

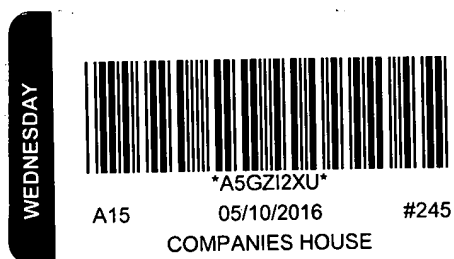
DB Cargo (UK) Limited

(formerly DB Schenker Rail (UK) Limited)

Annual Report

For the year ended 31 December 2015

Registered number 02938988



DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Annual Report

Contents	Page
Strategic Report	1
Directors' report for the year ended 31 December 2015	5
Independent auditors' report to the members of DB Cargo (UK) Limited	7
Profit and loss account for the year ended 31 December 2015	9
Statement of Comprehensive Income for the year ended 31 December 2015	10
Balance Sheet as at 31 December 2015	11
Statement of Changes in Equity for the year ended 31 December 2015	12
Notes to the financial statements for the year ended 31 December 2015	13

DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Strategic Report

The directors present their strategic report for the year ended 31 December 2015.

Review of the business

The principal activities of the company are the haulage of freight by rail and other related services within the UK.

On 01 March 2016, the company changed its name from DB Schenker Rail (UK) Limited to DB Cargo (UK) Limited.

The company's operating loss before exceptional items for the year is £34 million (2014: £2 million profit). Exceptional items for the year totalled an expense of £84million, which primarily relate to the impairment of a number of assets and provisions against onerous leases (2014: £177 million gain which primarily related to property disposals).

The company's loss on ordinary activities before taxation for the year is £123 million (2014: £172 million profit). The company's loss for the financial year is £113 million (2014: £170 million profit). The balance sheet of the company is presented on page 11. Total shareholders' funds at the year ended 31 December 2015 was £216 million (2014: £216 million).

During 2015 the market demand for coal transportation declined at a much faster rate than the company and its customers in the power generation industry predicted. This decline was caused by a combination of low gas prices and the increase in the carbon price floor from April 2015. As a result, coal-fired power generation in 2015 fell to its lowest level since the 1950s, down 24 per cent since 2014 and 47per cent since 2012. This market effect is the primary driver behind the fall in turnover of £61m between the year ended 31 December 2014 and the year ended 31 December 2015.

In response to this fundamental change in market conditions, on 08 June 2015, the company entered into formal consultation with employees and trade union partners on a restructuring programme. During the second half of 2015, a headcount reduction of approximately 7 per cent of the workforce was agreed, with implementation commencing in 2015 and completed during the first half of 2016. Alongside the employee changes, the assets of the business have been rationalised reflecting the surplus capacity arising from the significant reduction in coal transportation. Impairments of fixed assets and stocks totalling £60m have been recorded in the year. Furthermore, provision has been made for onerous contractual commitments resulting from the market developments experienced during 2015.

Notwithstanding the above, operational performance in the year has been strong with the company achieving its highest freight delivery performance measure of 96.79 per cent. This has been achieved through investment in assets demonstrated by record locomotive reliability and the roll out of over 1,300 tablet devices to our employees bringing improved efficiency to our operations.

Key business relationships have been strengthened through contract renewals in the year with customers including Mendip Rail, Tarmac, Drax Power and Royal Mail. New business with Hope Construction, United Asphalt, BMW MINI and PD Ports demonstrates our commitment to investment and growth in the construction, automotive and intermodal sectors.

Future Developments

The rail freight industry continues to face rapid and unprecedented challenges. Since we made the business transformation announcements in 2015, the rapid decline in our traditional coal market intensified and we also began to experience structural changes in the UK steel sector which has impacted demand for rail freight services.

In anticipation of the EU Referendum and since the Brexit result, investment decisions relating to major construction and infrastructure projects have been delayed or cancelled in some instances meaning some of our construction customers are reviewing their future demand for the transport of materials.

These factors have resulted in surplus capacity and a highly competitive market.

Our customers and the markets are hugely important to us and we are committed to continuing to invest in these markets, developing innovative solutions and new services through closer relationships. We are focussed on our operational efficiency and delivering our customers' needs. In line with this, we continue to grow our offering of core rail freight and related logistic services. We are making further investment in Anubis, the most advanced intermodal order management system on the market, which allows customers to track and trace their containers, in order to offer this functionality to all our customers.

DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Strategic Report (continued)

We have completed the development of our new London Euro-hub facility designed to serve the automotive industry by linking continental traffic to HS1 in the UK. The business has also begun developing Cricklewood aggregate terminal in North London to complement the existing Bow aggregates site in East London, which will enable us to better meet the specific needs of our construction customers in and around the London area.

Post balance sheet events

On 14 January the company acquired 100% of the ordinary shares Locomotive 6667 Limited, a company registered in England and Wales, for consideration of £2. A further share was issued by the Locomotive 6667 Limited which was acquired by the company for a premium of £138,361,299. Following this Locomotive 6667 Limited repaid the loan of £138,361,300 owed to the company.

Strategy

DB Cargo (UK) Holdings Limited and all its subsidiary undertakings (the "DBC UK group") have set out a clear mission to be the "First choice for rail freight, in the UK by delivering excellence as standard." The company's activities contribute to this through four strategic pillars as listed below:

- i. Profitable Market Leader
- ii. Quality & Service Provider
- iii. Top Employer
- iv. Eco Pioneer

We put our customers at the heart of everything we do, safely delivering our promises on service and quality to the satisfaction of our customers. We are committed to our customers and through the innovative use of our assets, combined with targeted investments, we create progressive new solutions for our customers. We deliver excellence by implementing our customer satisfaction process. This enables us to understand our customers' priorities and expectations, and put plans in action that will meet and exceed them.

We believe that, by working in this way, we will be able to continue to be the market leader. Coupling this with continuous innovation and, by managing our costs responsibly, this will enable us to build sustainable growth and profit.

Employees

Everyone's contribution is key to the business' success. We are performance driven and attract and retain talented people. We engage with and listen to our people and provide an attractive and safe working environment. We invest in training and development to ensure the safety of ourselves, our business and others.

Eco Pioneer

We strive to minimise the impact of our operations on the environment and actively seek innovative ways to continuously improve our eco performance.

Principal risks, uncertainties and mitigations

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

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the DBC UK group and are not managed separately. The most significant risks to the profitability of the DBC UK group are:

Loss of existing revenue streams

Due to volatility of the market and increased competition, loss of our current revenue streams is considered a risk. Through our focus on customers in our daily activity we are able to work with them to understand their needs. This also gives us the knowledge we need to seek out new revenue streams in the market.

Strategic Report (continued)

Management of financial risks

The major financial exposures faced by the company are to exchange rate and interest rate movements and the price of diesel fuel.

The directors of the DBC UK group regularly review these risks and approve guidelines covering the use of financial instruments to manage these risks and define the overall risk limits. All the company's financial instruments are arranged through the Deutsche Bahn AG group treasury function and are held for risk management purposes.

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Increased base costs

Increasing base costs will impact both our profitability and competitiveness. Costs such as diesel fuel, as noted above, are covered using financial instruments to enable the business to manage these risks. Other costs are also monitored as part of the business KPI review to ensure all movements are clearly understood and responded to appropriately.

UK government grants

DBC UK receives Modal Shift Revenue Support (MSRS) funding from the Department for Transport (DfT) to subsidise the cost of moving intermodal and bulk traffic by rail. This is a beneficial scheme to the UK economy and society which helps realise environmental benefits from moving traffic to rail, reduces road congestion and improves road safety. Although the DfT have committed to the MSRS scheme through to 2020, this is at a reduced level of funding for all participants compared to previous years and there remains longer term uncertainty of this grant funding due to continued government funding constraints.

Network Rail track access

DBC UK pays a significant amount to Network Rail for access to the rail network in the form of track access charges. Network Rail's Control Period 5 (CP5) sets continued above-inflation increases in the cost of track access between 2014-19, however the level of charges to be applied from CP6 (2019-24) is not yet fixed. Setting track access charges at a sustainable level is important to ensure rail freight operators can set competitive prices to retain existing business on rail and support further modal shift from road to rail. DBC UK backs the UK government's Rail Freight Strategy (published September 2016) which supports rail freight to achieve its potential, in part through an appropriate level of track access charges.

Health, safety and wellbeing

The DBC UK group continues to be progressive and innovative in our services and policies, shaping them to support current and future business needs. We recognise and address changes that may have an impact on the business and our people. Our commitment to safety excellence is exemplary, and we lead by example.

Key performance indicators (KPIs)

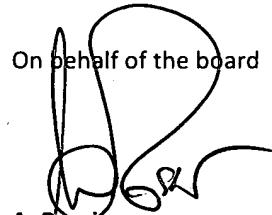
The directors of the DBC UK group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of DB Cargo (UK) Limited.

The key performance indicators monitored by the directors for the DBC UK group include earnings before interest and taxation (EBIT), total revenue, net tonne kilometres, train path kilometres, tonnage, headcount, employee engagement, lost time accidents and fuel consumption reduction.

Strategic Report (continued)

The development, performance and position of all DBC UK group companies are reported within the consolidated results of Deutsche Bahn AG, the ultimate parent company. The financial statements of Deutsche Bahn AG can be viewed at www.db.de.

On behalf of the board



A. Rossi
Director

03 October 2016

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

During the year the company transitioned to FRS 101, the principle shareholders of the company were notified of the intention to transition and no objections were received. The effects of the transition to FRS 101 are disclosed in note 30 to the financial statements.

Details of future developments and the management of financial risk are included in the Strategic report.

Dividends

The directors do not recommend the payment of a dividend (2014: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

G. Spencer (resigned 23 September 2016)

A. Rossi

H-G. Werner (appointed 1 October 2016)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion wherever appropriate.

During the year, employees have been provided with information about the company through newsletters and circulars in which employees have also been encouraged to present their suggestions and views. Regular meetings are held between local management and employees to allow a free flow of information. This approach ensures that all employees have common awareness in relation to the financial and economic factors that affect the performance of the company.

Political and charitable donations

No political donations were made during the year (2014: £nil).

Charitable donations of £3,376 (31 December 2014: £2,100) were made, and in addition time and resources were also made available as part of our charitable endeavours.

Directors Report for the year ended 31 December 2015 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each director in office at the time of approval of this report:

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

In accordance with section 487(2) of the Companies Act 2006, the independent auditors, PricewaterhouseCoopers LLP, will continue in office.

On behalf of the board,



A. Rossi
Director

03 October 2016

Independent auditors' report to the members of DB Cargo (UK) Limited

Report on the financial statements

Our opinion

In our opinion, DB Cargo (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015; 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.
-

What we have audited

DB Cargo (UK) Limited's financial statements comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include the principle accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of DB Cargo (UK) Limited (continued)

Responsibilities for the financial statements and audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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) ("ISAs (UK & 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.

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield

3 October 2016

DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Profit and loss account for the year ended 31 December 2015

	Note	Year to 31 December 2015 £ million	Year to 31 December 2014 £ million
Turnover	3	387	448
Cost of Sales		(375)	(406)
Gross profit		12	42
Administrative expenses		(46)	(40)
Operating (loss)/profit before exceptional items		(34)	2
Exceptional items	4	(84)	177
Operating (loss)/profit	6	(118)	179
Income from investments	7	2	-
Interest receivable and similar income	10	1	-
Interest payable and similar charges	11	(8)	(7)
(Loss)/profit on ordinary activities before taxation		(123)	172
Tax on (loss)/profit on ordinary activities	12	10	(2)
(Loss)/profit for the financial year		(113)	170

All of the company's activities are continuing.

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalent.

DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Statement of Comprehensive Income for the year ended 31 December 2015

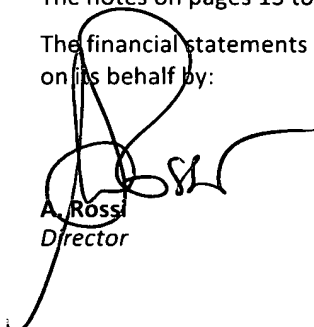
		Year to 31 December 2015 £ million	Year to 31 December 2014 £ million
	Note		
(Loss)/profit for the financial year		(113)	170
Other Comprehensive Income/(Expense)			
Items that will not be reclassified to profit or loss:			
Decrease in donated Asset reserve	23	(1)	(1)
Return on pension scheme assets	26	3	37
Actuarial gain/(loss) recognised on defined benefit pension schemes	26	77	(109)
Deferred taxation on pension	12	(18)	14
Items that may be reclassified to profit or loss:			
Loss on fair value of energy derivatives taken to equity	19	(1)	(3)
Energy derivatives recycled through the profit and loss account	19	2	-
Other Comprehensive Income/(Expense) for the financial year net of tax		62	(62)
Total Comprehensive (Expense)/Income for the financial year net of tax		(51)	108

Balance Sheet as at 31 December 2015

	Note	2015 £ million	2014 restated £ million
Fixed assets			
Intangible assets	13	-	-
Tangible assets	14	184	238
Investments	15	-	-
		<u>184</u>	<u>238</u>
Current assets			
Stocks	17	12	22
Debtors	18	333	372
Cash at bank and in hand		2	1
		<u>347</u>	<u>395</u>
Creditors: amounts falling due within one year	19	(151)	(152)
Net current assets		<u>196</u>	<u>243</u>
Total assets less current liabilities		380	481
Creditors: amounts falling due after more than one year	20	(6)	(10)
Provisions for liabilities	21	(158)	(204)
Net assets		<u>216</u>	<u>267</u>
Capital and reserves			
Called up share capital	23	19	19
Share premium account	24	72	72
Other reserves	24	21	21
Profit and loss account	24	104	155
Total shareholders' funds		<u>216</u>	<u>267</u>

The notes on pages 13 to 43 are an integral part of these financial statements

The financial statements on pages 9 to 43 were approved by the board of directors on 03 October 2016 and were signed on its behalf by:



A. Rossi
Director

DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Statement of Changes in Equity for the year ended 31 December 2015

	Called up share capital	Share premium account	Capital reserve	Donated Asset reserve	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds
	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>	<i>£ million</i>
At 1 January 2014	19	72	9	16	-	43	159
Profit for the financial year	-	-	-	-	-	170	170
Other Comprehensive Expense	-	-	-	(1)	(3)	(58)	(62)
Total Comprehensive (Expense)/Income for the year	-	-	-	(1)	(3)	112	108
At 31 December 2014	19	72	9	15	(3)	155	267
Loss for the financial year	-	-	-	-	-	(113)	(113)
Other Comprehensive (Expense)/Income	-	-	-	(1)	1	62	62
Total Comprehensive (Expense)/Income for the year	-	-	-	(1)	1	(51)	(51)
At 31 December 2015	19	72	9	14	(2)	104	216

DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Notes to the financial statements for the year ended 31 December 2015

1. General information

DB Cargo (UK) Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of the registered office is Lakeside Business Park, Carolina Way, Doncaster, South Yorkshire, DN4 5PN.

2. Accounting policies

Basis of preparation

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

These financial statements are presented in Sterling and all values are rounded to the nearest million pounds, except where otherwise stated.

The company has taken advantage of the exemption from the requirement to prepare group financial statements by virtue of Section 400 of the Companies Act 2006, as the company is a wholly owned subsidiary. These financial statements therefore present information about DB Cargo (UK) Limited as an individual undertaking and not about its group.

During the year the company transitioned to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and the effects of the transition to FRS 101 are disclosed in note 30.

FRS 101 requires that the statement of profit or loss and balance sheet are presented in the format requirements of the Companies Act 2006, rather than the requirements of International Accounting Standard (IAS) 1 - Presentation of Financial Statements.

A summary of the disclosure exemptions adopted for the year ended 31 December 2015 is presented below. Equivalent disclosures for financial instruments and fair value measurement are included in the group consolidated financial statements allowing the exemptions to be applied.

Area	Disclosure exemption
Cash flow statements	Complete exemption from preparing a cash flow statement.
Financial instrument disclosures	Exemption from the disclosure requirements of IFRS 7 (Financial Instruments) and related IFRS 13 disclosures. Disclosures in respect of management's objectives, policies and processes for managing capital (IAS1.134 to 136).
Related party disclosures	Exemption for related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member. Exemption from disclosure of key management personnel compensation.
Comparative information	Exemption from comparative for movements on share capital, tangibles, intangibles and investment property.
Presentation of Financial Statements	Exemption from statement of compliance with IFRS, cash flow information and capital management policy.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2. Accounting policies (continued)

Changes in Accounting Policies and disclosures

2014 restatements

The company has recognised a liability for cashflow hedges in the form of energy derivatives previously recognised within the ultimate holding company, but not in the legal entity.

This has resulted in:

- (i) The recognition of a brought forward reserve at 1 January 2014 of £37,000 with a corresponding increase in financial assets.
- (ii) The recognition of a decrease in the reserve through other comprehensive income for the year ending 31 December 2014 of £3,318,000 due to the movement in the fair value of the energy derivatives and of £351,000 due to the energy derivatives being recycled through the statement of profit or loss, with a corresponding increase in liabilities.

A balance sheet for 1 January 2014 has not been presented as the value of the transition adjustment is not considered to have a material effect at that date.

New standards, amendments and IFRIC interpretations

As explained above, the company has adopted FRS 101 for the first time in the current year. As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year.

The application of these specific Standards and Interpretations has not had a material effect on the company.

Relevant standard

Amendments to IAS 1
Presentation of Financial Statements

(as part of the Annual
Improvements to IFRSs
2009 - 2011 Cycle issued in
May 2013)

Details

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a balance sheet as at the beginning of the preceding period (third balance sheet) and the related notes are required to be presented. The amendments specify that a third balance sheet is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third balance sheet. The amendments specify that related notes are not required to accompany the third balance sheet.

In the current year, the company has applied a number of new and revised IFRSs (see the discussion above), however this has not resulted in material effects on the information in the balance sheet as at 1 January 2014, and therefore in accordance with the amendments to IAS 1, the company has not presented a third balance sheet as at 1 January 2014.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2. Accounting policies (continued)

Use of estimates and judgement

The application of the company's accounting policies requires management to make judgement, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made, however, the nature of estimation means that actual outcomes could differ from those estimates.

The following identifies significant areas where management's judgements and estimates have the most significant effect on amounts recognised in the financial statements.

Defined benefit schemes

As detailed later in this note, under the rules of the Railway Pension Scheme (RPS) the cost of accruing benefits is split in the ratio 60:40 between the company and employees. The surpluses or deficits on the scheme are attributed on the 60:40 basis and the company's share recorded in the financial statements.

Operating leases

The company has entered into commercial property leases as lessee to obtain the use of property plant and equipment. The classification of such leases as operating or finance leases requires the company to determine, based upon an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

Taxation

Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Pension and other post-employment benefits

The costs of defined benefit pension plans are determined using actuarial valuations to measure pension and other post-employment benefit costs, assets and obligations and the company employs qualified actuaries to assist in the evaluation. The actuarial valuation involves making assumptions regarding discount rates, expected long-term rate of return on plan assets, compensation and pre-retirement benefit increases, and inflation rates, as well as demographic factors such as employee turnover, retirement and mortality rates.

Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty and the criteria used in determining the estimates are described in the retirement benefit schemes note (note 22).

Revenue recognition

Turnover

Turnover is stated net of value added tax and represents amounts invoiced to third parties and estimates in respect of amounts not invoiced in the period.

Turnover and operating profit is attributable to the haulage of freight by rail, related ancillary services and rental income which wholly arises in the UK. Turnover is recognised on the completion of the related service.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Rental income

Rental income, mainly from the sub-letting of premises, is recognised on a straight-line basis over the term of the lease and is included within turnover.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2. Accounting policies (continued)

Intangible assets

Intangible assets are carried at historical cost less amortisation and any impairment. Amortisation is provided by the company to write off the cost less the estimated residual value of intangible fixed assets by equal instalments over their estimated useful economic lives from the time assets come into service as follows:

Software	3 years
----------	---------

Fixed assets and depreciation

Tangible fixed assets are stated at original cost or valuation less accumulated depreciation and accumulated impairment losses. 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. The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recovered.

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:

Land and buildings:

Freehold buildings	40 years
Leasehold land and buildings	life of lease
Rolling stock	20 to 50 years
Plant, machinery and equipment	3 to 15 years
Infrastructure	10 to 30 years

Rolling stock improvements are depreciated over the remaining life of the relevant asset. No depreciation is provided on freehold land. Assets in the course of construction are not depreciated.

Investment property

Investment property, which is property that generates rental income, is valued at cost. Property interests held under operating leases are not recognised as investment properties. All investment property is valued at cost and is depreciated in line with the company's policy on fixed asset depreciation.

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the assets recoverable amount in order to determine the extent of the impairment loss.

Annual impairment tests for intangible assets with indefinite useful lives are based upon the future cash flows forecast by management for the following five years or other periods if it is considered appropriate.

Leases

Costs in respect of operating leases and the rentals are charged to the profit and loss account on a straight line basis over the life of the lease

Donated asset reserve

The donated asset reserve arises when assets are gifted to the company. The donated asset reserve is released in line with the depreciation charged on the assets.

Government Grants

Capital based government grants are included within deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate. Revenue based government grants are credited to trading profit in the period in which the expenditure to which they relate is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the average weighted cost method. Provision is made against slow moving or obsolete inventory on an item by item basis.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2. Accounting policies (continued)

Trade and other debtors

Trade debtors, which generally have 30 – 90 day terms, are recognised and carried at the lower of their original invoice value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise of cash at bank and short term deposits with original maturity of 3 months or less.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantially enacted on the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the statement of profit or loss.

Foreign exchange

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contract rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward exchange contract rate. All differences are taken to the profit and loss account except to the extent that they are recoverable from a third party in which case they are recorded as a debtor.

Derivative financial instruments and hedging

Recognition of derivative financial instruments

At the point at which the contract is concluded, derivative financial instruments are recognized as a financial asset or a financial liability in the balance sheet. Derivative financial instruments are initially and subsequently measured at fair value. The treatment of changes in the fair value depends on the type of the hedged underlying. At the point at which the contract is taken out, derivative financial instruments are generally classified as a hedging instrument (a) for hedging the fair value of certain assets or liabilities recognized in the balance sheet (fair value hedge) or (b) for hedging the cash flows arising from a contractual obligation or an expected transaction (cash flow hedge).

(a) Fair value hedges

The purpose of fair value hedges is to provide protection against changes in the value of balance sheet items. In these cases, the hedge as well as the hedged risk content of the underlying are recognized with their present value. Changes in value are recognized in the income statement.

DB Cargo (UK) Limited does not have any fair value hedges as of the balance sheet date.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2. Accounting policies (continued)

Derivative financial instruments and hedging (continued)

(a) Cash flow hedges

Cash flow hedges are used to provide protection against fluctuations in the cash flows of financial assets or liabilities or anticipated transactions. When future cash flows are hedged, the hedging instruments are also recognized with their fair value. Changes in value are initially recognized in shareholders' equity with no impact on the income statement, and are only recognized in the income statement at the point at which the corresponding losses or profits from the underlying have an impact on the income statement or the transactions expire.

Financial assets

Financial assets are recognised when the company becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss or as loans and receivables, as appropriate. The company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place.

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Financial assets are carried in the balance sheet at fair value with gains or losses recognised in the statement of profit or loss.

Financial liabilities

Financial liabilities are recognised when the company becomes party to the contracts that give rise to them and are classified as financial liabilities at fair value through profit or loss.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Provisions

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

If the amount is material and is expected that the settlement of the obligation is more than one year or after the normal operating cycle of the business, the expected future cash flows are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Restructuring costs

A provision for restructuring arises when costs are expected to be incurred and amounts are expected to be paid to redundant employees as a result of a restructuring plan by the company. Restructuring provision is recorded as a component of operating expenses. The effect of the time value of money is not material and therefore the provisions are not discounted.

Government grant provision

Facilities now operated by the company have previously benefited from the receipt of freight facilities grants from the Scottish Government. A proportion of the grants are potentially repayable if certain environmental benefit conditions, anticipated to arise from the grant investment, are not achieved within defined periods in the future. The directors assess the proportion potentially repayable and a provision is created as appropriate.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2. Accounting policies (continued)

Provisions (continued)

Claims provisions

The claims provision represents the anticipated costs of claims made by third parties to the extent that they are not recoverable from the company's insurers.

Onerous lease provision

The onerous lease provision reflects the difference between future lease payments arising on certain assets and the value of those assets to the business discounted at the company's marginal cost of capital

Exceptional items

The company presents as exceptional items those material items of income and expenditure which, because of their nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Pensions

The company's employees are members of two group wide pension schemes, a defined benefits scheme and a defined contribution scheme.

The company's defined benefit scheme operates as a section within the Railways Pension Scheme (RPS) which provides pension benefits throughout the railway industry. Under the rules of RPS the cost of accruing benefits is split between the company and employees in a ratio of 60:40. Surpluses or deficits on the scheme attributed to the employer in line with this ratio are recorded in the financial statements of the company.

The company recognises and discloses its pension obligations in accordance with the shared cost nature of the scheme as set out above and the measurement and presentational requirements of Financial Reporting Standard 17 'Retirement Benefits'. The recognition includes a number of adjustments and estimates in respect of the expected rate of return on assets, the discount rate, inflation assumptions, rate of increase in salaries and life expectancy and the future joint contribution rate, amongst others.

For the defined benefit scheme, 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 increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected returns on the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of comprehensive income.

As the company is the largest contributing employer of the DBC UK group, and therefore the major sponsoring employer, the full surpluses or deficits of the scheme are disclosed in these financial statements.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised on the basis of the company's 60:40 split of contributions and presented on the face of the balance sheet net of the related deferred tax.

For the defined contribution scheme, the amount recognised in the profit and loss account is equal to the contributions payable to the scheme during the year

Notes to the financial statements for the year ended 31 December 2015 (continued)

3. Turnover

Revenues included in the Profit and loss account are analysed as follows.

	2015	2014
	<i>£ million</i>	<i>£ million</i>
Turnover	379	433
Rental income	8	15
	<u>387</u>	<u>448</u>
Income from investments (see note 7)	2	-
Interest (see note 10)	1	-
Total	<u>390</u>	<u>448</u>

Turnover is attributable to a single class of business, i.e. the haulage of freight by rail and related ancillary services, which arises wholly within the UK.

4. Exceptional items

	2015	2014
	<i>£ million</i>	<i>£ million</i>
Restructuring costs	7	5
Impairment of tangible assets	50	-
Onerous lease provision	20	10
Impairment of stocks	10	-
Curtailment gain from defined benefit pension scheme	(1)	(36)
Government grant provision	(2)	5
Loss/(profit) on sale of fixed assets (see note 5)	1	(160)
Release of donated asset reserve	(1)	(1)
	<u>84</u>	<u>(177)</u>

Restructuring provision

In response to the current economic climate the company announced and commenced a restructuring programme resulting in a number of headcount savings being either realised or identified during the year. As at 31 December 2015 this process is ongoing but where redundant posts have been identified and communicated, a provision has been recorded.

Impairment of tangible assets

Following a review by the business of its future operational requirements a number of assets were revalued to their estimated fair value less cost of disposal. The estimated fair value was based on management's experience and judgement.

The classification of the impaired assets is disclosed in note 14.

Onerous lease provision

Due to current and projected operational requirements a number of leased rolling stock assets are not in use nor expected to be utilised during the remaining lease term. Consequently an onerous lease provision has been created equal to the future operating lease payments on the surplus rolling stock that is not expected to be used.

Impairment of stocks

In line with the impairment of assets related spare parts have been written down to their estimated fair value to the business.

Notes to the financial statements for the year ended 31 December 2015 (continued)

4. Exceptional items (continued)

Curtailment gain

As a result of the redundancies announced in the current year a curtailment gain has resulted under IAS 19.

In the prior year the curtailment of pension benefits accruing to members due to the application of a 3 year CPI cap and a further 3 year RPI cap to pensionable pay and other measures resulted in a curtailment gain under IAS 19.

Government grant provision

Facilities now operated by the company have previously benefited from the receipt of freight facilities grants from the Scottish Government, totalling £10.4m. A proportion of the grants are potentially repayable if certain environmental benefit conditions, anticipated to arise from the grant investment, are not achieved within defined periods in the future.

In the prior year the directors assessed the proportion potentially repayable and raised a provision of £5.1 million. In the current year the provision has been re-assessed by the directors and the result of this is to reduce the provision by £1.9million (2014: charge of £5.1 million). This leaves a closing provision of £3.2m at 2015 year end.

Release of donated asset reserve

The donated asset reserve arose when assets are gifted to the company, and is released in line with the depreciation charged on the assets.

The tax effect of all the above exceptional items was to reduce the company's tax charge by £7 million (2014: £4 million).

5. (Loss)/profit on sale of fixed assets

	2015	2014
	£ million	£ million
Consideration		
Property sales	-	160
Other asset sales	<u>1</u>	<u>6</u>
	<u>1</u>	<u>166</u>
Net Book Value		
Property Sales	-	(4)
Other asset sales	<u>(2)</u>	<u>(2)</u>
	<u>(2)</u>	<u>(6)</u>
(Loss)/profit on sale of tangible assets	<u>(1)</u>	<u>160</u>

Property sales

During the prior year the company disposed of its interest in 90 properties to third parties. The total gain for these transactions for the year ended 31 December 2014 was £156 million.

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

6. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2015 £ million	2014 £ million
Cost of stock recognised as an expense	72	86
Write down of stocks to net realisable value	1	-
Impairment of fixed assets (see note 4)	50	-
Onerous lease provisions (see note 4)	20	10
Impairment of stocks (see note 4)	10	-
Other exceptional items (see note 4)	3	(27)
Loss/(profit) on sale of fixed assets (see note 5)	1	(160)
Depreciation of fully owned tangible assets	21	22
Operating lease rentals - plant and machinery	44	43
land and buildings	5	3
Loss on foreign exchange	1	-
Management charge to other group companies	(3)	(3)
Rental income (see note 3)	(8)	(15)
Direct operating expenses arising from investment property	1	-

Services provided by the company auditors

During the year the company obtained the following services from the company's auditors on behalf of the company and fellow subsidiary companies of the DBC UK group.

	2015 £'000	2014 £'000
Fees payable to the company's auditors and its associates for the audit of the annual financial statements of the company and fellow subsidiary companies of the DBC UK group.	228	183
Fees payable to the company's auditors and their associates in respect of:		
- Audit related assurance services	-	17
- Taxation advisory services	29	-
- All other assurance services	22	41
	<u>279</u>	<u>241</u>

7. Income from investments

	2015 £'million	2014 £'million
Partnership fee	2	-
Dividend	-	-
	<u>2</u>	<u>-</u>

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

8. Remuneration of directors

	2015 £'000	2014 £'000
Aggregate emoluments	301	366
Sums paid to third parties for directors' services	251	219
	<u>552</u>	<u>585</u>

None of the directors held share options of the company during the year ended 31 December 2015 (2014: £nil). Retirement benefits are accruing to 1 (2014: 1) director under a defined benefit scheme.

9. Staff numbers and costs

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

	2015 No.	2014 No.
By activity		
Management and operation of rail freight and associated services	<u>2,823</u>	<u>2,803</u>

The aggregate payroll costs of these employees were as follows:

	2015 £ million	2014 £ million
Wages and salaries	136	134
Social security costs	11	11
Other pension costs (note 22)	22	17
Other staff costs	7	10
	<u>176</u>	<u>172</u>

Included in the pension costs are £21,129,000 (2014: £16,145,000) in respect of defined benefit schemes and £542,000 (2014: £597,000) in respect of the defined contribution scheme (see note 22).

10. Interest receivable and similar income

	2015 £ million	2014 £ million
Interest receivable from other group undertakings	<u>1</u>	<u>-</u>

11. Interest payable and similar charges

	2015 £ million	2014 £ million
Net Interest on pension scheme (note 22)	7	6
Interest payable to other group undertakings	1	1
	<u>8</u>	<u>7</u>

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

12. Taxation on (loss)/profit on ordinary activities

a) Tax (credited)/charged in the profit and loss account	2015 £ million	2014 £ million
Current income tax:		
UK corporation tax - current year credit	(9)	(1)
Adjustments in respect of prior years	14	(1)
	<u>5</u>	<u>(2)</u>
Deferred taxation		
Origination and reversal of temporary differences	(16)	4
Adjustments in respect of prior years	1	-
	<u>(15)</u>	<u>4</u>
Taxation (credit)/charge on profit on ordinary activities	<u>(10)</u>	<u>2</u>
b) Tax relating to items charged or credited to other comprehensive income	2015 £ million	2014 £ million
Current income tax	-	-
Deferred tax		
Actuarial gains/ (losses) on defined pension plans	14	(14)
Change in tax rates	4	-
Tax charge/(credit) in the statement of other comprehensive income	<u>18</u>	<u>(14)</u>

The tax for the year is higher (2014: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.5%). The differences are explained below.

	2015 £ million	2014 £ million
(Loss)/profit on ordinary activities before taxation	<u>(123)</u>	<u>172</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation taxation in the UK of 20.25% (2014: 21.5%)	(25)	37
Effects of:		
Disposal of interests in property	-	(20)
Use of unrecognised capital losses	-	(12)
Adjustments in respect of prior years	15	(1)
Movement on pension liability	-	(2)
Total taxation charge for the year	<u>(10)</u>	<u>2</u>

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 20.25%.

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 18 November 2015. These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

On 16 March 2016 further changes to the UK corporation tax rate were announced, including a further reduction in the UK corporation tax rate to 17% from 2020, which supersedes the change enacted on 26 October 2015. However this further change was not announced or substantively enacted as at 31 December 2015 and has therefore not been reflected in these financial statements.

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

12. Intangible assets

	Goodwill £ million	Software £ million	Total £ million
Cost			
At 1 January 2015 and 31 December 2015	1	23	24
Accumulated amortisation			
At 1 January 2015 and 31 December 2015	1	23	24
Net book value			
At 1 January 2015 and 31 December 2015	-	-	-

On 31 December 2015 the total goodwill carrying value of £0.2m was fully impaired and written down to nil after carrying out an impairment review.

Software was previously classified as tangible assets. As part of the FRS 101 transition this was reclassified to intangible assets – refer to note 30.

13. Tangible assets

	Land and buildings £ million	Rolling stock £ million	Plant, machinery and equipment £ million	Infra- structure £ million	Assets in course of construction £ million	Investment Property £ million	Total £ million
Cost or valuation							
At 1 January 2015	31	391	78	34	16	18	568
Additions	-	-	-	-	18	-	18
Disposals	-	(6)	(1)	-	-	-	(7)
Transfers	-	15	-	-	(15)	-	-
At 31 December 2015	31	400	77	34	19	18	579
Accumulated depreciation							
At 1 January 2015	15	222	61	24	-	8	330
Charge for the year	1	16	2	1	-	1	21
Impairment	2	38	1	9	-	-	50
Disposals	-	(5)	(1)	-	-	-	(6)
At 31 December 2015	18	271	63	34	-	9	395
Net book value							
At 31 December 2015	13	129	14	-	19	9	184
At 1 January 2015	16	169	17	10	16	10	238

	2015 £ million	2014 £ million
The net book value of land and buildings (including investment properties) comprises:		
Freehold	19	22
Long leasehold	3	4
	22	26

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

14. Investments

The company has an investment of £25,000 (2014: £25,000) in Etihad Rail PJSC, a joint venture which is incorporated in the United Arab Emirates. The investment represents a 49% share in the company (2014: 49%).

The company received partnership fee income of £1,794,700 in the year (2014: nil) and a dividend of £385,794.46 (2014: £nil). These are disclosed separately as per note 7.

15. Related party transactions

The company has not disclosed transactions with other wholly owned group companies, as it has taken advantage of the exemption conferred by Paragraph 8(k) of Financial Reporting Standard No. 101.

During the year the company entered into transactions, in the ordinary course of business, with companies which are not wholly owned by the Deutsche Bahn AG group. Transactions entered into, and trading balances outstanding at 31 December are as follows:

Related party (Relationship between companies)	Year	Sales to related party	Other income from related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
		£million	£million	£million	£million	£million
Transfesa	2015	1	1	-	-	-
(fellow group undertaking)	2014	1	1	-	-	-
Locomotive Operating Leasing Partnership	2015	-	-	7	-	9
(fellow group undertaking)	2014	N/A	N/A	N/A	N/A	N/A
Etihad Rail PJSC	2015	-	2	-	-	-
(joint venture)	2014	-	-	-	-	-

There is no provision for doubtful debts against any intercompany debts, and no bad debts have been written off during the year.

Terms and conditions – Sales and purchases between related parties are on an ‘arm’s length’ basis. Outstanding balances with entities other than subsidiaries are unsecured, interest free and settlement is expected within 60 days.

16. Stocks

Stocks comprise primarily spare parts held for ongoing maintenance of assets and diesel fuel

	2015 £ million	2014 £ million
Diesel fuel	1	-
Spare parts	11	22
	<u>12</u>	<u>22</u>

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

17. Debtors

a) Debtors due within one year

	2015	2014
	£ million	£ million
Trade debtors	37	44
Cash Pooling account	114	130
Group relief receivable	10	1
Corporation tax debtor	1	-
Amounts owed from group undertakings	17	172
Other debtors	-	1
Prepayments and accrued income	16	24
	195	372

Trade debtors are stated after provisions for doubtful debts of £40,000 (2014:£208,000)

The company has an agreement for both domestic and foreign currency cash pooling with DB Mobility Logistics AG. Under the terms of the agreement, balances within the company's bank accounts are acquired by DB Mobility Logistics AG 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 DB Mobility Logistics 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 positive balances is GBP overnight LIBOR -0.25%.

Amounts owed from group undertakings are unsecured, interest free and payable in line with intercompany trading terms and conditions.

b) Other financial assets

	2015	2014
	£ million	£ million
Loans to Group companies	138	-

The company has provided a non-interest bearing loan of £138,361,300, payable in three months to a fellow subsidiary of the DBC UK group. This balance was fully repaid on 14 January 2016 as per note 28.

18. Creditors and other payables falling due within one year

a) Creditors: amounts falling due within one year

	2015	2014
	£ million	£ million
Trade creditors	34	45
Amounts owed to group undertakings	74	62
Other taxes and social security costs	12	21
Accruals and deferred income	27	19
Other creditors	2	5
	149	152

Amounts owed to group undertakings are unsecured, interest free and payable in line with intercompany trading terms and conditions.

DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Notes to the financial statements for the year ended 31 December 2015 (continued)

19. Creditors and other payables falling due within one year (continued)

b) Other Financial Liabilities: amounts falling due within one year

	2015 £ million	2014 £ million
Forward currency contract liabilities		
At 1 January	-	-
Transfer from long term creditor	3	
Loss on changes in fair value	1	-
Credited to profit and loss account	(2)	-
At 31 December	<u>2</u>	<u>-</u>

20. Creditors: amounts falling due after more than one year

a) Deferred income

	2015 £ million	2014 £ million
Government capital grants	1	1
Other contributions to capital expenditure	3	3
Other deferred income	2	3
	<u>6</u>	<u>7</u>
<i>Comprising of:</i>		
<i>Government capital grants</i>		
At 31 January and 31 December - amounts due after more than one year	<u>1</u>	<u>1</u>
<i>Other contributions to capital expenditure</i>		
At 1 January	3	4
Credited to profit and loss account	-	(1)
At 31 December - amounts due after more than one year	<u>3</u>	<u>3</u>
<i>Other deferred income</i>		
At 1 January	3	3
Credited to profit and loss account	(1)	-
At 31 December - amounts due after more than one year	<u>2</u>	<u>3</u>

Other deferred income represents income received from a fellow subsidiary of the Deutsche Bahn AG group in advance of the provision for services.

b) Other Financial Liabilities: amounts falling due after more than one year

	£ million	£ million
Forward currency contract liabilities		
At 1 January	3	-
Loss on changes in fair value	-	3
Transfer to short term creditor	(3)	-
At 31 December	<u>-</u>	<u>3</u>

Notes to the financial statements for the year ended 31 December 2015 (continued)

21. Provisions

a) Provisions for liabilities

	Provision	Restructuring	Government grant	Claims	Onerous lease	Other	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
At 1 January 2015	5	5	5	2	10	4	26
Arising during the year	7	-	-	-	20	-	27
Released during the year	-	(2)	-	-	-	-	(2)
Utilised during the year	(7)	-	-	-	(1)	(1)	(9)
At 31 December 2015	5	3	3	2	29	3	42
Of which							
Current portion	5	-	-	1	5	3	14
non-current portion	-	3	3	1	24	-	28
Total Provisions	5	3	3	2	29	3	42
Expected outflow of resources							
within one year	5	-	-	1	5	3	14
between two and five years	-	-	-	1	13	-	14
over five years	-	3	-	-	11	-	14
Total Provisions	5	3	3	2	29	3	42

Redundancy/restructuring provision

The redundancy provision reflects committed costs of future planned redundancies at 31 December 2015.

Government grant provision

Facilities now operated by the company have previously benefited from the receipt of freight facilities grants from the Scottish Government, totalling £10.4m. A proportion of the grants are potentially repayable if certain environmental benefit conditions, anticipated to arise from the grant investment, are not achieved within defined periods in the future. The directors have assessed the proportion potentially repayable and a provision of £3.2 million (as at 31 December 2014: £5.1million) has been recognised. For current year movement in provision refer to note 4.

Claims

The claims provision represents the anticipated costs of claims made by third parties to the extent they are not recoverable from the company's insurers.

Onerous leases

The onerous lease provision reflects the difference between future lease payments arising on certain assets and the value of those assets to the business discounted at the company's marginal cost of capital.

Other

Other provisions reflect the potential liabilities relating to environmental remediation work, rates and other property provisions.

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

21. Provisions (continued)

b) Retirement benefit schemes

	2015 £ million	2014 £ million
Net pension deficit (see note 22)	<u>112</u>	<u>162</u>

c) Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method, using a tax rate of 18% (2014: 20%).

The deferred tax liability included in the company balance sheet is as follows:

	2015 £ million	2014 £ million
Accelerated capital allowances	3	16
Other timing differences	<u>1</u>	<u>-</u>
	<u>4</u>	<u>16</u>

It is anticipated that all existing provisions will be utilised or the circumstances currently requiring provision to be made will no longer exist within the next five years.

Movement on deferred tax

The movement for the year in the net deferred tax account is as shown below.

	Accelerated capital allowances £million	Other timing differences £million	Total £million
At 1 January 2015	16	-	16
(Credit)/charge to profit and loss account	(13)	1	(12)
At 31 December 2015	<u>3</u>	<u>1</u>	<u>4</u>

Deferred tax relating to pension deficit

	2015 £ million	2014 £ million
At 1 January	40	31
Deferred tax (charged)/credited to the statement of other comprehensive income		
- on actuarial gains and losses	(14)	14
- change in tax rate	(4)	-
Deferred tax (credited)/charged to the profit and loss account	<u>2</u>	<u>(5)</u>
	<u>24</u>	<u>40</u>

The deferred tax asset of £24million (2014:£40million) has been recognised in arriving at the pension deficit on the balance sheet.

Notes to the financial statements for the year ended 31 December 2015 (continued)

22. Retirement benefit schemes

The group's main pension scheme for employees is a final salary defined benefits scheme.

As the company is the largest contributing employer, and therefore the major sponsoring employer, the full surpluses or deficits of the scheme attributable to the company are disclosed in these financial statements.

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. The company reflects its share of the contribution in the financial statements.

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 31 December 2013 triennial actuarial valuation of the DB Cargo UK section of the pension scheme was completed during 2014. As a result of the valuation, the sponsoring employees along with the trustees of the scheme elected to make additional contributions to the scheme. In addition a cap has been placed on pensionable pay increases for three years, to 30 June 2018. This cap will either be CPI or pay increase agreed, whichever is the lower. A cap on the level of pensionable pay of RPI for the period 1 July 2018 to 30 June 2021 will then follow.

These actions are intended to eliminate the deficit by June 2030.

This actuarial valuation has provided the starting point for the calculation of the current position under IAS 19. The roll forward to 31 December 2015 has been performed by a qualified independent actuary.

Plan asset allocation

As at 31 December 2015, the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. Plan assets did not include any shares of the company's parent or of any related parties, nor any property occupied by the company, its parent company or any related parties.

The fair value and percentage of scheme assets were as follows:

	2015		2014	
	£ million	Percentage	£ million	Percentage
Equity	475.1	46.1%	357.8	35.6%
Private equity	107.3	10.4%	110.3	11.0%
Interest bearing securities	416.2	40.3%	448.2	44.5%
Property	30.1	2.9%	85.6	8.5%
Other	2.9	0.3%	4.3	0.4%
Total	1,031.6	100.0%	1,006.2	100.0%

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected returns are set by reference to market indicators, including price inflation, dividend yields, economic growth, yields on gilts and bonds and interest rates

	2015	2014
	£ million	£ million
Actual return on plan assets (100%)	39	99

Principal assumptions and risks

Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The projected unit method is an accrued benefits valuations method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Notes to the financial statements for the year ended 31 December 2015 (continued)

22. Retirement benefit schemes (continued)

The principal weighted-average actuarial assumptions used for all schemes as at the balance sheet date are as follows:

	2015	2014
Inflation rate - RPI	3.10%	3.00%
Inflation rate - CPI	2.10%	2.00%
Salary inflation	3.80%	3.70%
Pension growth	2.10%	2.00%
Discount rate	3.70%	3.40%
	2015	2014
	Years	Years
Longevity at age 65		
- Men	20.9	20.8
- Women	22.8	22.8
Longevity at age 60		
- Men	25.4	25.0
- Women	27.5	27.2

The UK discount rate is based on published indices for 15 year AA bonds. Outlying items in the market population are ignored. The expected rate of returns on bonds is a weighted average reflecting the mix of government, index-linked and corporate bonds held by the pension funds. Property returns are based on published indices and reflect longer-term performance. The assumptions for inflation and for increases in pensions are based on the yield gap between long-term index-linked and long-term fixed interest gilt securities.

Mortality rates are based on PXA92(c=2003) mortality tables adjusted to reflect recent experience in the scheme and projected improvements in life expectancy assumed to continue to 2020 with minimum improvement thereafter.

The future obligations are based upon assumptions, the principle assumptions are listed above, and as such there are risks associated with changes in the values associated with these assumptions. The table below indicates the effects from a change in the assumptions, all other actuarial assumptions remaining unchanged:

	Change in assumption	Net defined liability 2015 £ million
Discount rate	+1%	1,066
	-1%	1,489
inflation rate	+1%	1,491
	-1%	1,062
Compensation increase	+0.5%	1,289
Pension increase	+0.5%	1,342
Life expectancy	+1 year	1,300

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

22. Retirement benefit schemes (continued)

Amounts recognised in primary statements

Analysis of amount recognised in the Balance sheet

	2015	2014
	£ million	£ million
Total market value of assets	1,032	1,006
Less members share of assets	(413)	(402)
Company's share of assets	619	604
Total present value of scheme liabilities including members agreed contribution reduction	(1,259)	(1,343)
Less members share of scheme liabilities	504	537
Company's share of scheme liabilities	(755)	(806)
Company's share of scheme deficit	(136)	(202)
Related tax asset (note20)	24	40
Net pension liability	(112)	(162)

Reconciliation of present value of scheme defined benefit obligation

	2015	2014
	£ million	£ million
At 1 January	806	709
Current service cost	22	18
Interest cost	27	30
Benefits paid	(22)	(24)
Actuarial loss from changes in demographic assumptions	-	9
Actuarial (gain)/loss from changes in experience	(52)	16
Actuarial (gain)/loss from changes in financial assumptions	(25)	84
Curtailment gain	(1)	(36)
At 31 December	755	806

Reconciliation of present value of scheme assets

Changes in the fair value of plan assets are analysed as follows:

	2015	2014
	£ million	£ million
At 1 January	604	553
Contributions by employer	15	15
Interest income	20	24
Expected return on scheme assets	3	37
Benefits paid	(22)	(24)
Administration expenses	(1)	(1)
Fair value as at 31 December	619	604

Notes to the financial statements for the year ended 31 December 2015 (continued)

22. Retirement benefit schemes (continued)

Analysis of amount (charged)/credited to the profit and loss account

The amounts recognised in the statement of profit or loss and in the statement of comprehensive income for the year are analysed as follows:

a. Analysis of amount (charged)/credited to operating profit

	2015	2014
	<i>£ million</i>	<i>£ million</i>
Current service cost	(22)	(18)
Curtailment gain	1	36
Administration expenses	(1)	(1)
Total (loss)/gain (charged)/credited to operating profit	(22)	17

b. Analysis of the amount (charged)/credited to interest

	2015	2014
	<i>£ million</i>	<i>£ million</i>
Interest on pension scheme assets	20	24
Interest on pension liabilities	(27)	(30)
Net return shown in interest payable and similar charges– (note 10)	(7)	(6)

Analysis of amount recognised in other comprehensive income

	2015	2014
	<i>£ million</i>	<i>£ million</i>
Actuarial gain/(loss) on scheme liabilities	77	(109)
Return on assets	3	37
	80	(72)

Analysis of cumulative amount recognised in other comprehensive income

	2015	2014
	<i>£ million</i>	<i>£ million</i>
Cumulative amount recognised at 1 January	(337)	(265)
Gain/(loss) recognised	80	(72)
Cumulative amount recognised at 31 December	(257)	(337)

As permitted under IFRS 1, the company has not determined the amount of actuarial gains and losses that would have been recognised in OCI prior to the adoption of FRS 101 on 1 January 2014. The net cumulative actuarial gains before income tax, recognised directly to OCI since 1 January 2014 amounted to £8million (2014: loss of £72million).

Notes to the financial statements for the year ended 31 December 2015 (continued)

22. Retirement benefit schemes (continued)

Defined Contribution Schemes

As part of the Railway Pension Scheme, the DBC UK group operates an additional voluntary contribution scheme, the British Railways Additional Superannuation Scheme (known as BRASS), under which all eligible employees can make additional pension contributions. Employee contributions up to specific individual limits (as at 10 December 1996) are matched on a pound for pound basis by the company. Subsequent increases in employee contributions are not matched.

Employer contributions in respect of the year ended 31 December 2015 totalled £542,000 (2014: £597,000). BRASS holds funds for members that will be used to purchase additional benefits at retirement on a money purchase basis.

For employees not eligible to participate in the Railway Pension Scheme, the company operates a separate defined contribution pension scheme. Contributions by the company to the scheme in 2015 were £24,000 (2014: £19,000).

Contributions of £nil were to be paid over as at 31 December 2015 (2014: £43,000) in respect of defined contribution schemes.

23. Called up share capital

	2015		2014	
	No.	£ million	No.	£ million
Authorised				
Ordinary shares of £1 each	<u>26,947,932</u>	<u>27</u>	<u>26,947,932</u>	<u>27</u>
Allotted and fully paid:				
Ordinary shares of £1 each	<u>18,947,932</u>	<u>19</u>	<u>18,947,932</u>	<u>19</u>

24. Reserves

	Share premium account	Capital reserve	Donated Asset reserve	Cash flow hedge reserve	Profit and loss account
	£ million	£ million	£ million	£ million	£ million
At 1 January 2014	72	9	16	-	43
Actuarial loss	-	-	-	-	(72)
Deferred taxation on pension	-	-	-	-	14
Loss on fair value of cashflow hedges taken to equity	-	-	-	(3)	-
Release from Donated Asset Reserve	-	-	(1)	-	-
Profit for the financial year	-	-	-	-	170
At 31 December 2014	72	9	15	(3)	155
Actuarial gain	-	-	-	-	77
Return on plan assets	-	-	-	-	3
Deferred taxation on pension	-	-	-	-	(18)
Loss on fair value of cashflow hedges taken to equity	-	-	-	(1)	-
Cashflow hedges recycled through the profit and loss account	-	-	-	2	-
Release on Donated asset reserve	-	-	(1)	-	-
Loss for the financial year	-	-	-	-	(113)
At 31 December 2015	72	9	14	(2)	104

Notes to the financial statements for the year ended 31 December 2015 (continued)

24. Reserves (continued)

Share premium account

The share premium account is used to credit the amounts paid, or due to be paid, on share issues that are in excess of the nominal share value.

Capital reserve

The capital reserve is used to record the value of any upwards revaluations to tangible fixed assets as result of any fair value exercises.

Donated asset reserve

The donated asset reserve records the fair value of tangible fixed assets that have been donated to the company.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. The tax effect of cash flow hedge instruments reflects the change in balances from 2014 to 2015 only for the effective portion (ineffectiveness has been accounted for directly in the profit and loss account).

25. Commitments and contingent liabilities

(i) Capital commitments

There were capital commitments totalling £6.6m at the end of the financial year for which no provision has been made (2014: £nil).

(ii) Legal and regulatory matters

In the ordinary course of business the company is required to address contractual issues and queries from customers and employees, and periodic queries and investigations from government regulatory bodies, which could potentially result in adverse financial consequences for the company. As at 31 December 2015 the matters outstanding, in the opinion of the directors, are not expected to have a materially adverse effect.

(iii) Other group companies

The company has given guarantees in respect of a number of fellow subsidiaries of the DBC UK group including;

- Railway Investments Limited
- Marcroft Limited
- Axiom Rail Components Limited
- Axiom Rail (Stoke) Limited
- Rail Terminal Services Limited

(iv) Other contingent liabilities

There were no other contingent liabilities at the end of the financial year.

Notes to the financial statements for the year ended 31 December 2015 (continued)

26. Obligations under operating leases

a. Obligations under operating leases where the company is a lessee

The company has entered into commercial leases on certain properties and motor vehicles. These leases had durations of between 3 and 125 years at the date of inception. Operating lease liabilities are secured over the assets to which they relate, there are no other restrictions placed upon the lessee by entering into these lease agreements.

The total obligations for minimum lease payments under non-cancellable operating leases are as follows:

	2015		2014	
	Land and Buildings £ million	Plant and machinery £ million	Land and Buildings £ million	Plant and machinery £ million
Future minimum lease payments due				
Within one year	4	16	3	16
Within two to five years	14	21	12	12
After five years	38	9	42	3
	<u>56</u>	<u>46</u>	<u>57</u>	<u>31</u>

b. Obligations under operating leases where the company is a lessor

The company leases a number of properties to third parties, which at the date of inception had durations of between 1 and 125 years under non-cancellable operating lease agreements. These properties include freehold land and buildings and property leased to the company under operating leases.

Future minimum lease payments receivable under the non-cancellable operating leases are as follows.

	2015	2014
	£ million	£ million
Future minimum lease payments receivable		
Within one year	6	5
Within two to five years	17	11
After five years	24	35
	<u>47</u>	<u>51</u>

27. Financial instruments

a) Financial instruments

An explanation of the company's financial instrument risk management objectives, policies and strategies are set out in the discussion of principal risks and uncertainties in the Directors' report.

b) Cash flow hedges

At 31 December 2015, the company held a total of 2 (2014: 2) forward exchange contracts designated as cash flow hedges for the expected future purchases of diesel fuel which the company believes to be 'highly probable' transactions. The number, currency and terms of these forward exchange contracts are as follows:

Number	Currency	Value (£ million)	Maturity
1	GBP	3	31 December 2016
1	GBP	1	31 December 2016

DB Cargo (UK) Limited *(formerly DB Schenker Rail (UK) Limited)*

Notes to the financial statements for the year ended 31 December 2015 (continued)

28. Post balance sheet event

On 14 January 2016 the following transactions took place

- i. The company acquired 100% of the ordinary shares (2 ordinary shares) of Locomotives 6667 Limited from DB Cargo (UK) Holdings Limited for the nominal value of £2.00.
- ii. Locomotive 6667 Limited issued one ordinary share which was acquired by the company for £138,361,300.
- iii. Locomotive 6667 Limited repaid the loan of £138,361,300 to the company issued in 2015.

29. Parent company

The company's immediate parent company is Boreal & Austral Railfreight Limited, a company registered in England and Wales.

The directors consider that the ultimate controlling party and the smallest and largest group in which the results of the company are consolidated is that headed by Deutsche Bahn AG, which is incorporated in the Federal Republic of Germany. The financial statements of Deutsche Bahn AG can be viewed at www.db.de.

30. Adoption of FRS 101

The company has transitioned to FRS 101 effective for its annual financial statements beginning 1 January 2015.

This note explains how the transition to FRS 101 affected the company's reported equity as at 1 January 2014 and its profit and loss, and other comprehensive income for the financial year ended 31 December 2014.

IFRS 1, First time adoption of international financial reporting standards, requires a first time adopter to apply all IFRS's effective as at the end of its first annual reporting year (31 December 2015 for the company). IFRS 1 also provides a first time adopter certain optional exemptions and requires certain mandatory exemptions from full retrospective application. Most of these exemptions, if elected or mandatory, must be applied as at the beginning of the required comparative year (the transition date). The company's transition date is 1 January 2014.

The ultimate parent company, Deutsche Bahn AG., has transitioned to IFRS and its first annual reporting year under IFRS being 31 December 2004.

In accordance with IFRS1- First time adoption, following optional exemptions have been adopted.

I. Deemed Cost

The revalued cost for land and buildings as used previously under UK GAAP has been adopted as deemed cost for land and buildings at the date of transition.

II. Borrowing Costs

The capitalisation of borrowing costs to qualifying assets under IAS 23, Borrowing Costs, will be applied prospectively from the 1 January 2014.

Reconciliation of opening equity at the date of transition

There are no material adjustments to opening equity at the date of transition to IFRS and the adoption of FRS 101. Adjustments to equity at the date of transition are detailed later in the note.

Changes for the year ending 31 December 2014 are shown in the following tables below.

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

30. Adoption of FRS 101(continued)

Adjustments to the 2014 Statement of profit or loss resulting from the adoption of FRS 101

	Reported pre FRS 101 for the year ending 31 December 2014	FRS101 Adjustment			Total IFRS adjustments	2014 Restated for FRS 101
		1	2	3		
Per statutory financial statements		IAS 19	IAS 16, IAS 38 & IAS 40	IAS 12		
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million
Turnover	448	-	-	-	-	448
Operating costs	(445)	(1)	-	-	(1)	(446)
Operating profit before exceptional items	3	(1)	-	-	(1)	2
Exceptional items	17	-	-	-	-	17
Operating profit	20	(1)	-	-	(1)	19
Profit on sale of fixed assets	160	-	-	-	-	160
Interest payable and similar charges	-	(7)	-	-	(7)	(7)
Profit on ordinary activities before taxation	180	(8)	-	-	(8)	172
Tax on profit on ordinary activities	(4)	-	-	2	2	(2)
Profit for the financial year	176	(8)	-	2	(6)	170

Notes to the financial statements for the year ended 31 December 2015 (continued)

30. Adoption of FRS 101(continued)

Adjustments to the 2014 Statement of recognised gains and losses / comprehensive income resulting from the adoption of FRS 101

	Reported pre FRS 101 for the year ending 31 December 2014	FRS101 Adjustment			Total IFRS adjustments	2014 Restated for FRS 101
		1	2	3		
Per statutory financial statements		IAS 19	IAS 16, IAS 38 & IAS 40	IAS 12		
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million
Profit for the financial year	176	(6)	-	-	(6)	170
Other comprehensive (expense)/income						
Items that cannot be reclassified to profit or loss						
Decrease in donated asset reserve	(1)	-	-	-	-	(1)
Actuarial (loss)/gain recognised on defined benefit pension schemes	(80)	8	-	-	8	(72)
Deferred taxation on pension	16	-	-	(2)	(2)	14
Items that may be reclassified to profit or loss						
Losses on fair value of energy derivatives	(3)	-	-	-	-	(3)
Energy derivatives recycled through the profit and loss account	-	-	-	-	-	-
Deferred taxation on cash flow hedges	-	-	-	-	-	-
Other comprehensive (expense)/ income	(68)	8	-	(2)	6	(62)
Total comprehensive income for the financial year	108	2	-	(2)	-	108

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

30. Adoption of FRS 101(continued)

Adjustments to the 2014 Statement of changes in equity resulting from the adoption of FRS 101

			Called up share capital	Capital reserve	Donated Asset reserve	Share premium account	Cash flow hedge reserve	Profit and loss account	Total shareholders' funds
Per statutory financial statements			£ million	£ million	£ million	£ million	£ million	£ million	£ million
Reported pre FRS 101 for the year ending 31 December 2014			19	9	15	72	(3)	155	267
FRS101 Adjustment	1	IAS 19	-	-	-	-	-	-	-
	2	IAS 16, IAS 38 & IAS 40	-	-	-	-	-	-	-
	3	IAS 12	-	-	-	-	-	-	-
Total IFRS adjustments			-	-	-	-	-	-	-
2014 Restated for FRS 101			19	9	15	72	(3)	155	267

DB Cargo (UK) Limited (formerly DB Schenker Rail (UK) Limited)

Notes to the financial statements for the year ended 31 December 2015 (continued)

30. Adoption of FRS 101(continued)

Adjustments to the 2014 Balance sheet resulting from the adoption of FRS 101

	Reported pre FRS 101 for the year ending 31st December 2014	FRS101 Adjustment			2014 Restated for FRS 101
		1	2	3	
Per statutory financial statements		IAS 19	IAS 16, IAS 38 & IAS 40	IAS 12	
	£ million	£ million	£ million	£ million	£ million
Fixed assets					
Intangible fixed assets	-	-	-	-	-
Tangible fixed assets	238	-	-	-	238
	238	-	-	-	238
Stocks	22	-	-	-	22
Debtors	372	-	-	-	372
Cash at bank and in hand	1	-	-	-	1
	395	-	-	-	395
Creditors: amounts falling due within one year	(152)	-	-	-	(152)
Net current assets	243	-	-	-	243
Total assets less current liabilities	481	-	-	-	481
Creditors: amounts falling due after more than one year	(10)	-	-	-	(10)
Provisions for liabilities	(42)	-	-	-	(42)
Net pension deficit	(162)	-	-	-	(162)
Net assets	267	-	-	-	267
Capital and Reserves					
Called up share capital	(19)	-	-	-	(19)
Share premium account	(72)	-	-	-	(72)
Other reserves	(21)	-	-	-	(21)
Profit and loss account	(155)	-	-	-	(155)
Total shareholders' funds	(267)	-	-	-	(267)

Notes to the financial statements for the year ended 31 December 2015 (continued)

30. Adoption of FRS 101(continued)

Adjustments

The primary financial statements have been presented based on the operating cycle for operating items and based on a 12-month period for non-operating items.

1. IAS 19 Employee Benefits

Primarily due to the net interest approach required under IAS 19 (revised) there is a movement between other comprehensive income and the statement of profit or loss of £7,666,180 in 2014.

As permitted under IFRS 1, the company has not determined the amount of actuarial gains and losses that would have been recognised in other comprehensive income prior to the adoption of FRS 101 on 1 January 2014.

2. IAS 16 Property Plant and Equipment, IAS 38 Intangible Assets, IAS 40 Investment Property

- a. In line with IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible assets,** Intangible fixed assets have been segregated from tangible assets.

This has resulted in the following changes being shown in notes 12 and 13 to the financial statements at the end of 2014

- A movement of cost from tangible to intangible fixed assets of £23million (at 31 December 2013: £23million)
- A movement of accumulated depreciation from tangible to intangible fixed assets of £23million (at 31 December 2013: £23million)

- b. In line with IAS 16 – Property, Plant and Equipment and IAS 40 – Investment Property,** property owned by the company which is let out to third parties, fellow subsidiaries of the Deutsche Bahn AG group, or other related parties have been recognised as investment property.

This has resulted in the following changes being shown in note 13 to the financial statements at the end of 2014

- A movement of cost from land and buildings to investment property of £18million (at 31 December 2013: £20million)
- A movement of accumulated depreciation from land and buildings to investment property of £8million (at 31 December 2013: £8million).

3. IAS 12 Income Taxes

In line with the adjustment made above for IAS 19, the related deferred tax adjustment of £1,533,236 was made as part of the FRS 101 transition.