

DB Cargo (UK) Holdings Limited

Annual Report

For the year ended 31 December 2020

Registered number 03116322

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DB Cargo (UK) Holdings Limited

Annual Report

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DB Cargo (UK) Holdings Limited

Strategic report for the year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Statement of directors' duties under Section 172 of the Companies Act 2006

The Directors of the Company have acted in a way they considered, in good faith, to be the most likely to promote the success of the Company for the benefit of the members as a whole and in doing so had regard, amongst other things to:

- **The likely consequences of any decision in the long term**
Processes are in place to ensure the Directors receive all relevant information to enable them to make well-judged decisions in respect of the Company's long term success.
- **The interests of the Company's employees**
There are no active employees however, the employees of the group, 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.
- **The need to foster business relationships with suppliers, customers and others**
The Company maintains strong working relationships with suppliers and continually monitors supplier payment days.
- **The impact of the Company's operations on the community and the environment**
We are leading the use of sustainable fuel in locomotives in the rail freight industry with the use of hydrogenated vegetable oil to power our trains.
- **The desirability of the Company maintaining reputation for high standards of business conduct; and**
Our purpose of pursuing our business activities in accordance with ethical and legally irreproachable principles is inextricably linked with the way in which we behave at our work. In all our business activities we abide by the applicable laws, regulations and standards, avoid conflicts of interest and show respect for the customs, traditions and social values of the countries and cultural groups in which we operate.

We expect and encourage our business partners to introduce similar ethical principles themselves on the basis of applicable laws and accepted values. We expect them to comply with the principles laid down in the DB Code of Conduct for Business Partners, which is derived from the Corporate Principles on Ethics, in our business dealings.
- **The need to act fairly as between the members of the Company.**
The Director's aim to understand the views of its members and to act in their best interests.

The key decisions of the year under review related to Company's ongoing response to the Covid-19 pandemic.

The Director's acted in good faith to ensure all key stakeholders, including employees, trade unions, trustees, suppliers and customers would benefit from their actions as a consequence of the decisions made in the ongoing operation of the company and are confident that they have met the requirements of section 172(1) of the Companies Act 2006.

Review of the business and future developments

The company is an intermediate holding company for investments in subsidiaries whose principal activities are the haulage of freight by rail and other related services within Great Britain and Europe. The company will remain as an intermediate holding company in the future. Whilst the external commercial environment is expected to remain competitive in the year ahead, there is no expectation that this will have a significant impact on the financial position of the company.

The company's profit before taxation for the year ended 31 December 2020 is £608,000 (2019: profit of £13,626,000). The balance sheet of the company is presented on page 9. Total shareholders' funds as at 31 December 2020 was £194,442,000 (2019: £193,756,000).

DB Cargo (UK) Holdings Limited

Strategic report for the year ended 31 December 2020 (continued)

Principal risks and uncertainties

The most significant risks to the profitability of DB Cargo (UK) Holdings Limited and all its subsidiary undertakings (the 'DBC UK group') are:

- (i) Loss of significant customer contracts;
- (ii) Increased employee costs;
- (iii) Exposure to foreign exchange rate movements;
- (iv) Increased track access and diesel fuel costs;
- (v) Loss of access to Network Rail infrastructure; and
- (vi) Increased Government regulation.

The directors have strategies to manage and mitigate these risks and remain confident of the continued success of the DBC UK group. Any specific risk mitigation strategies are noted in the relevant subsidiary undertaking's strategic report.

As an intermediate holding company, with no trading activity and no employees there has been no significant impact on the company as a result of COVID-19.

The company directly and in-directly owns a number of subsidiary companies that form the DBC UK Group of companies. During the Covid-19 pandemic, rail freight was given key worker status and therefore the company has continued to operate. Where possible employees have switched to remote working, however due to the nature of work primarily being operational rail freight activity the majority of employees have continued with normal duties. COVID-19 secure measures have been put in place throughout the company to mitigate the risk of COVID-19 in the workplace. This has included the provision of PPE, set up of COVID-19 secure office space, thorough risk assessments, updating safe systems of work and most importantly regular communication with all employees.

During the second half of 2020 there was been a gradual increase in train numbers with most sectors now having returned to pre Covid-19 volumes. There are no indications that COVID-19 had or will have a material impact to the impairment considerations for the company's assets.

Going concern

The company participates in cash pooling arrangements with Deutsche Bahn AG and operates these to manage working capital. This is a long standing arrangement which the company has been party to for a number of years.

A letter of comfort has been provided by DBAG to confirm the funds in the cash pooling facility will remain available on request. Current forecasts show that credit facilities are not required in order for the company to continue as a going concern. The company has provided a letter of support across the DB Cargo UK group.

Management of financial risk

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

The directors review these risks and approves 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 group treasury function and are held for risk management purposes.

DB Cargo (UK) Holdings Limited

Strategic report for the year ended 31 December 2020 (continued)

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 appropriate for an understanding of the development, performance or position of the business of DB Cargo (UK) Holdings 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 and headcount.

The development, performance and position of all of the 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



D. Hardy

Director

2 September 2021

DB Cargo (UK) Holdings Limited

Directors' report for the year ended 31 December 2020

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2020.

Details of future developments and the management of financial risk are included in the Strategic report starting on page 1.

Dividends

The directors do not recommend the payment of a dividend in the year ended 31 December 2020 (2019: £nil).

Going concern

The company is a wholly owned subsidiary of DB Cargo AG and part of the DB Cargo group of companies, of which Deutsche Bahn AG is the ultimate parent company. The company is a holding company that has investments in subsidiary undertakings whose principle activities are the haulage of freight by rail and other related services within Great Britain and Europe. As a holding company, with no trading activity and no employees, the company has been less directly impacted by COVID-19 than some of its trading subsidiaries.

The company participates in a cash pooling arrangement operated by its ultimate parent, Deutsche Bahn AG (DBAG). This is detailed in note 10 and effectively operates in the same way as a bank account and is used to manage day to day working capital. This is a long-standing arrangement operated by DBAG to manage the liquidity needs of DBAG group companies, and the company has been party to this arrangement for several years. Under the arrangement there is a daily sweep of the company's cash balances into the DBAG cash pool which is fully ringfenced as DB Cargo UK cash.

Since inception of the cash pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due. The company also has a unilateral right to terminate its participation in the group cash pooling arrangement by giving one month's notice to DBAG. DBAG have also provided a letter of comfort to confirm that they would not withhold any positive cash pool balances and they will remain available to the company for a period of at least 12 months from the date of the approval of these financial statements. At the time of approval of these financial statements the combined positive cash pool balances of all companies in the UK sub-group was £54 million.

The company has a positive cash pool balance of £20,112,000 (2019: £19,134,000) at the balance sheet date. The only forecast cash outflow is in relation to the recapitalisation project which resulted in net cash outflow of £19 million in June 2021. The company has no ongoing trade and therefore the directors expect the cash pool balance to remain positive throughout the going concern assessment period, so no credit facilities are planned to be requested.

The overall cash position of the DB Cargo UK Group of companies continues to be strong throughout the first half of 2021, with an average combined positive balance in excess of £60 million. The Directors consider it a reasonable expectation that, as a Group, the DB Cargo UK group of companies will not depend on utilisation of the line of credit during the going concern assessment period. The company has provided letters of support to subsidiary undertakings confirming continuing financial support to the group for the going concern assessment period.

Post balance sheet events

On 10 June 2021 the directors approved a capital injection in subsidiary company DB Cargo (UK) Limited of £72,000,000. This was paid on 11 June 2021 in return for 6,000,000 ordinary shares in DB Cargo (UK) Limited. The shares were fully paid up with a nominal value of £1 per share and share premium of £11 per share. This results in an increase in Investments of £72,000,000.

On 10 June 2021 the directors approved a capital injection in subsidiary company Rail Terminal Services Limited of £6,993,999. This was paid on 11 June 2021 in return for 999 ordinary shares in Rail Terminal Services Limited. The shares were fully paid up with a nominal value of £1 per share and share premium of £7,000 per share. This results in an increase in Investments of £6,993,999.

DB Cargo (UK) Holdings Limited

Directors' report for the year ended 31 December 2020 (continued)

Post balance sheet events (continued)

On 11 June 2021, as part of the above recapitalisation project within the DBCUK Group, the Company received dividends from wholly owned subsidiary companies of £24,300,000. This was received in cash and contributed towards the funding of the above capital injections. The remaining funds required for the capital injections were funded by cancellation of the existing intercompany debtor balance of £45.3 million and cash of £9.4 million from the cash pooling account.

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:

- A. Rossi
- H-G. Werner (resigned 31 August 2020)
- D Hardy (appointed 16 February 2021)

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 at the date of signing the financial statements. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DB Cargo (UK) Holdings Limited

Directors' report for the year ended 31 December 2020 (continued)

Directors' confirmations

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

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

Independent auditors

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



D. Hardy

Director

2 September 2021

DB Cargo (UK) Holdings Limited

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2020; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

DB Cargo (UK) Holdings Limited

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

Reporting on other information (continued)

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in determining significant accounting estimates, particularly in relation to the carrying value of investments. Audit procedures performed by the engagement team included:

DB Cargo (UK) Holdings Limited

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

Responsibilities for the financial statements and the audit (continued)

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

- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- testing accounting estimates that we deemed to present a risk of material misstatement, including considering supporting evidence provided by management for the carrying value of investments;
- identifying and testing journal entries using a risk-based targeting approach for unexpected account combinations or unusual words or phrases in the journal description; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

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

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

Use of this report

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

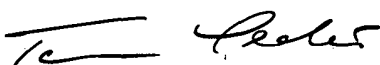
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Tom Yeates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
2 September 2021

DB Cargo (UK) Holdings Limited

Profit and loss account for the year ended 31 December 2020

	Note	Year to 31 December 2020 £'000	Year to 31 December 2019 £'000
Administrative expenses		(4)	(2)
Operating loss	3	(4)	(2)
Investment income	5	588	17,100
Impairment of investments	6	-	(3,500)
Interest receivable and similar income	7	24	28
Profit before taxation		608	13,626
Tax on profit	8	78	241
Profit for the financial year		686	13,867

There is no other comprehensive income in the current year or prior year other than the profit for the financial year, therefore no separate statement of comprehensive income has been presented.

All of the company's activities are continuing.

DB Cargo (UK) Holdings Limited

Balance sheet as at 31 December 2020

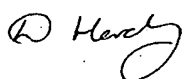
Registered number: 03116322

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	9	<u>156,390</u>	<u>156,390</u>
Current assets			
Debtors	10	65,392	64,702
Creditors: amounts falling due within one year	11	<u>(27,340)</u>	<u>(27,336)</u>
Net current assets		<u>38,052</u>	<u>37,366</u>
Total assets less current liabilities		<u>194,442</u>	<u>193,756</u>
Net assets		<u>194,442</u>	<u>193,756</u>
Capital and reserves			
Called up share capital	12	43,815	43,815
Share premium account		1,278	1,278
Profit and loss account		<u>149,349</u>	<u>148,663</u>
Total shareholders' funds		<u>194,442</u>	<u>193,756</u>

The notes on pages 13 to 22 are an integral part of these financial statements.

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements on pages 10 to 22 were approved by the board of directors on 2 September 2021 and were signed on its behalf by:



D. Hardy
Director

DB Cargo (UK) Holdings Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Share Premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2019	43,815	1,278	134,796	179,889
Profit for the financial year	-	-	13,867	13,867
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the year	-	-	13,867	13,867
At 31 December 2019 and 1 January 2020	43,815	1,278	148,663	193,756
Profit for the financial year	-	-	686	686
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the year	-	-	686	686
At 31 December 2020	43,815	1,278	149,349	194,442

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020

1. General information

DB Cargo (UK) Holdings Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom. 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) and have been prepared under the historical cost convention. Accounting policies have been applied consistently. These financial statements are presented in Sterling which is the functional currency of the company and all values are rounded to the nearest million pounds, except where otherwise stated.

The company is a wholly owned subsidiary of DB Cargo AG and part of the DB Cargo group of companies, of which Deutsche Bahn AG is the ultimate parent company. The company is a holding company that has investments in subsidiary undertakings whose principle activities are the haulage of freight by rail and other related services within Great Britain and Europe. As a holding company, with no trading activity and no employees, the company has been less directly impacted by COVID-19 than some of its trading subsidiaries.

The company participates in a cash pooling arrangement operated by its ultimate parent, Deutsche Bahn AG (DBAG). This is detailed in note 10 and effectively operates in the same way as a bank account and is used to manage day to day working capital. This is a long-standing arrangement operated by DBAG to manage the liquidity needs of DBAG group companies, and the company has been party to this arrangement for several years. Under the arrangement there is a daily sweep of the company's cash balances into the DBAG cash pool which is fully ringfenced as DB Cargo UK cash.

Since inception of the cash pooling arrangement, the company has never experienced any issue being able to draw upon its cash balances within the group cash pool to settle its liabilities as they fall due. The company also has a unilateral right to terminate its participation in the group cash pooling arrangement by giving one month's notice to DBAG. DBAG have also provided a letter of comfort to confirm that they would not withhold any positive cash pool balances and they will remain available to the company for a period of at least 12 months from the date of the approval of these financial statements. At the time of approval of these financial statements the combined positive cash pool balances of all companies in the UK sub-group was £54 million.

The company has a positive cash pool balance of £20,112,000 (2019: £19,134,000) at the balance sheet date. The only forecast cash outflow is in relation to the recapitalisation project which resulted in net cash outflow of £19 million in June 2021. The company has no ongoing trade and therefore the directors expect the cash pool balance to remain positive throughout the going concern assessment period, so no credit facilities are planned to be requested.

The overall cash position of the DB Cargo UK Group of companies continues to be strong throughout the first half of 2021, with an average combined positive balance in excess of £60 million. The Directors consider it a reasonable expectation that, as a Group, the DB Cargo UK group of companies will not depend on utilisation of the line of credit during the going concern assessment period. The company has provided letters of support to subsidiary undertakings confirming continuing financial support to the group for the going concern assessment period.

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) Holdings Limited as an individual undertaking and not about its group.

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. Accounting policies (continued)

Basis of preparation (continued)

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 2020 is presented below. Equivalent disclosures for financial instruments and fair value measurements 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, tangible assets, intangible assets and investment property.
Presentation of Financial Statements	Exemption from statement of compliance with IFRS, cash flow information and capital management policy.
Accounting policies	Exemption from the effects of new but not yet effective International Financial Reporting Standards.
Revenue	Exemption from the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
Leases	Exemption from the requirements of paragraph 52, the second sentence of paragraph 89, and paragraph 90, 91 and 93 of IFRS 16 Leases. Exemption from the requirements of paragraph 58 of IFRS 16. Exemption from the requirements to disclose the impact of IFRS 16 has been taken in accordance with paragraph 8(i) of FRS 101.

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. Accounting policies (continued)

Change of accounting policies

There are no amendments to accounting standards or IFRIC interpretations that are effective for the 52 weeks ended 31 December 2020 that have had a material impact on the company's financial statements.

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.

Other than the judgment around going concern discussed above in basis of preparation, the following identifies other significant areas where management's judgements and estimates have the most significant effect on amounts recognised in the financial statements.

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.

Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

1. Identify the contract(s) with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of value added taxes and represents amounts invoiced to third parties and estimates in respect of amounts not invoiced in the period. The company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities, as described below.

Dividend and partnership distribution income

Dividend and partnership distribution income is recognised when the company's right to receive payment is established.

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. Accounting policies (continued)

Investments

Investments in associates, subsidiaries and joint ventures are stated at cost less any impairment. In accordance with International Accounting Standard No. 36, the directors consider the carrying value of investments for impairment. Any reductions in value arising from the impairment of investments are charged to the statement of profit or loss. When the directors consider that any impairment has been reversed this is credited to the statement of profit or loss.

Trade and other debtors

Trade debtors, which generally have 30 – 90 day terms, are measured initially at fair value and then amortised cost – where the time value of money is material, receivables are amortised using the effective interest rate method. IFRS 9's simplified approach to provisioning is used to calculate the company's lifetime expected credit risk.

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.

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

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 enforceable 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.

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. Accounting policies (continued)

Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

As a result of adopting IFRS 9 in earlier years, the accounting policies for financial assets and financial liabilities have been revised as presented below.

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. Applying this classification to the company's financial assets does not result in changes to the accounting. Trade receivables and cash and cash equivalents continue to be recognised at amortised cost and certain other non-current financial assets continue to be recognised at fair value through profit or loss.

The standard was applied retrospectively although there is no impact on the Profit and Loss account in the prior year or any adjustment to opening reserves.

In respect of accounting for trade and other receivables, the company has applied IFRS 9's simplified approach to provisioning and has calculated this using lifetime expected losses. This calculation has no material impact on the financial statements.

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. The classification and measurement of financial liabilities and derivative instruments remains unchanged from IAS 39.

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.

3. Operating loss

The audit fee for the company is borne by DB Cargo (UK) Limited, a subsidiary of DB Cargo (UK) Holdings Limited. The following amounts are recharged to the company for services provided by the company auditors:

	2020	2019
	£'000	£'000
Fees payable to the company's auditors for the audit of the annual financial statements of the company	4	2

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

4. Remuneration of directors

The directors received no (2019: £nil) emoluments for the benefits of their services to the company in the current year. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of DB Cargo (UK) Limited and also below:

	2020 £'000	2019 £'000
Sums paid to related parties for directors' services	847	688
	<u>847</u>	<u>688</u>

None of the directors held share options of the company during the year ended 31 December 2020 (2019: none).

Retirement benefits are accruing to no (2019: none) directors under a defined benefit scheme. The highest amount paid to related parties for an individual directors' services is £446,000 (2019: £437,000).

The company has no employees (2019: nil).

5. Investment income

	2020 £'000	2019 £'000
Partnership distribution	588	2,600
Dividends received	-	14,500
	<u>588</u>	<u>17,100</u>

During 2020, the company received dividend income of £nil (2019: £14,500,000) from wholly owned subsidiary companies.

During 2020, the company received £587,500 (2019: £2,600,000) from Locomotive Operating Leasing Partnership, in which it holds a 5% share of the partnership.

6. Impairment of investments

	2020 £'000	2019 £'000
Impairment of investments	-	(3,500)
	<u>-</u>	<u>(3,500)</u>

During 2019, an impairment of £3,499,511 has been recognised against the investment in Rail Express Systems to reduce the investment value to the net assets of the subsidiary. The reduction in net assets of Rail Express Systems was a result of the payment of a £6,000,000 dividend to the company.

7. Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from group companies	24	28

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

8. Tax on profit

	2020 £'000	2019 £'000
Current tax		
UK Corporation tax charge/(credit)	4	(241)
Adjustments in respect of prior years	(82)	-
	<u>(78)</u>	<u>(241)</u>

Corporation tax is calculated at 19% (2019: 19%) of the estimated tax profit (2019: tax profit) for the year

The tax for the year is lower than (2019: lower than) the standard effective rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). The differences are explained below.

	2020 £'000	2019 £'000
Profit before taxation	<u>608</u>	<u>13,626</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	116	2,589
Effects of:		
Net impact of non-taxable dividends and impairment costs	(112)	(2,584)
Unrecognised tax loss	-	(246)
Adjustments in respect of prior years	(82)	-
Total taxation credit for the year	<u>(78)</u>	<u>(241)</u>

9. Investments

	Value of investments in subsidiaries £'000
Cost	
At 1 January 2020 and 31 December 2020	<u>159,890</u>
Provisions	
At 1 January 2020	(3,500)
Impairments	-
At 31 December 2020	<u>(3,500)</u>
Net book value	
At 31 December 2020	<u>156,390</u>
At 31 December 2019	<u>156,390</u>
Changes in the value of investments	

As a result of a review of all of the company's investments in subsidiary undertakings in 2019, an impairment of £3,499,511 was been recognised against the investment of Rail Express Systems Limited (see note 6).

The directors believe that the remaining carrying value of investments is supported by their underlying assets and expected future profits.

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

9. Investments (continued)

Related undertakings	Country of registration or incorporation	Principal activity	Class and percentage of shares held / percentage of interest
DB Cargo Services Limited	England & Wales	Provision of services to the rail industry	100% £1 Ordinary
DB Cargo Components Limited	England & Wales	Design and supply of advanced rail freight suspension	100% £1 Ordinary
DB Cargo Maintenance Limited	England & Wales	Design, refurbishment and maintenance of rail wagons and fleet management services	100% £1 Ordinary
Rail Terminal Services Limited	England & Wales	Haulage of freight by rail and other rail related services	100% £1 Ordinary
DB Cargo International Limited	England & Wales	Haulage of freight by rail	100% £1 Ordinary
Rail Express Systems Limited	England & Wales	Provision of charter & passenger services	100% £1 Ordinary
DB Cargo (UK) Limited	England & Wales	Haulage of freight	100% £1 Ordinary
Engineering Support Group Limited	England & Wales	Provision of technical engineering consultancy services to the rail industry	100% £1 Ordinary
Railway Approvals Limited	England & Wales	Inspection & certification of rolling stock	100% £1 Ordinary
DB Cargo Information Services Limited	England & Wales	Provision of information systems & services to the rail industry	100% £1 Ordinary
New Locomotive Finance Limited	England & Wales	Dormant	100% £1 Ordinary
Locomotive Operating Leasing Partnership	England & Wales	Provision of locomotives for leasing contracts	5% Partner
*Locomotive 6667 Limited	England & Wales	Holding company	100% £1 Ordinary

*Held through subsidiary undertaking

All of the above undertakings are registered at Lakeside Business Park, Carolina Way, Doncaster, South Yorkshire, DN4 5PN.

All of the above undertakings are private companies limited by shares, with the exception of Locomotive Operating Leasing Partnership which is a limited partnership.

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

10. Debtors

	2020	2019
	£'000	£'000
Cash Pooling account	20,112	19,134
Amounts owed by group undertakings	45,280	45,327
Corporation tax receivable	-	241
	<u>65,392</u>	<u>64,702</u>

The company has an agreement for both domestic and foreign currency cash pooling with Deutsche Bahn AG. Under the terms of the agreement, balances within the company's bank accounts are acquired by Deutsche Bahn 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 Deutsche Bahn AG and subsequent to the monthly pooling adjustments, the company's bank accounts will have a nil balance.

The interest rate applied on the cash pooling account on positive balances is GBP Central Bank Base Rate less 0.25%.

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

11. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Amounts owed to group undertakings	<u>27,340</u>	<u>27,336</u>

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

12. Called up share capital

	2020		2019	
	No.	£'000	No.	£'000
Authorised				
Ordinary shares of £1 each	<u>43,815,277</u>	<u>43,815</u>	<u>43,815,277</u>	<u>43,815</u>
Allotted and fully paid:				
Ordinary shares of £1 each	<u>43,815,277</u>	<u>43,815</u>	<u>43,815,277</u>	<u>43,815</u>

13. Commitments and contingent liabilities

The company had no capital commitments or contingent liabilities at the year end (2019: £nil).

DB Cargo (UK) Holdings Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

14. Post balance sheet events

On 10 June 2021 the directors approved a capital injection in subsidiary company DB Cargo (UK) Limited of £72,000,000. This was paid on 11 June 2021 in return for 6,000,000 ordinary shares in DB Cargo (UK) Limited. The shares were fully paid up with a nominal value of £1 per share and share premium of £11 per share. This results in an increase in Investments of £72,000,000.

On 10 June 2021 the directors approved a capital injection in subsidiary company Rail Terminal Services Limited of £6,993,999. This was paid on 11 June 2021 in return for 999 ordinary shares in Rail Terminal Services Limited. The shares were fully paid up with a nominal value of £1 per share and share premium of £7,000 per share. This results in an increase in Investments of £6,993,999.

On 11 June 2021, as part of the above recapitalisation project within the DBCUK Group, the Company received dividends from wholly owned subsidiary companies of £24,300,000. This was received in cash and contributed towards the funding of the above capital injections. The remaining funds required for the capital injections were funded by cancellation of the existing intercompany debtor balance of £45.3 million and cash of £9.4 million from the cash pooling account.

15. Ultimate parent company and controlling party

The immediate parent company is DB Cargo AG, a company registered in Germany.

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.