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**XC TRAINS LIMITED**

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**Annual report and financial statements  
for the year ended 31 December 2013**

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**XC TRAINS LIMITED**

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**Company Information**

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**Directors**

A J Cooper  
J R C Higgins  
D A Watkin  
J L Roberts  
M F Earl  
A Furlong  
W Rogers

**Company secretary**

L Edwards

**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  
Central Square South  
Orchard Street  
Newcastle upon Tyne  
NE1 3AZ

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**XC TRAINS LIMITED**

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## XC TRAINS LIMITED

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### Strategic report for the year ended 31 December 2013

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The directors present their Strategic report for the year ended 31 December 2013.

#### 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 2013 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.

Throughout most of the year the company has maintained train punctuality and reliability. The moving annual average of the Public Performance Measure has been very consistent throughout the year, and finished at 87.3% (2012: 87.8%).

There have been no material changes since the balance sheet date.

#### 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.

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**XC TRAINS LIMITED**

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**Strategic report  
for the year ended 31 December 2013**

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**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.

This report was approved by the board on 31 March 2014 and signed on its behalf.

L Edwards  
Company secretary

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## XC TRAINS LIMITED

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### Directors' report for the year ended 31 December 2013

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The directors present their report and the financial statements for the year ended 31 December 2013.

#### Results and dividends

The profit for the financial year, after taxation, amounted to £11,256,000 (2012 - £12,960,000).

The year ending 31 December 2013 saw a £50 million increase in turnover versus prior year, however this was offset by increased rail network access charges and franchise payments. The combined impact of the improved revenue and increased costs was an operating profit £4 million lower than the previous year.

The company did not pay a dividend during the year (2012 - £Nil).

#### Directors

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

R W Holland (resigned 1 January 2013)  
D C J Applegarth (resigned 1 January 2013)  
D H Baker (resigned 1 October 2013)  
R B Cobbe (resigned 1 October 2013)  
A J Cooper  
J R C Higgins  
D A Watkin  
H J Walker (resigned 31 August 2013)  
J L Roberts  
M F Earl  
S J Murphy (appointed 1 January 2013, resigned 24 March 2014)  
A Furlong (appointed 1 October 2013)  
W Rogers (appointed 1 September 2013)

#### 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.

#### 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.

**Directors' report  
for the year ended 31 December 2013**

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**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.

**Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, 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.

**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 31 March 2014 and signed on its behalf.

**L Edwards**  
Company Secretary

## Independent auditors' report to the members of XC Trains Limited

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We have audited the financial statements of XC Trains Limited for the year ended 31 December 2013 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 4, 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 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.



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**XC TRAINS LIMITED**

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**Independent auditors' report to the members of XC Trains Limited**

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**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 (Senior statutory auditor)  
for and on behalf of

**PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Central Square South  
Orchard Street  
Newcastle upon Tyne  
NE1 3AZ

31 March 2014

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**XC TRAINS LIMITED**

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**Profit and loss account  
for the year ended 31 December 2013**

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	Note	2013 £000	2012 £000
<b>TURNOVER</b>	1,2	<b>552,536</b>	501,577
Cost of sales		<u>(525,467)</u>	<u>(469,926)</u>
<b>GROSS PROFIT</b>		<b>27,069</b>	31,651
Administrative expenses		<u>(14,982)</u>	<u>(15,601)</u>
<b>OPERATING PROFIT</b>	3	<b>12,087</b>	16,050
Other finance income	19	<b>2,956</b>	1,300
Interest receivable and similar income	7	<b>268</b>	122
Interest payable and similar charges	8	<u>(121)</u>	<u>(318)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>15,190</b>	17,154
Tax on profit on ordinary activities	9	<u>(3,934)</u>	<u>(4,194)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	17	<b><u>11,256</u></b>	<b><u>12,960</u></b>

All amounts relate to continuing operations.

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

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

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**XC TRAINS LIMITED**

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**Statement of total recognised gains and losses  
for the year ended 31 December 2013**

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		<b>2013</b>	2012
		<b>£000</b>	£000
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>11,256</b>	12,960
Deferred tax attributable to actuarial movement/rate change	17	<b>(3,897)</b>	545
Actuarial gain/(loss) related to pension scheme	19	<b>18,746</b>	(2,750)
<b>TOTAL RECOGNISED GAINS RELATING TO THE YEAR</b>		<b>26,105</b>	10,755

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 2013**

	Note	£000	2013 £000	£000	2012 £000
<b>FIXED ASSETS</b>					
Intangible assets	10		3,200		4,630
Tangible assets	11		3,930		6,544
			<u>7,130</u>		<u>11,174</u>
<b>CURRENT ASSETS</b>					
Stocks	12	186		150	
Debtors	13	39,581		43,779	
Cash at bank and in hand		55,723		28,848	
		<u>95,490</u>		<u>72,777</u>	
<b>CREDITORS:</b> amounts falling due within one year	14	(77,312)		(68,473)	
<b>NET CURRENT ASSETS</b>			<u>18,178</u>		<u>4,304</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>25,308</u>		<u>15,478</u>
Deferred taxation	15	-		(29)	
Pension surplus/(deficit)	19	10,966		(5,280)	
			<u>10,966</u>		<u>(5,309)</u>
<b>NET ASSETS INCLUDING PENSION SCHEME SURPLUS/(DEFICIT)</b>			<u>36,274</u>		<u>10,169</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		22,500		22,500
Profit and loss account	17		13,774		(12,331)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	18		<u>36,274</u>		<u>10,169</u>

The financial statements were approved and authorised for issue by the Board of directors and were signed on its behalf on 31 March 2014.

**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 2013**

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**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, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

**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.

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.

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. Revenue Support income is recognised in the profit and loss 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.

**Notes to the financial statements  
for the year ended 31 December 2013**

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**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 surplus/(deficit) 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 surplus/(deficit) 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.

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**XC TRAINS LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2013**

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**2. TURNOVER**

An analysis of turnover by class of business is as follows:

	<b>2013</b>	2012
	<b>£000</b>	£000
Passenger income	<b>431,409</b>	413,085
Revenue support	<b>113,711</b>	80,287
Other income	<b>7,416</b>	8,205
	<u><b>552,536</b></u>	<u>501,577</u>

All turnover arose and related to activities within the United Kingdom.

**3. OPERATING PROFIT**

The operating profit is stated after charging:

	<b>2013</b>	2012
	<b>£000</b>	£000
Amortisation - intangible fixed assets	<b>1,430</b>	1,406
Depreciation of tangible fixed assets:		
- owned by the company	<b>3,059</b>	2,988
Operating lease rentals:		
- rolling stock/track access/maintenance	<b>269,615</b>	249,800
- land and buildings	<b>2,141</b>	2,488
	<u><b>275,245</b></u>	<u>256,682</u>

During the year the company incurred costs of £85 million (2012 - £53 million) in respect of Franchise payments.

**4. AUDITORS' REMUNERATION**

	<b>2013</b>	2012
	<b>£000</b>	£000
Fees payable to the company's auditors for the audit of the company's financial statements	<b>12</b>	12
Fees payable to the company's auditors and its associates in respect of:		
All other non-audit services not included above	<b>54</b>	50
	<u><b>66</b></u>	<u>62</u>

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**XC TRAINS LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2013**

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**5. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows:

	2013 £000	2012 £000
Wages and salaries	69,516	65,149
Social security costs	6,045	5,833
Other pension costs	8,236	5,737
	<u>83,797</u>	<u>76,719</u>

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

	2013 Number	2012 Number
Drivers, train crew and operations	1,613	1,557
Administration	82	82
	<u>1,695</u>	<u>1,639</u>

**6. DIRECTORS' EMOLUMENTS**

	2013 £000	2012 £000
Aggregate emoluments	999	861
	<u>999</u>	<u>861</u>
Company pension contributions to defined benefit pension schemes	93	93
	<u>93</u>	<u>93</u>

During the year retirement benefits were accruing to 6 directors (2012 - 6) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £239,000 (2012 - £224,000) which included £22,000 (2012 - £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 £14,322 (2012: £12,008).

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2013 £000	2012 £000
Bank interest receivable	268	122
	<u>268</u>	<u>122</u>



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**XC TRAINS LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2013**

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**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	2013 £000	2012 £000
Other interest payable and similar charges	121	318
	<u>121</u>	<u>318</u>

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2013 £000	2012 £000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	3,515	4,287
Adjustments in respect of prior years	371	1
	<u>3,886</u>	<u>4,288</u>
<b>Total current tax</b>		
<b>Deferred tax</b>		
Origination and reversal of timing differences	73	(94)
Adjustments in respect of prior years	(25)	-
	<u>48</u>	<u>(94)</u>
<b>Total deferred tax</b> (see note 15)		
	<u>3,934</u>	<u>4,194</u>
<b>Total tax on profit on ordinary activities</b>		

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2012 - higher than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before taxation	15,190	17,154
	<u>15,190</u>	<u>17,154</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	3,532	4,203
<b>Effects of:</b>		
Differences between capital allowances and depreciation	405	336
Adjustments in respect of prior years	371	1
Other short term timing differences	(422)	(252)
	<u>3,886</u>	<u>4,288</u>
<b>Current tax for the year</b> (see note above)		

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**XC TRAINS LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2013**

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**9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

**Factors that may affect future tax charges**

During 2012 the Chancellor announced that the UK Corporation Tax rate applicable from 1 April 2013 would be 23%, and that the UK Corporation Tax rate applicable from 1 April 2014 would be 21%.

On 20 March 2013 the Chancellor made a further announcement that the UK Corporation Tax rate applicable from 1 April 2015 would be 20%.

**10. INTANGIBLE FIXED ASSETS**

	<b>Intangibles £000</b>
<b>Cost</b>	
At 1 January 2013 and 31 December 2013	<u>11,959</u>
<b>Accumulated amortisation</b>	
At 1 January 2013	7,329
Charge for the year	<u>1,430</u>
At 31 December 2013	<u>8,759</u>
<b>Net book value</b>	
At 31 December 2013	<u>3,200</u>
At 31 December 2012	<u>4,630</u>

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

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**XC TRAINS LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2013**

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**11. TANGIBLE FIXED ASSETS**

	<b>Plant and machinery, fixtures and fittings £000</b>
<b>Cost</b>	
At 1 January 2013	16,953
Additions	445
At 31 December 2013	<u>17,398</u>
<b>Accumulated depreciation</b>	
At 1 January 2013	10,409
Charge for the year	3,059
At 31 December 2013	<u>13,468</u>
<b>Net book value</b>	
At 31 December 2013	<u>3,930</u>
At 31 December 2012	<u>6,544</u>

**12. STOCKS**

	<b>2013 £000</b>	<b>2012 £000</b>
Finished goods and goods for resale	<u>186</u>	<u>150</u>

**13. DEBTORS**

	<b>2013 £000</b>	<b>2012 £000</b>
Trade debtors	34,037	38,113
Amounts owed by group undertakings	24	-
Other debtors	677	1,457
Prepayments and accrued income	4,497	4,209
Deferred tax asset (see note 15)	346	-
	<u>39,581</u>	<u>43,779</u>

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**XC TRAINS LIMITED**

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**Notes to the financial statements  
for the year ended 31 December 2013**

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**14. CREDITORS:**

**Amounts falling due within one year**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	47,869	38,295
Amounts owed to group undertakings	465	758
Group relief payable	3,515	4,287
Taxation and social security	3,673	3,490
Other creditors	5,314	5,083
Accruals and deferred income	16,476	16,560
	<u>77,312</u>	<u>68,473</u>

**15. DEFERRED TAXATION**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Deferred tax liability at 1 January	(29)	(375)
Credit for the financial year	375	346
	<u>346</u>	<u>(29)</u>

The liability for deferred taxation is made up as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Accounting depreciation in excess of capital allowances/(accelerated capital allowances)	<u>346</u>	<u>(29)</u>

**XC TRAINS LIMITED**

**Notes to the financial statements  
for the year ended 31 December 2013**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
The deferred tax balance, including the deferred tax balance on the pension liability, consists of the tax effect of timing differences in respect of:		
Accounting depreciation in excess of capital allowances/(accelerated capital allowances)	<b>346</b>	(29)
Deferred tax liability excluding that relating to pension liability	<b>346</b>	(29)
Deferred tax liability/(asset) relating to pension asset/(liability)	<b>(2,742)</b>	1,578
<b>Total deferred tax</b>	<b>(2,396)</b>	1,549
		<b>Total</b>
		<b>£000</b>
Deferred tax asset at 1 January 2013		1,549
Deferred tax credited to the profit and loss account (see note 9)		(48)
Deferred tax credited to the statement of total recognised gains and losses		(3,897)
<b>Deferred tax liability at 31 December 2013</b>		<b>(2,396)</b>

**16. CALLED UP SHARE CAPITAL**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised</b>		
25,000,000 Ordinary shares of £1 each (2012: 25,000,000)	<b>25,000</b>	25,000
<b>Allotted and fully paid</b>		
22,500,002 Ordinary shares of £1 each (2012: 22,500,002)	<b>22,500</b>	22,500

**17. PROFIT AND LOSS ACCOUNT**

	<b>Profit and loss account £000</b>
At 1 January 2013	(12,331)
Profit for the financial year	11,256
Deferred tax relating to actuarial gain	(3,897)
Actuarial gain on pension scheme	18,746
At 31 December 2013	<b>13,774</b>

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**XC TRAINS LIMITED**

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**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Opening shareholders' funds/(deficit)	<b>10,169</b>	(586)
Profit for the financial year	<b>11,256</b>	12,960
Actuarial gain/(loss) on pension scheme (net of deferred tax)	<b>14,849</b>	(2,205)
	<hr/>	<hr/>
Closing shareholders' funds	<b>36,274</b>	10,169
	<hr/> <hr/>	<hr/> <hr/>

**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 increased from £36,906,000 at 31 December 2012 to £68,093,000 at 31 December 2013.

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 2013. The scheme's assets are stated at their market value at 31 December 2013.

The following financial assumptions have been used:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Rate of increase in salaries	<b>4.0</b>	3.5	4.0
Rate of increase in pensions in payment	<b>2.3</b>	2.1	2.0
Rate of increase in deferred pensions	<b>2.3</b>	2.1	3.0
Discount rate	<b>4.3</b>	4.4	5.0
Inflation assumption	<b>3.3</b>	2.8	3.0

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

		<b>2013</b>	<b>2012</b>	<b>2011</b>
		<b>Years</b>	<b>Years</b>	<b>Years</b>
Member age 65 (current life expectancy)	- male	<b>17</b>	17	17
	- female	<b>19</b>	19	19
Member age 45 (life expectancy at age 65)	- male	<b>18</b>	18	18
	- female	<b>20</b>	20	20

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**19. PENSION COMMITMENTS (continued)**

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:

	<b>Long term rate of return expected %</b>	<b>2013 Value £000</b>	Long term rate of return expected %	2012 Value £000	Long term rate of return expected %	2011 Value £000
Equities	<b>7.60</b>	<b>211,274</b>	6.70	188,451	6.80	174,674
Bonds	<b>4.30</b>	<b>11,482</b>	4.50	10,242	4.60	9,291
Other	<b>6.60</b>	<b>6,890</b>	5.90	6,145	4.25	1,858
Total market value of assets		<b>229,646</b>		204,838		185,823
Present value of scheme liabilities		<b>(320,288)</b>		(277,778)		(235,900)
Deficit in the scheme		<b>(90,642)</b>		(72,940)		(50,077)
Deficit relating to scheme members		<b>36,257</b>		29,176		20,031
Rail franchise adjustment		<b>68,093</b>		36,906		24,908
		<b>13,708</b>		(6,858)		(5,138)
Related deferred tax (liability)/asset		<b>(2,742)</b>		1,578		1,285
Net pension surplus/(deficit)		<b>10,966</b>		(5,280)		(3,853)

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.

Analysis of the amount charged to operating profit:	<b>2013 £000</b>	2012 £000
Current service cost	<b>(8,239)</b>	(7,037)
Total operating charge	<b>(8,239)</b>	(7,037)
Analysis of the amount credited to other finance income:	<b>2013 £000</b>	2012 £000
Expected return on assets in the scheme	<b>8,036</b>	7,400
Interest on liabilities	<b>(7,080)</b>	(7,300)
Interest on rail franchise adjustment	<b>2,000</b>	1,200
Other finance income	<b>2,956</b>	1,300

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**XC TRAINS LIMITED**

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**Notes to the financial statements  
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**19. PENSION COMMITMENTS (continued)**

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

	<b>2013</b>	2012
	<b>£000</b>	£000
Difference between expected and actual return on assets	<b>2,946</b>	1,249
Effect of changing the financial assumptions	<b>(13,387)</b>	(14,797)
Rail franchise adjustment	<b>29,187</b>	10,798
	<u><b>18,746</b></u>	<u>10,798</u>
Actuarial gain/(loss)	<u><b>18,746</b></u>	<u>(2,750)</u>

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

	<b>2013</b>	2012
	<b>£000</b>	£000
At start of year	<b>(277,778)</b>	(235,900)
Current service cost	<b>(8,239)</b>	(7,037)
Members contributions paid	<b>(4,502)</b>	(4,433)
Interest cost*	<b>(11,800)</b>	(12,167)
Benefits paid	<b>5,100</b>	6,600
Actuarial loss*	<b>(23,069)</b>	(24,841)
	<u><b>(320,288)</b></u>	<u>(277,778)</u>

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

	<b>2013</b>	2012
	<b>£000</b>	£000
At start of year	<b>204,838</b>	185,823
Expected return on plan assets*	<b>13,394</b>	12,333
Total contributions	<b>11,604</b>	11,200
Benefits paid	<b>(5,100)</b>	(6,600)
Actuarial gain*	<b>4,910</b>	2,082
	<u><b>229,646</b></u>	<u>204,838</u>

The actual gain on plan assets\* was £18,304,000 (2012 - gain £14,415,000).

\*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.

	<b>2013</b>	2012
	<b>£000</b>	£000
Cumulative actuarial gains and losses recognised in equity:		
At start of year	<b>(2,169)</b>	581
Actuarial gain/(loss) recognised in the year	<b>18,746</b>	(2,750)
	<u><b>16,577</b></u>	<u>(2,169)</u>



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**XC TRAINS LIMITED**

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**Notes to the financial statements  
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**19. PENSION COMMITMENTS (continued)**

History of experience gains and losses:	<b>2013</b>	2012
Experience adjustments on scheme assets:		
- Amounts (£000)	<b>2,946</b>	1,249
- Percentage of scheme assets (%)	<b>2.1</b>	1.0
Experience adjustments on scheme liabilities:		
- Amounts (£000)	<b>(3,673)</b>	(1,260)
- Percentage of scheme liabilities (%)	<b>1.9</b>	0.8

The company expects to contribute £7.4 million to its defined benefit pension scheme in 2014.

**20. OPERATING LEASE COMMITMENTS**

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

	<b>Land and buildings</b>		<b>2013</b>	<b>Other</b>
	<b>2013</b>	<b>2012</b>		
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expiry date:</b>				
Within 1 year	<b>6</b>	<b>30</b>	<b>-</b>	<b>-</b>
Between 2 and 5 years	<b>1,419</b>	<b>1,359</b>	<b>228,991</b>	<b>197,892</b>

**21. DERIVATIVES**

The company had fuel hedges in place throughout the year and the fair value of these as at 31 December 2013, which has not been recognised in these financial statements, was an asset of £37,944,000 (2012: £52,307,000).

**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 of XC Trains Limited 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.