4402048

XC TRAINS LIMITED

Annual report and financial statements

for the year ended 31 December 2011

XC TRAINS LIMITED

Company Information

Directors	R W Holland D C J Applegarth D H Baker R B Cobbe A J Cooper J R C Higgins D A Watkin H J Waters J L Roberts M F Earl
Company secretary	E A Thorpe
Company number	4402048
Registered office	Admiral Way Doxford International Business Park Sunderland Tyne and Wear SR3 3XP
Independent auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 89 Sandyford Road Newcastle upon Tyne NE1 8HW

XC TRAINS LIMITED

Contents

Directors' report
for the year ended 31 December 2011

The directors present their report and the audited financial statements for the year ended 31 December 2011

Principal activities

The principal activity of the company during the year was the operation of passenger railway services

Business review

The company is the franchisee for a passenger train franchise under a franchise agreement signed with the Secretary of State for Transport on 9 July 2007 for the New Cross Country franchise The franchise commencement date was 11 November 2007 and the franchise will operate until 31 March 2016

The directors believe that the company continues to be in a good position to continually develop and improve its rail services throughout the UK During 2011 the company secured investment in fleet, communication, information technology, infrastructure and services through partnerships and liaison with our stakeholders

In November 2011 under the terms of the Franchise Agreement, the company became entitled to Revenue Support, which the company anticipates receiving for the remainder of the franchise term

The company's aim is to meet or exceed expectations of all stakeholders

The company operates train services under a Safety Certificate and Operating Licences granted by the ORR (Office of Rail Regulation) There have been no incidents of significance during the year and all key safety indicators remain within acceptable levels for the year

The company has maintained train punctuality and reliability over the year, with the moving annual average of the Public Performance Measure at 88 9% (2010 87 5%)

There have been no material changes since the balance sheet date

Results and dividends

The loss for the financial year, after taxation, amounted to £19,996,000 (2010 - loss £7,952,000)

The results for the year continue to be affected by the UK recession, mainly through weaker passenger growth than anticipated during 2011 compared to the passenger growth anticipated in our bid for the franchise

The company did not pay a dividend during the year (2010 £nil)

Directors' report
for the year ended 31 December 2011

Directors

The directors who served during the year, and up to the date of signing the financial statements, were

R W Holland
D C J Applegarth
D H Baker
R B Cobbe
A J Cooper
J R C Higgins
D A Watkin
H J Waters
J L Roberts
M F Earl

Financial risk management objectives and policies

Details of financial risk management objectives and policies are shown in the annual report of the UK intermediate parent company, Arriva Plc, which does not form part of this report

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

Major incidents

As with any operator of public transportation there is the risk that the company is involved in a major incident, which could result in injuries to the public or staff Resulting risks include damage to the company's reputation and possible claims against the company

Turnover

Risks and uncertainties affecting the company are considered to relate to local and national competition and some factors which could cause a decline in the market

Breach of franchise

The company is required to comply with certain conditions as part of its Franchise Agreement If it fails to comply with these conditions it may be liable to penalties or the potential termination of the franchise Compliance with franchise conditions are closely managed to minimise the risk of non compliance

Further discussion of these risks and uncertainties in the context of the group as a whole, is provided in the annual report of Arriva Plc which does not form part of this report

Key performance indicators

The directors of Deutsche Bahn AG, the ultimate holding company, manage the group's operations on a divisional basis For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of XC Trains Limited The development performance and position of the group, including this company, is discussed in the group's annual report which does not form part of this report

Directors' report
for the year ended 31 December 2011

Company's policy for payment of creditors

The company's policy regarding the payment of suppliers is to agree terms of payment at the start of business with each supplier to ensure that the supplier is made aware of the payment terms, and to pay in accordance with its contractual or legal obligations At 31 December 2011 the company's trade creditors outstanding represented approximately 41 days' purchases (2010 55 days)

Employee involvement

The company recognises that its employees are key to its success and is committed to creating a working environment where everyone has the opportunity to learn, develop and contribute to the success of the group, working within a common set of values

The group continues to aim to be an employer of choice and to employ a diverse workforce with the skills, abilities and attitudes to meet business objectives and needs The group's aim is to provide appropriate remuneration, benefits and conditions of employment which will serve to attract, retain, motivate and reward such employees

The group has, subject to the restraints of commercial confidentiality, continued its policy of employee involvement, by making information available to employees on a regular basis regarding recent and probable future developments and business activities

Disabled employees

The company continues to give full and fair consideration to applications for employment by disabled persons, having regard to their respective aptitudes and abilities The company's policy includes, where applicable, the continued employment of those who may become disabled during their employment

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Directors' report
for the year ended 31 December 2011

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the improved trading results since the year end and the entitlement to Revenue Support which came into effect in November 2011 and which the company anticipates receiving for the remainder of the franchise term

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

This report was approved by the Board of directors on 26 April 2012 and signed on its behalf

J L Roberts
Director

Independent auditors' report to the members of XC Trains Limited

We have audited the financial statements of XC Trains Limited for the year ended 31 December 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of XC Trains Limited

Matters on which we are required to report by exception

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

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

Bill MacLeod

Bill MacLeod (Senior statutory auditor)
for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

27 April 2012

Profit and loss account
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
TURNOVER	1,2	**387,163**	396,470
Cost of sales		**(403,233)**	(394,685)
GROSS (LOSS)/PROFIT		**(16,070)**	1,785
Administrative expenses		**(13,912)**	(14,710)
OPERATING LOSS	3	**(29,982)**	(12,925)
Other finance income	19	**3,178**	1,720
Interest receivable and similar income	7	**280**	435
Interest payable and similar charges	8	**(710)**	(296)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(27,234)**	(11,066)
Tax on loss on ordinary activities	9	**7,238**	3,114
LOSS FOR THE FINANCIAL YEAR	17	**(19,996)**	(7,952)

All amounts relate to continuing operations

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents

The notes on pages 10 to 22 form part of these financial statements

Statement of total recognised gains and losses for the year ended 31 December 2011

	Note	2011 £000	2010 £000
LOSS FOR THE FINANCIAL YEAR		**(19,996)**	(7,952)
Deferred tax attributable to actuarial movement/rate change	15	**(302)**	967
Actuarial gain/(loss) related to pension scheme	19	**698**	(3,747)
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR		**(19,600)**	(10,732)

The notes on pages 10 to 22 form part of these financial statements

XC TRAINS LIMITED
Registered number: 4402048

Balance sheet
as at 31 December 2011

	Note	£000	2011 £000	£000	2010 £000
FIXED ASSETS					
Intangible assets	10		6,036		7,493
Tangible assets	11		9,325		10,784
			15,361		18,277
CURRENT ASSETS					
Stocks	12	136		108	
Debtors	13	61,730		52,517	
Cash at bank and in hand		43,886		42,887	
		105,752		95,512	
CREDITORS· amounts falling due within one year	14	(117,471)		(88,298)	
NET CURRENT (LIABILITIES)/ASSETS			(11,719)		7,214
TOTAL ASSETS LESS CURRENT LIABILITIES			3,642		25,491
Deferred taxation	15	(375)		(517)	
Pension deficit	19	(3,853)		(5,960)	
			(4,228)		(6,477)
NET (LIABILITIES)/ASSETS INCLUDING PENSION SCHEME LIABILITIES			(586)		19,014
CAPITAL AND RESERVES					
Called up share capital	16		22,500		22,500
Profit and loss account	17		(23,086)		(3,486)
TOTAL SHAREHOLDERS' (DEFICIT)/FUNDS	18		(586)		19,014

The financial statements were approved and authorised for issue by the Board of directors and were signed on its behalf on 26 April 2012

JRobt

J L Roberts
Director

The notes on pages 10 to 22 form part of these financial statements

Notes to the financial statements
for the year ended 31 December 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006, and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

1.2 Cash flow statement

The company is a wholly-owned subsidiary of Deutsche Bahn AG and the ultimate parent company has prepared a group cash flow statement Accordingly, under Financial Reporting Standard 1 (Revised 1996) 'Cash Flow Statements', the company is exempt from preparing a cash flow statement

1.3 Turnover

Passenger income represents amounts agreed as attributable to the company by the income allocation systems of Rail Settlement Plan Limited mainly in respect of passenger receipts Income is attributed based principally on models of certain aspects of passengers' travel patterns and to a lesser extent from allocations agreed for specific revenue flows The attributed share of season ticket income is deferred within creditors and released to the profit and loss account over the period of the relevant season ticket

Franchise receipts relate to amounts receivable from the Department for Transport Income is recognised on an accruals basis

Other income is derived from commissions, catering revenue, and other services excluding value added tax It is recognised in the profit and loss account on an accruals basis

1.4 Intangible fixed assets and amortisation

Intangible assets relate to the right to operate the Cross Country rail franchise and are valued at cost less accumulated amortisation The assets are capitalised at cost at the start of the franchise and are amortised on a straight-line basis over the life of the franchise agreement The franchise commencement date was 11 November 2007 and the franchise will operate until 31 March 2016

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is provided on a straight-line basis to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant and machinery, fixtures and fittings	-	2 to 8 years

1.6 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

1. ACCOUNTING POLICIES (continued)

1.7 Stocks

Stocks are valued at the lower of cost, on a weighted average basis, and net realisable value after making due allowance for obsolete and slow-moving stocks Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.9 Pensions

Certain employees of XC Trains Limited participate in funded defined benefit schemes, which form part of the overall Railways Pension Scheme ('RPS')

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised past service costs The deficit disclosed for the RPS represents 60 per cent of the full liability of the relevant sections of the RPS, in accordance with trustee guidelines which detail how the scheme surpluses and shortfalls are shared between the employer and scheme members Only the net deficit or net surplus that the company expects to fund or recover over the life of the franchise is recognised The defined benefit obligation is calculated using the projected unit credit method Formal actuarial valuations are carried out on a triennial basis, with updated calculations being prepared at each balance sheet date by qualified independent actuaries The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension liability

The cost of providing future benefits (service cost) is charged to the profit and loss account as required The return on scheme assets and interest obligation on scheme liabilities comprise a pension finance adjustment which is included in interest Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to reserves in the period they arise

1.10 Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the improved trading results since the year end and the entitlement to Revenue Support which came into effect in November 2011 and which the company anticipates receiving for the remainder of the franchise term

Notes to the financial statements
for the year ended 31 December 2011

2. TURNOVER

An analysis of turnover by class of business is as follows

	2011 £000	2010 £000
Passenger income	377,448	347,727
Franchise receipts	3,641	43,268
Other income	6,074	5,475
	387,163	396,470

All turnover arose and related to activities within the United Kingdom

3. OPERATING LOSS

The operating loss is stated after charging

	2011 £000	2010 £000
Amortisation - intangible fixed assets	1,457	1,395
Depreciation of tangible fixed assets		
- owned by the company	2,711	2,416
Operating lease rentals		
- rolling stock/track access/maintenance	239,589	224,111
- land and buildings	2,280	2,354

4. AUDITORS' REMUNERATION

	2011 £000	2010 £000
Fees payable to the company's auditor for the audit of the company's financial statements	12	12
Fees payable to the company's auditor and its associates in respect of All other services	60	60

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2011 £000	2010 £000
Wages and salaries	62,489	58,678
Social security costs	5,410	4,844
Other pension costs	4,371	5,102
	72,270	68,624

The average monthly number of employees, including the directors, during the year was as follows

	2011 Number	2010 Number
Drivers, train crew and operations	1,547	1,525
Administration	82	82
	1,629	1,607

6. DIRECTORS' EMOLUMENTS

	2011 £000	2010 £000
Aggregate emoluments	795	748
Company pension contributions to defined benefit pension schemes	86	86

During the year retirement benefits were accruing to 6 directors (2010 - 6) in respect of defined benefit pension schemes

The highest paid director received remuneration of £222,000 (2010 - £202,000) which included £21,000 (2010 £19,000) in respect of contributions to the defined benefit pension scheme Benefits are accruing to the highest paid director under a defined benefits pension scheme and, at the year end, the accrued pension amounted to £9,420 (2010 £6,999)

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £000	2010 £000
Bank interest receivable	280	435

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £000	2010 £000
Other interest payable	710	296

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	2011 £000	2010 £000
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax credit on loss for the year	(7,626)	(3,294)
Adjustments in respect of prior periods	(87)	(161)
Total current tax	(7,713)	(3,455)
Deferred tax		
Origination and reversal of timing differences	374	177
Adjustments in respect of prior years	101	164
Total deferred tax (see note 15)	475	341
Total tax on loss on ordinary activities	(7,238)	(3,114)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26 5% (2010 - 28%) The differences are explained below

	2011 £000	2010 £000
Loss on ordinary activities before tax	(27,234)	(11,066)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 - 28%)	(7,217)	(3,098)
Effects of.		
Differences between capital allowances and depreciation	209	137
Adjustments in respect of prior years	(87)	(161)
Other short term timing differences	(618)	(333)
Current tax for the year (see note above)	(7,713)	(3,455)

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

On 21 March 2012 the Chancellor announced that the UK Corporation Tax rate applicable from 1 April 2012 would be 24% (as opposed to 25% which was substantively enacted on 5 July 2011) and that the previously announced reductions of 1% per annum would result in the UK Corporation Tax rate reducing to 22% (as opposed to 23%) with effect from 1 April 2014

10. INTANGIBLE FIXED ASSETS

	Intangibles £000
Cost	
At 1 January 2011 and 31 December 2011	11,959
Accumulated amortisation	
At 1 January 2011	4,466
Charge for the year	1,457
At 31 December 2011	5,923
Net book value	
At 31 December 2011	6,036
At 31 December 2010	7,493

Intangible assets relate to the right to operate the Cross Country rail franchise

11. TANGIBLE FIXED ASSETS

	Plant and machinery, fixtures and fittings £000
Cost	
At 1 January 2011	15,494
Additions	1,252
At 31 December 2011	16,746
Accumulated depreciation	
At 1 January 2011	4,710
Charge for the year	2,711
At 31 December 2011	7,421
Net book value	
At 31 December 2011	9,325
At 31 December 2010	10,784

12 STOCKS

	2011 £000	2010 £000
Finished goods and goods for resale	136	108

13. DEBTORS

	2011 £000	2010 £000
Trade debtors	15,015	9,705
Amounts owed by group undertakings	92	-
Group relief receivable	7,626	4,461
Other debtors	3,551	4,670
Prepayments and accrued income	35,446	33,681
	61,730	52,517

14. CREDITORS:
Amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	37,870	47,874
Amounts owed to group undertakings	59,319	22,323
Social security and other taxes	3,223	2,978
Other creditors	4,582	4,314
Accruals and deferred income	12,477	10,809
	117,471	88,298

15. DEFERRED TAXATION

	2011 £000	2010 £000
At 1 January 2011	517	510
(Credit)/charge for the financial year	(142)	7
At 31 December 2011	375	517

The provision for deferred taxation is made up as follows

	2011 £000	2010 £000
Accelerated capital allowances	375	517

	2011 £000	2010 £000
The deferred tax balance, including the deferred tax balance on the pension liability, consists of the tax effect of timing differences in respect of		
Accelerated capital allowances	375	517
Deferred tax liability excluding that relating to pension liability	375	517
Deferred tax asset relating to pension liability	(1,285)	(2,204)
Total deferred tax	(910)	(1,687)

	Total £000
At 1 January 2011	(1,687)
Deferred tax charged in the profit and loss account (see note 9)	475
Deferred tax charged to the statement of total recognised gains and losses	302
At 31 December 2011	(910)

16. CALLED UP SHARE CAPITAL

	2011 £000	2010 £000
Authorised		
25,000,002 Ordinary shares of £1 each (2010 25,000,002)	**25,000**	25,000
Allotted and fully paid		
22,500,002 Ordinary shares of £1 each (2010 22,500,002)	**22,500**	22,500

17. RESERVES

	Profit and loss account £000
At 1 January 2011	(3,486)
Loss for the financial year	(19,996)
Deferred tax relating to actuarial gain	(302)
Actuarial gain on pension scheme	698
At 31 December 2011	(23,086)

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Opening shareholders' funds	**19,014**	29,746
Loss for the financial year	**(19,996)**	(7,952)
Actuarial gain/(loss) on pension scheme (net of deferred tax)	**396**	(2,780)
Closing shareholders' (deficit)/funds	**(586)**	19,014

19. PENSION COMMITMENTS

Certain employees of XC Trains Limited participate in funded defined benefit sections, which form part of the overall Railways Pension Scheme ('RPS')

The directors believe that separate consideration should be given to the RPS under FRS 17 'Retirement benefits' as the company has no rights or obligations in respect of the scheme following the expiry of the franchise This is accounted for by way of a franchise adjustment, which decreased from £51,763,000 at 31 December 2010 to £24,908,000 at 31 December 2011

The calculations used to assess the FRS 17 'Retirement benefits' liabilities of the company's sections of the RPS are based on the most recent actuarial valuations, updated by qualified independent actuaries to 31 December 2011 The scheme's assets are stated at their market value at 31 December 2011

19. PENSION COMMITMENTS (continued)

The following financial assumptions have been used

	2011 %	2010 %	2009 %
Rate of increase in salaries	**4.0**	4 5	4 5
Rate of increase in pensions in payment	**2 0**	3 1	3 1
Rate of increase in deferred pensions	**3.0**	3 5	3 5
Discount rate	**5 0**	5 3	5 7
Inflation assumption	**3.0**	3 5	3 5

The weighted average life expectancy for mortality tables to determine benefit obligations

		2011 Years	2010 Years	2009 Years
Member age 65 (current life expectancy)	- male	**17**	17	17
	- female	**19**	19	19
Member age 45 (life expectancy at age 65)	- male	**18**	18	18
	- female	**20**	20	20

The fair value of the assets in the RPS sections and the expected rate of return, the present value of the related liabilities and the resulting deficit are

	Long term rate of return expected %	2011 Value £000	Long term rate of return expected %	2010 Value £000	Long term rate of return expected %	2009 Value £000
Equities	**6 80**	**174,674**	8 00	172,366	8 25	126,500
Bonds	**4 60**	**9,291**	5 10	5,386	5 90	15,600
Other	**4.25**	**1,858**	6 60	1,796	6 50	14,100
Total market value of assets		**185,823**		179,548		156,200
Present value of scheme liabilities		**(235,900)**		(279,427)		(225,208)
Deficit in the scheme		**(50,077)**		(99,879)		(69,008)
Deficit relating to scheme members		**20,031**		39,952		27,600
Rail franchise adjustment		**24,908**		51,763		35,800
		(5,138)		(8,164)		(5 608)
Related deferred tax asset		**1,285**		2,204		1,571
Net pension deficit		**(3,853)**		(5,960)		(4,037)

The deficit disclosed for the RPS represents 60 per cent of the full liability of the relevant sections of the RPS, in accordance with trustee guidelines which detail how the scheme surpluses and shortfalls are shared between the employer and scheme members and is stated after the recognition of a franchise adjustment as detailed above

The directors' assessment of the expected returns is based on historical return trends, the forward looking views of financial markets (suggested by the yields available) and the views of investment organisations

Notes to the financial statements for the year ended 31 December 2011

19. PENSION COMMITMENTS (continued)

Analysis of the amount charged to operating profit	2011 £000	2010 £000
Current service cost	(7,549)	(6,822)
Total operating charge	(7,549)	(6,822)

Analysis of the amount credited to other finance income

	2011 £000	2010 £000
Expected return on assets in the scheme	8,520	7,500
Interest on liabilities	(8,042)	(7,980)
Interest on rail franchise adjustment	2,700	2,200
Other finance income	3,178	1,720

Analysis of the amount recognised in the statement of total recognised gains and losses

	2011 £000	2010 £000
Difference between expected and actual return on assets	(9,097)	3,809
Effect of changing the financial assumptions	39,350	(21,319)
Rail franchise adjustment	(29,555)	13,763
Actuarial gain/(loss)	698	(3,747)

An analysis of the movements in the present value of defined benefit obligations for the year ended 31 December 2011 is as follows

	2011 £000	2010 £000
At start of period	(279,427)	(225,208)
Current service cost	(7,549)	(6,822)
Members contributions paid	(4,637)	(3,007)
Interest cost*	(13,403)	(13,300)
Benefits paid	4,100	4,800
Actuarial gain/(loss)*	65,016	(35,890)
At end of period	(235,900)	(279,427)

19. PENSION COMMITMENTS (continued)

An analysis of the movements in the fair value of the scheme assets for the year ended 31 December is as follows

	2011 £000	2010 £000
At start of period	**179,548**	156,200
Expected return on plan assets*	**14,200**	12,500
Total contributions	**11,336**	9,300
Benefits paid	**(4,100)**	(4,800)
Actuarial (loss)/gain*	**(15,161)**	6,348
At end of period	**185,823**	179,548

The actual loss on plan assets* was £961,000 (2010 gain £18,848,000)

* Before RPS shared cost adjustment

The movement in the present value of defined benefit obligations and in the fair value of the scheme assets do not take into account the shared cost nature of the RPS The profit and loss account and the statement of recognised gains and losses include 60 per cent of the relevant RPS amounts

Cumulative actuarial gains and losses recognised in equity

	2011 £000	2010 £000
At start of period	**(117)**	3,630
Actuarial gain/(loss) recognised in the year	**698**	(3,747)
At end of period	**581**	(117)

History of experience gains and losses

	2011	2010
Experiance adjustments on scheme assets		
- Amounts (£000)	**(9,097)**	3,809
- Percentage of scheme assets (%)	**8.2**	3 5
Experience adjustments on scheme liabilities		
- Amounts (£000)	**11,956**	(960)
- Percentage of scheme liabilities (%)	**8 4**	0 6

The company expects to contribute £6 9 million to its defined benefit pension scheme in 2012

20. OPERATING LEASE COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2011	2010	2011	2010
	£000	£000	£000	£000
Expiry date:				
Within 1 year	50	173	-	-
Between 2 and 5 years	244	177	211,813	52,654
After more than 5 years	833	1,072	-	145,414

21. DERIVATIVES

The company had fuel hedges in place throughout the year and the fair value of these as at 31 December 2011, which has not been recognised in these financial statements, was an asset of £72,328,000 (2010 £70,244,000)

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and ultimate controlling party is Deutsche Bahn AG, a company registered in Germany, which has prepared group financial statements incorporating the results of XC Trains Limited Copies of these financial statements can be obtained from Potsdamer Platz 2, 10785 Berlin

Deutsche Bahn AG is the largest group to consolidate the financial statements and DB Mobility Logistics AG is the smallest

Information on XC Trains Limited can be found at their registered address Admiral Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XP

Transactions and balances with other companies in the Deutsche Bahn Group are not specifically disclosed as the company has taken advantage of the exemption available under FRS 8 'Related party disclosures' for wholly-owned subsidiaries