  |
|--|-------|-------|
|  | £'000 | £'000 |
| Interest payable to group undertakings | 17    | 17    |
| Interest on lease liabilities          | 7     | 7     |
|  | 24    | 24    |



# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 9 Income tax expense

|  | 2021       | 2020       |
|--|------------|------------|
|  | £'000      | £'000      |
| UK corporation tax:                            |            |            |
| Current tax arising in the year                | 53         | 27         |
| Adjustment in respect of prior years           | (30)       | (8)        |
| <b>Total current tax</b>                       | <b>23</b>  | <b>19</b>  |
| Deferred tax:                                  |            |            |
| Origination and reversal of timing differences | (6)        | (9)        |
| <b>Total deferred tax</b>                      | <b>(6)</b> | <b>(9)</b> |
| <b>Total tax charge</b>                        | <b>17</b>  | <b>10</b>  |

The company profit is taxed at the standard rate of 19% (2020: 19%). The actual tax expense for the year is higher than (2020: higher) the standard rate for the reasons set out in the following reconciliation

|   | 2021      | 2020      |
|---|-----------|-----------|
|   | £'000     | £'000     |
| Profit before tax   | 280       | 140       |
| Tax on profit at standard rate                              | 53        | 27        |
| Adjustment in respect of prior years                        | (30)      | (8)       |
| Deferred Tax origination and reversal of timing differences | (6)       | (9)       |
| <b>Total Tax Charge</b>                                     | <b>17</b> | <b>10</b> |

Deferred tax balances at the year-end have been measured at the rate at which timing differences are expected to reverse.

In the Spring Budget 2021, the Government announced that from 1 April 2023, the corporation tax rate will increase to 25%.

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 10 Tangible Assets

|                                 | <b>Fixtures<br/>and Fittings<br/>£'000</b> | <b>Plant,<br/>Machinery &amp;<br/>Equipment<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------------|--|---|------------------------|
| <b>Cost</b>                     |  |   |                        |
| At 1 January 2021               | 129  | 763   | 892                    |
| Additions                       | 4  | 39  | 43                     |
| <b>At 31 December 2021</b>      | <b>133</b>                                 | <b>802</b>  | <b>935</b>             |
| <b>Accumulated depreciation</b> |  |   |                        |
| At 1 January 2021               | (94)                                       | (721)   | (815)                  |
| Charge for the year             | (10)                                       | (30)  | (40)                   |
| <b>At 31 December 2021</b>      | <b>(104)</b>                               | <b>(751)</b>  | <b>(855)</b>           |
| <b>Net book amount</b>          |  |   |                        |
| <b>At 31 December 2021</b>      | <b>29</b>                                  | <b>51</b>   | <b>80</b>              |
| At 31 December 2020             | 35   | 42  | 77                     |

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 11 Right-of-use-assets

|  | 2021  | 2020  |
|--|-------|-------|
|  | £'000 | £'000 |
| <b>Amounts recognised in the statement of financial position</b> |       |       |
| <b>Right of use Assets</b>                                       |       |       |
| Buildings  | 161   | 221   |
| Vehicles   | 40    | 71    |
| Total right of use assets  | 201   | 292   |
| <b>Lease Liabilities</b>   |       |       |
| Current  | 112   | 105   |
| Non-Current  | 95    | 169   |
| Total lease liabilities  | 207   | 274   |

During the year lease payments were £ 89,925.

|   | 2021  | 2020  |
|---|-------|-------|
|   | £'000 | £'000 |
| <b>Amounts recognised in the income statement</b> |       |       |
| <b>Depreciation charge</b>                        |       |       |
| Buildings   | 76    | 72    |
| Vehicles  | 31    | 18    |
| <b>Interest expense</b>                           |       |       |
| Interest expense                                  | 7     | 7     |

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 12 Trade and other receivables

|                                  | 2021         | 2020       |
|----------------------------------|--------------|------------|
|                                  | £'000        | £'000      |
| Trade receivables                | 830          | 597        |
| Amounts due from group companies | 54           | 99         |
| Cash at bank and in hand         | 23           | -          |
| Prepayments and accrued income   | 91           | 56         |
| Deferred tax asset               | 54           | 48         |
|                                  | <b>1,052</b> | <b>800</b> |

Amounts due from group companies are unsecured and are receivable on demand. Interest is not charged on any amounts owed.

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

|                            | £'000     |
|----------------------------|-----------|
| At 1 January 2021          | 48        |
| Credit for the year        | 6         |
| <b>At 31 December 2021</b> | <b>54</b> |

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

|                               | 2021     | 2020      |
|-------------------------------|----------|-----------|
|                               | £'000    | £'000     |
| Short term timing differences | 6        | 12        |
|                               | <b>6</b> | <b>12</b> |

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 13 Contract Assets

|                       | 2021  | 2020  |
|-----------------------|-------|-------|
|                       | £'000 | £'000 |
| Consultancy Contracts | 1,260 | 1,482 |
|                       | 1,260 | 1,482 |

Amounts relate to where the company has provided a service to customers in advance of generating invoices in line with a series of performance related milestones.

### 14 Trade and other payables

|                                 | 2021  | 2020  |
|---------------------------------|-------|-------|
|                                 | £'000 | £'000 |
| Trade creditors                 | 511   | 326   |
| Amounts due to group companies  | 940   | 714   |
| Cash pooling account            | 208   | 793   |
| Other taxes and social security | 320   | 499   |
| Corporation tax                 | 53    | 56    |
| Other creditors                 | 41    | 135   |
| Lease liabilities               | 112   | 105   |
| Accruals and deferred income    | 410   | 386   |
|                                 | 2,595 | 3,014 |

The company has an agreement for both domestic and foreign currency cash pooling with Deutsche Bahn AG. Under the terms of the agreement, balances within the company's bank accounts are acquired by DB Mobility Logistics through the following procedures:

- If the relevant bank accounts have a positive balance, the balance will be transferred to the cash pooling account; and
- If the relevant bank accounts have an overdrawn balance, the balance will be settled through a correspondent transfer from the cash pool account. The cash pooling account is maintained by Deutsche Bahn AG and subsequent to the monthly pooling adjustments, the company's bank accounts will have a nil balance.

The interest rate applied on the cash pooling account on negative balances it is GBP Central Bank Base Rate plus 0.75% (2020: 0.75%).

# Engineering Support Group Limited

## Notes to the financial statements (continued)

### 14 Trade and Other Payables (continued)

Amounts due to group companies are unsecured and repayable on demand. Interest is not charged on any amounts owing.

### 15 Contract Liabilities

|                       | 2021  | 2020  |
|-----------------------|-------|-------|
|                       | £'000 | £'000 |
| Consultancy Contracts | 344   | 172   |
|                       | 344   | 172   |

Amounts relate to where the company has generated invoices in line with a series of performance related milestones, in advance of providing a service to the customer.

### 16 Called up share capital

|  | 2021 | 2020 |
|--|------|------|
|  | £    | £    |
| <b>Allotted and fully paid</b>         |      |      |
| 3 (2020: 3) ordinary shares of £1 each | 3    | 3    |

There is one vote per share.

# **Engineering Support Group Limited**

## **Notes to the financial statements (continued)**

### **17 Capital commitments**

The company had no capital commitments at the year-end (2020: Nil).

### **18 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 £1,485 m (2020: £1,322m) and liabilities are £1,753 m (2020: £1,721m). 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 £267,000 (2020: £263,000) which includes Engineering Support Group £ 242,000 (2020: £ 237,000) and Railway Approvals Limited £ 25,000 (2020: £ 26,000) respectively.

The company and staff are included in an ongoing review by DB Cargo of potential changes to future pension arrangements.

### **19 Ultimate parent company and controlling party**

The immediate parent company is DB Cargo (UK) Holdings Limited, a company registered in England and Wales.

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. Copies of the consolidated financial statements can be obtained from Potsdamer Platz 2, Berlin 10785, Germany.

# **Engineering Support Group Limited**

## **Notes to the financial statements (continued)**

### **20 Subsequent Event**

The company is a 100% subsidiary of DB Cargo (UK ) Holdings Limited (DBCUKH) and is under the management responsibility of DB Systemtechnik GmbH (DBST). The capital resources of fully consolidated companies in the DB Group should in principle be such that financing on a stand-alone basis is possible. Analysis has shown that DB ESG has insufficient capital resources (as of December 31, 2021, net liabilities of £441,000). As such, DB ESG's equity base will be increased by issuance of a new share with a nominal value of £1, which will be subscribed by the payment of a price of £1.5 million by DBCUKH. The issuance of the new share was approved on the 30<sup>th</sup> June 2022 and the transfer of funds was completed on the 12<sup>th</sup> July 2022.