

Company No: 04146505

**ANNUAL REPORT
BRB (RESIDUARY) LIMITED
31 March 2010**

Registered Office

One Kemble Street
London
WC2B 4AN

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DIRECTORS

Chairman	G W D Sutherland
Directors	T A Jenner C W W Pierce P C Trewin
Registered Office	One Kemble Street London WC2B 4AN
Auditors	PricewaterhouseCoopers LLP 80 Strand London WC2R 0AF

CHAIRMAN'S STATEMENT

I have pleasure in presenting the annual report and audited financial statements for the year ended 31 March 2010, which for the first time have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. As a consequence, the results for the year ending 31 March 2009 have been re-stated. The effect of this re-statement has been to turn a previously reported profit after tax of £20.4m into a loss of £9.3m. This is mainly due to a revaluation charge of £30.4m recognised under IFRS.

Turning to the current reporting year, the results to March 2010 contained herein reflect the continued success of BRB (Residuary) (BRBR or the 'Company') and its subsidiaries (the 'Group') in realising value from the assets and liabilities inherited from the British Railways Board (BRB). In delivering these results, BRBR has achieved the objectives set for the Company by the Department for Transport (DfT).

During the course of the year BRBR has continued to implement the strategy agreed with the DfT in 2007 and details of certain activities are provided in the Operating and Financial Review. Specific highlights for the reporting year include the disposal of 88 sites from the non-operational portfolio and the redevelopment of Rail House Manchester (now known as Piccadilly Gate), which achieved practical completion subsequent to the year end.

I would like to thank everyone involved in making this a successful year for the Company, particularly our staff who have worked tirelessly to meet challenging targets, particularly in the area of property disposals.

Turning to the year ahead, BRBR will continue to seek opportunities to realise value from the assets and liabilities inherited from BRB. The extent to which prevailing market conditions will impact on the Company's ability to realise value is as yet unknown. I am however confident that the Company remains well placed to address the challenges that lie ahead.

Doug Sutherland
Chairman

INTRODUCTION TO THE ACCOUNTS

History of BRBR and its Statutory Background

BRB (Residuary) (BRBR) is a limited company which was created in 2001 to manage the majority of the remaining property, rights and liabilities of the British Railways Board (BRB). Those responsibilities include the management of a diverse property portfolio and the settlement of industrial injury claims submitted by former British Railways employees.

The Company is owned wholly by the Department for Transport (DfT) and is funded through a combination of income earned on property activities and Departmental subsidy. BRBR is classified for government accounting purposes as a Public Corporation.

Going Concern and the Government Guarantee

A minute was laid before Parliament on 25 January 2001 concerning the liabilities transferred from BRB to the Company. Consistent with this minute, the Secretary of State has given an assurance that the Government will ensure that adequate funds will continue to be made available via the DfT to meet any financial obligations of the Company arising from its present or future liabilities, or liabilities arising out of past transactions, events and circumstances. It has accordingly been considered appropriate to adopt a going concern basis for the presentation of these financial statements.

Results of the year

The Group's reported financial performance shows a post tax profit for the year of £8.1m (2009: loss of £9.3m).

Members and their interests

The present Members of the BRBR Board are listed on page 3 and details of the Members' remuneration are given on page 53. A register of Board Members interests is maintained by the Director Legal and Secretariat through whom public inspection can be arranged. The independent Board Member is Cedric Pierce.

Chairman and Chief Executive

I have continued to act in the combined full time role of Chairman and Chief Executive. In my capacity as Chairman, I have particular responsibility for formulating BRBR's strategy and for ensuring that the Board, in reaching its decisions, takes proper account of guidance provided by the Secretary of State for the Department for Transport. As Chief Executive, I act effectively as the Accounting Officer of BRBR. In this capacity, I am personally responsible for safeguarding the public funds for which I have charge; for ensuring regularity and propriety in the handling of those funds; and for the day to day operation and management of BRBR.

The Board of the Company

The Board of the Company is responsible to the Secretary of State for all aspects of BRBR's operation and performance. The Board met on 14 occasions during the course of the year.

Audit Committee

The Audit Committee is chaired by the independent Board Member, Cedric Pierce. The Audit Committee is responsible for reviewing and advising on BRBR's internal (e.g. management accounts) and external financial statements, internal control systems and other matters related to the conduct of the Company's financial affairs. The Audit Committee met on 4 occasions during the year.

Remuneration Committee

The Remuneration Committee is responsible for determining (in agreement with the Board and DfT as appropriate) the broad policy for the remuneration of the Company's Directors and staff, and the bases for the performance related bonus scheme operated by the Company. The Remuneration Committee is chaired by the senior Non Executive Director, Terence Jenner. The Remuneration Committee met twice during the year.

External Auditors

The external audit of the 2009/10 Annual Report and Accounts has been undertaken by PricewaterhouseCoopers LLP in accordance with the contractual arrangements established in 2006/07.

Equal Opportunities

Throughout the period the Company has continued to follow its well-established personnel policies and practices which were designed to promote equal opportunities amongst all its employees regardless of gender, race, colour, marital status or disability.

Data Handling and Data Security

During the course of the year the Company has continued to follow its policies and procedures relating to data handling and data security. The policies are set out in the Company's Corporate Manual and Information Technology & Security Policy. There have been no instances of these policies having been breached during the reporting year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and the company and of the profit or loss of the group 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 was different from legislation in other jurisdictions. 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.

So far as the directors are aware, there is no relevant audit information of which the auditors are unaware. The directors have taken all the steps that ought to have been taken to ensure that they are aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Doug Sutherland
Chairman

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

Business Overview

BRBR discharges a range of legacy responsibilities inherited from the British Railways Board (BRB). The Company's primary objective is to discharge these legacy responsibilities as soon as practicable consistent with achieving best value for money.

The responsibilities inherited include:

- The management of a diverse property portfolio which has four components:
 - The Non Operational Property Estate – comprising 148 geographically dispersed sites of mixed use, mostly acquired in the 19th century to facilitate railway construction;
 - The Operational Property Estate – a small number of sites held at the direction of DfT pending confirmation of future transport use;
 - The Administrative Office Estate – which comprises 1.2m sq ft of office space.
 - The Burdensome Estate – which is made up of approximately 4000 bridges, tunnels, viaducts and other structures located throughout England, Scotland, and Wales which no longer form part of the operational railway but which still need to be repaired and maintained;
- The management of industrial injury claims submitted by former BR employees; and
- The management of a portfolio of inherited finance leases.

Strategy

The Company's strategy is to focus on the particular characteristics of the assets and liabilities inherited from BRB and to identify situations where value for money solutions might be created through management intervention.

Company Structure

The Company is structured so as to promote the identification of value for money solutions for each category of asset and liability inherited from BRB. The main areas of business activity are described more fully below.

Non Operational Estate

As at 31 March 2010 some 148 non-operational sites form the Company's non-operational estate. These sites have a book value as at 31 March 2010 of £32.9 million (2009: £55.4 million) of which £8.5m is classified as current assets and the remainder is classified as investment property.

The Company disposes of land in accordance with the published guidance from DfT. Sites with a realistic prospect of rail or other transport use in the foreseeable future are retained or sold for those purposes. Of the 148 sites which make up the estate as at 31 March 2010, the majority have been released for disposal, including a significant number to local authorities and transport bodies.

The Non Operational Estate is diverse in terms of asset type and offers little or no geographic concentration of sites. As a consequence, BRBR's general strategy has been to focus on site specific disposal rather than a portfolio based disposal. The site specific approach enables BRBR to;

- Understand and resolve site specific issues- title, contamination, access, planning allocation, impact of possible transport initiatives.
- Reduce risk and uncertainty associated with the site, and thereby drive up value.
- Access the broad spectrum of possible purchasers within the property market- for example, special purchasers.

In respect of those properties released for disposal, the Company's policy is to act as quickly as is consistent with deriving best value for the taxpayer. Supported by our agents Lambert Smith Hampton, the Company has made considerable progress in realising value from the Non-Operational Estate. During the period BRBR disposed of 88 sites and generated sales proceeds of £35.1 million.

Rental and advertising income from non-operational property totalled £6.3 million (2009: £9.3 million).

BRBR's focus is now on extracting optimum value from the potentially higher value sites, and on disposing of the remainder of the lower value sites, many of which have complex title issues.

The BRBR high value sites portfolio currently comprises 26 sites, although this number will no doubt change as sites move in or out of the portfolio due to fluctuations in the market or site specific circumstances.

BRBR's approach to the high value sites is to again develop site specific disposal strategies which are aimed at "de-risking" the sites and preparing them for eventual sale. The high value sites portfolio is dominated by sites offering residential potential. BRBR's intention is to use the current hiatus in the property market to improve the attractiveness of its sites to potential purchasers by investigating/ resolving site specific issues and by improving the planning status of the sites.

Operational Estate

The operational estate consists of 5 assets held at the direction of DfT pending confirmation of future transport use.

BRBR's objective with regard to the Operational Estate is to manage the estate so as to secure best value for money for the taxpayer through a combination of;

- Efficient management of retained assets e.g. North Pole International depot;
- Investigation/ exploitation of the commercial development potential of the operational assets e.g. Waterloo International Terminal.

Whilst at the same time supporting the return to operational use of the sites as appropriate.

BRBR is currently responsible for 5 operational assets. These assets are;

- Glasgow Eastfield Depot
- Old Dalby Test Track
- Temple Mills Bus Depot
- North Pole International Depot
- Waterloo International Terminal

Administrative Office Estate (AOE or Admin offices)

The Company continues to hold some 1.2 million square feet of office space in administrative buildings, with the space being sub-leased to a range of commercial and government tenants. The occupancy rate has remained stable at around the 85% mark over the year, reflecting the Company's strategy of maximising the rental income from the properties.

AOE Strategy

Historically, the bulk of BRBR's freehold Admin offices were encumbered by very long dated head leases which were onerous in nature. BRBR's general strategy with regard to the Admin offices has been to manage out the liabilities associated with the onerous leases prior to eventual sale. In February 2009 BRBR concluded a deal to remove all but one of the onerous head leases, leaving BRBR free to exploit the now unencumbered freeholds.

As with the Non Operational estate, the Admin offices are not geographically concentrated and are not homogenous in terms of either building quality or tenant covenant. As a consequence, BRBR is focusing on developing site specific disposal strategies rather than pursuing a disposal of the portfolio as a whole. In general terms, the site specific strategies will seek to identify whether the particular Admin office is to be disposed of as an investment property or as a development opportunity. In certain cases the strategy is to invest in the site to secure government tenants on long term leases that are attractive to private sector investors. This form of strategy has been implemented in respect of Piccadilly Gate, Manchester and Southern House, Croydon.

Government Property Initiatives

Over the last few years Government has established a number of property related initiatives aimed at reducing the cost of running the civil estate. BRBR continues to work closely with the Office of Government Commerce (OGC), Shareholder Executive and DfT in supporting these initiatives at a number of locations, some of which are described below;

Piccadilly Gate

BRBR is implementing the comprehensive redevelopment of a 10-storey 1960s office building, located adjacent to Manchester Piccadilly station, to deliver BRE Environmental Assessment Method's (BREEAM) Excellent rated accommodation for occupation by government tenants. Piccadilly Gate will be an exemplar building providing accommodation which meets the OGC space stand of 10m² per person. Practical completion of the development was attained subsequent to the year end.

Manchester Mayfield

As part of the Civil Service in the Regions initiatives, Ministers announced a feasibility study into the development of a government office campus in Manchester. The campus would be capable of accommodating 5,000 civil servants in 50,000m² of BREEAM Outstanding office space on BRBR's 6 acre Manchester Mayfield site. The feasibility study and the OGC Gateway 1 Review were completed in December 2009.

Leeds Marsh Lane

BRBR is currently undertaking an initial feasibility study for the development of 20,000- 30,000 m² of BREEAM Outstanding office space on its 4 acre Leeds Marsh Lane site. The office space would be occupied by government tenants who it is intended would relocate to the site from private sector accommodation.

Other Sites

There are a number of other sites within BRBR ownership which might also be relevant to the Government's property initiatives. BRBR will continue to work with DfT, OGC and Shareholder Executive to investigate the potential of these sites.

Burdensome Estate

The Company has responsibility for the maintenance of approximately 4000 structures such as bridges, tunnels and viaducts on closed branch lines. Efforts continue to dispose of these liabilities and whilst a few have been successfully transferred to other organisations, the majority remain a liability of the Company. The Company's policy is to maintain them in safe condition, which costs around £8 million a year on average. In partnership with the Railway Heritage Trust, the Company is helping to restore a number of these structures. The Company is conscious of the need to ensure that these structures do not become a magnet for vandalism and other antisocial activities and in a number of areas is continuing to work with local authorities, the police and charitable institutions to put in place measures to put a stop to those activities.

Notable schemes during 2009/10 include, for the Listed Structures, the start of a project to refurbish Castlefield North Viaduct in Manchester. This is a large metallic structure that lies adjacent to the operational railway and the metro lines close to Deansgate Station. Also Thornton Viaduct, located on the Bradford Saint Dunstons (N&E) Junction to Keighley Railway in Bradford, was waterproofed and the structure repaired. Thornton viaduct is a vital link on the Great Northern Trail cycle route.

Works to restore drainage to Harecastle Tunnel, near Kidsgrove, were undertaken during the year. The tunnel has suffered from flooding and the drainage has been restored. Infilling works were undertaken to several public road bridges including Frankton Halt Bridge and Bearston Bridge both

located in Shropshire. Bearstone Bridge had been undermined by badgers and the structure was becoming unstable. The Company also transferred 5 structures to Local Authorities including two footbridges to Lincolnshire County Councils, and highway structures to Bridgend, Fife, Leicestershire and Warwickshire County Councils. Further a lease was arranged with Railway Paths Limited for the use of Devonshire Tunnel on the Two Tunnels Cycleway in Bath & North East Somerset.

Claims Management

As a major employer for nearly half a century (with up to three-quarters of a million employees at one time) and as an operator of trains, ships and hotels for most of that time, the BRB on privatisation retained responsibility in the great majority of cases for industrial injuries and employment and environment-related claims resulting from its activities during that period. In some instances claims do not arise until many years after the relevant employment ceases (e.g. medical conditions may not develop until much later).

As at 31 March 2010, 459 disease and injury claims were still outstanding against the Company, including 94 mesothelioma claims, 65 asbestosis claims, 35 pleural plaque claims, 48 vibration white finger claims, 1 post traumatic stress syndrome, 3 carpal tunnel syndrome and 213 industrial deafness claims. During the year some £15.1 million was paid out in settlement of such claims. The value of the provision for employee related claims as at 31 March 2010 was £238.6 million (2009: £253.1m).

The Company's policy with regard to the handling of these claims is to settle them expeditiously where legal liability rests with the Company. During the period the average time required to settle a claim was 1.5 years (2009: 1.8 years).

Privatisation involved splitting the BRB into more than 100 different companies and transferring most of them to new private sector owners. Most sales required the BRB to offer certain warranties or indemnities to its new owners, although nearly all of the warranties and a significant number of the indemnities have now expired.

Other Activities

The Company also manages a declining number of leasing liabilities inherited from BRB. The leasing liabilities relate to rolling stock assets. All the remaining leases have been sub-leased to a successor business meaning the entire liability is recoverable from those successor businesses. The day to day management of the leases has been outsourced to Lease Portfolio Management (LPM).

The company also deals with intellectual property issues arising from its predecessors including those in relation to the use of computer software applications in the industry following privatisation.

Safety

The Board of the Company continues to place particular emphasis on ensuring that its safety responsibilities arising out of the maintenance of the estate are understood and met. The Company's Safety Committee, which is a committee of the Board, is responsible for reviewing and ensuring BRBR's compliance with safety legislation and regulations. The safety committee is chaired by Peter Trewin.

FINANCIAL REVIEW

Operating Performance

Turnover (excluding property sales) for the year ended 31 March 2010 totalled £24.3m (2009: £53.8m; including £27.5m one-off property allowance scheme payment), which in the main reflects rental income from the current property portfolio. In the face of the extremely difficult trading conditions which existed during the whole of the year, property sales were in line with expectations and totalled £37.7m (2009: £42.2m). The profit on property sales totalled £11.7m (2009: £21.9m).

The operating expenditure reported in the period totals £30.5m (2009: £85.3m). The figure of £85.3 for 2009 includes a £38.8m charge to the statement of comprehensive income relating to an increase in BRBR's ill health claim provision following an independent actuarial review of future liabilities.

The reported financial result for the year is a profit on ordinary activities before tax of £2.3m (2009: £10.0m loss).

Taxation

BRBR's commercial property activities, which include the Non Operational, Administrative and Burdensome Estates, fall within the charge to UK Corporation Tax. The statutory activities of BRBR, those which relate to obligations to former employees of BRB and the warranties and indemnities inherited from BRB, are not taxable. Since the creation of BRBR in 2001, the Company has generated sizeable tax losses as the costs associated with managing the commercial property activities have exceeded the income generated from those activities and property sales. Tax losses which have not been utilised to date will be carried forward to offset against taxable profits of future periods. BRBR is currently liaising with HM Revenue and Customs about several significant corporation tax issues, and the outcome of these discussions is currently uncertain. Deferred tax is provided under IFRS. This arises primarily from the excess of carrying book value of investment property over the tax base assets.

Balance Sheet

Following the independent valuation of the Group's property assets book values have been adjusted downwards by 1%. The reduction in asset values reflects specific adjustments to the value of sites where circumstances have changed materially during the course of the year.

Financing Strategy

The Company is funded through a combination of income earned on property activities and, in the event that property income does not cover BRBR's normal operating costs, subsidy from DfT.

Cash Flow

The Group generated a net cash outflow in the year of £11.1m (2009: £42.7m). The cash balance at the end of the year stands at £22.7 million (2009: £33.8m).

Business Risks

The Company faces a number of specific risks in addition to the risks associated with the general commercial environment within which the Company operates. The specific risks are captured in a corporate risk register, together with appropriate mitigation strategies. The risk register is updated

regularly and is subject to scrutiny by Internal Audit, the Audit Committee and the Board. The specific risks that are judged to be critical to the Company are described in more detail below.

Market Risk

Financial year 2009/10 saw a continuation of the difficult trading conditions experienced in the previous reporting year. The impact of this was felt most keenly by BRBR within the area of property disposals the proceeds from which fund the other activities of the Company. BRBR will continue to monitor market conditions closely, particularly with regard to the likely impact on the programme to realise value from the Non Operational Estate and the Admin Office Estate.

Knowledge Management

BRBR is a residuary organisation staffed mainly by former employees of British Rail and who have detailed and specialist knowledge of the assets and liabilities now managed by BRBR. A number of BRBR's assets and liabilities are potentially of long duration and the management of these assets and liabilities will extend beyond the working lives of the former BR staff employed by BRBR, and potentially beyond the life of BRBR itself. In so far as it is possible, the Company is committed to ensuring that the knowledge held by the former BR staff is retained for use by those who might be responsible for the management of the long term assets and liabilities in the future.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accounting Officer, I share with the Board of BRBR the responsibility for maintaining a sound system of internal control that supports the achievement of the Company's objectives. I also act to safeguard the public funds and Company assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Board and I are accordingly making a joint statement on Internal Control within BRBR. I am the Chairman and Chief Executive as well as Accounting Officer.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve the aims and objectives of the Company; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Company's objectives, and to manage them efficiently, effectively and economically to an acceptable level of exposure. The system of internal control has been in operation for the whole of 2009/10 and accords with Treasury guidance.

Capacity to Handle Risk

The Company's approach to risk management is set out in its Risk Management Framework (RMF). The RMF confirms the Company's appetite for risk and describes the role of the Finance Director who champions the cause of risk management at the Board, the Audit Committee and the Management Committee. The senior management team has primary responsibility for acting in accordance with the RMF so as to deliver the Board's policy on risk and internal control. Advice and assistance with regard to risk management is provided by the Audit & Risk Assurance team within the DfT.

The Risk and Control Framework

The main processes that are in place for identifying, evaluating and managing risks are set out below.

- The Board, in agreement with DfT establishes and then communicates the corporate objectives for the Company;
- Each BRBR business area identifies, evaluates and manages risks relating to their objectives, the key risks being escalated to enable a review of key corporate level risks by the Management Committee, and the Board;
- Risks, including emerging and changing risks, are identified on a continuous basis through a variety of different mechanisms including team meetings, contract performance meetings, project meetings and the submission of papers to the Management Committee and the Board;

- The key risks and risk mitigation measures are recorded in a consolidated risk register, with the consolidated risk register being subject to review on a quarterly basis.

Review of Effectiveness

As Accounting Officer, I have responsibility, with the Board, for reviewing the effectiveness of the system of internal control. My review is informed by the work of the DfT Audit and Risk Assurance (ARA) branch who are our internal auditors, the executive managers within the Company who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement is in place.

- **The Board**

Membership of the Board includes two non-executive directors, both of whom are also members of the Audit Committee, and two executive directors. The Board is supported by two experienced and professionally qualified non-executive advisors when considering significant property and railway engineering related matters.

- **Audit Committee**

The Audit Committee is chaired by the independent non-executive member of the Board and membership includes the other non-executive Board member, who is also the Company's legal advisor. Audit Committee meetings are attended by the Chairman/Chief Executive, the Finance Director, the internal auditors and the external auditors.

- **Internal Audit**

DfT Audit & Risk Assurance (ARA) operates to the standards defined in the Government Internal Audit Standards. The work of ARA is informed by an analysis of risks to which the Company is exposed, and the annual internal audit programme is based on this analysis. At least annually, the ARA Audit Manager responsible for BRBR provides a report on internal audit activity in the Company. The analysis of risk and the internal audit plans are endorsed by the Company's Audit Committee and approved by me. The annual report includes the ARA Audit Manager's independent opinion on the adequacy and effectiveness of the Company's system of internal control, together with recommendations for improvement.

The opinion for 2009/10 confirms that BRBR has established an adequate and effective system of risk management, internal control and corporate governance; that the systems and processes are embedded within the business; and that they are reflective of the environment within which the Company operates. The opinion also confirms that the systems and processes have been in place for the whole of the year and have been operating in a generally effective manner.

- **Other explicit review/assurance mechanisms**

The programme of internal audits conducted during the course of the year has identified a number of opportunities for the Company to enhance the control environment further. Having made reasonable enquiry, I am confident that actions are in hand to exploit the opportunities identified during the course of the year. The implementation of the actions required to exploit the opportunities will be monitored by the Management Committee, the Audit Committee and the Board, and will be independently audited by DfT ARA.

Doug Sutherland
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRB (RESIDUARY) LIMITED

We have audited the group and parent company financial statements (the "financial statements") of BRB (Residuary) Limited for the year ended 31 March 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Cash Flow Statements, the Consolidated and Parent Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent 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.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

*Sarah Isted (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
80 Strand
London
WC2R 0AF*

July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Group	
		Year ended 31 March	
		2010 £m	2009 £m
Revenue - trading income	3	24.3	53.8
Operating costs	4	(30.5)	(85.3)
Release/ (charge) of onerous lease provision	5	(0.9)	122.6
Impairment of goodwill	13	-	(95.5)
Gross loss		(7.1)	(4.4)
Net (loss) from fair value adjustment on investment property	10	(1.9)	(30.4)
Profit on sale of investment property	7	11.7	21.9
Finance income/ (expense)	8	(0.4)	2.9
Profit / (loss) before tax		2.3	(10.0)
Income tax credit/ (expense)	21	5.8	0.7
Profit for the year / total comprehensive income for the year		8.1	(9.3)

Notes:

1. All operations are continuing and there are no discontinued operations
2. The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company's statement of comprehensive income.

CONSOLIDATED BALANCE SHEET

		Group		
		As at 31 March		
	Note	2010 £m	2009 £m	2008 £m
Assets				
Non-current assets				
Investment property	10	116.1	132.6	170.9
Property, plant and equipment	9	-	-	-
Trade and other receivables	16	37.1	41.1	43.7
		<u>153.2</u>	<u>173.7</u>	<u>214.6</u>
Current assets				
Trade and other receivables	16	14.7	14.9	17.4
Investment property held for sale	11	23.4	31.2	11.8
Inventory	12	31.3	13.8	-
Cash and cash equivalents	17	22.7	33.8	76.5
		<u>92.1</u>	<u>93.7</u>	<u>105.7</u>
Total assets		<u>245.3</u>	<u>267.4</u>	<u>320.3</u>
Equity				
Ordinary shares	18	-	-	-
Retained earnings		(184.4)	(192.5)	(183.2)
Total equity		<u>(184.4)</u>	<u>(192.5)</u>	<u>(183.2)</u>
Liabilities				
Non-current liabilities				
Borrowings	20	97.1	101.1	43.7
Deferred income tax liabilities	21	8.4	14.2	14.9
Provisions for other liabilities and charges	22	273.9	304.1	391.1
		<u>379.4</u>	<u>419.4</u>	<u>449.7</u>
Current liabilities				
Trade and other payables	19	23.1	26.0	35.1
Provisions for other liabilities and charges	22	27.2	14.5	18.7
		<u>50.3</u>	<u>40.5</u>	<u>53.8</u>
Total liabilities		<u>429.7</u>	<u>459.9</u>	<u>503.5</u>
Total equity and liabilities		<u>245.3</u>	<u>267.4</u>	<u>320.3</u>

The financial statements on pages 20 to 54 were approved by the board of directors on 20 July 2010 and were signed on its behalf by:

The notes on pages 25 to 54 are an integral part of these financial statements

Chairman.....

COMPANY BALANCE SHEET BRB (RESIDUARY) LIMITED

		Company As at 31 March		
	Note	2010 £m	2009 £m	2008 £m
Assets				
Non-current assets				
Investment in subsidiaries	14	31.9	32.5	12.6
Investment property	10	99.0	101.4	170.9
Property, plant and equipment	9	-	-	-
Trade and other receivables	16	37.1	41.1	43.7
		<u>168.0</u>	<u>175.0</u>	<u>227.2</u>
Current assets				
Trade and other receivables	16	61.1	17.8	16.8
Investment property held for sale	11	8.5	31.2	11.8
Cash and cash equivalents	17	22.7	33.8	74.2
		<u>92.3</u>	<u>82.8</u>	<u>102.8</u>
Total assets		<u>260.3</u>	<u>257.8</u>	<u>330.0</u>
Equity				
Ordinary shares	18	-	-	-
Retained earnings		(201.8)	(205.8)	(192.1)
Total equity		<u>(201.8)</u>	<u>(205.8)</u>	<u>(192.1)</u>
Liabilities				
Non-current liabilities				
Borrowings	20	97.1	101.1	43.7
Deferred income tax liabilities	21	8.1	13.7	14.9
Provisions for other liabilities and charges	22	273.5	304.0	390.7
		<u>378.7</u>	<u>418.8</u>	<u>449.3</u>
Current liabilities				
Trade and other payables	19	56.2	30.6	54.4
Provisions for other liabilities and charges	22	27.2	14.2	18.4
		<u>83.4</u>	<u>44.8</u>	<u>72.8</u>
Total liabilities		<u>462.1</u>	<u>463.6</u>	<u>522.1</u>
Total equity and liabilities		<u>260.3</u>	<u>257.8</u>	<u>330.0</u>

Chairman.....

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Group Retained earnings £m	Company Retained earnings £m
	<hr/>	<hr/>
Balance as at 1 April 2008	(183.2)	(192.1)
Profit/ (loss) for the year	(9.3)	(13.7)
Balance as at 1 April 2009	<hr/> (192.5) <hr/>	<hr/> (205.8) <hr/>
Profit/ (loss) for the year	8.1	4.0
Balance as at 31 March 2010	<hr/> (184.4) <hr/>	<hr/> (201.8) <hr/>

CASH FLOW STATEMENT

	Notes	Group Year ended 31 March		Company Year ended 31 March	
		2010 £m	2009 £m	2010 £m	2009 £m
Cash flows from operating activities					
Cash generated from operations	23	(24.3)	(7.3)	(24.1)	(6.8)
Interest received	8	0.6	3.9	0.6	3.9
Interest paid	8	-	(0.2)	-	(0.2)
Income tax paid		-	-	-	-
Net cash generated from operating activities		(23.7)	(3.6)	(23.5)	(3.1)
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		-	(44.2)	-	(44.2)
Investment property- capital additions	10	(20.1)	(7.6)	(20.1)	(7.6)
Investment property- sales		36.7	40.8	36.7	40.8
Loans granted to subsidiary undertakings		-	-	(0.2)	1.8
Net cash used in investing activities		16.6	(11.0)	16.4	(9.2)
Cash flows from financing activities					
Proceeds from borrowings		-	60.0	-	60.0
Repayments of borrowings		(4.0)	(88.1)	(4.0)	(88.1)
Interest received		-	2.8	-	2.8
Interest paid		-	(2.8)	-	(2.8)
Net cash used in financing activities		(4.0)	(28.1)	(4.0)	(28.1)
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		(11.1)	(42.7)	(11.1)	(40.4)
Cash and bank overdrafts at beginning of year		0.5	(0.5)	0.5	(2.8)
Cash equivalent at beginning of year		33.3	77.0	33.3	77.0
Cash, cash equivalents and bank overdrafts at end of Year	17	22.7	33.8	22.7	33.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

BRB (Residuary) Limited and its wholly-owned subsidiaries (together 'the group') manage the residual responsibilities & liabilities of the former British Railway Board. Under the Transport Act 2000, BRB (Residuary) Limited has had transferred to it the assets and liabilities of the British Railways Board, such that BRB (Residuary) Limited has net liabilities. The Secretary of State has provided assurance of support in relation to the liabilities transferred from the British Railways Board. In the light of this assurance, the accounts are prepared on a going concern basis.

The company is registered in the UK, registration number 4146505, at One Kemble Street London WC2B 4AN.

2. Significant Accounting Policies

2.1 Basis of preparation

This is the first set of financial statements prepared by the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The group has elected to adopt IFRS, in line with Central Government. Previously the Group reported under UK Generally Accepted Accounting Policies ('UK GAAP'). The date of transition to IFRS is 1 April 2008.

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain non current assets.

Standards, amendments and interpretations that are not yet effective and have not been adopted early by the Group and Company

The IASB and IFRIC have issued the following standards, amendments and interpretations which take effect in 2010/11 or later years.

- IAS 24 (amendment) 'Related party disclosures'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- IAS 32 (amendment) 'Financial instruments; Presentation on classification or right issues'
- IAS 39 (amendment) 'Financial instruments; Recognition and measurement'
- IFRS 1 (revised) 'First time adoption of IFRS'
- IFRS 1 (revised) (amendments) 'First time adoption of IFRS'
- IFRS 2 (revised) 'Share- based payment'
- IFRS 3 (revised) 'Business combinations'
- IFRS 9 'Financial instruments'
- IFRIC 14 IAS 19 (amendment) 'The limit on a defined benefit asset, minimum funding requirements and their interaction'
- IFRIC 17 'Distributions of non-cash assets to owners'
- IFRIC 18 'Transfers of assets from customers'
- Annual improvements 2009 and 2010

It is not expected that any of the above will have a material impact on future years' financial statements, although there may be additional disclosure requirements. Management will review these requirements as and when they become applicable.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from the other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements are in respect of the Group's provisions for other liabilities and charges.

2.2 Consolidation

- **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They cease to be consolidated from the date on which control ceases.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the asset given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities are recognised as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between subsidiaries are eliminated in full.

2.3 Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the group operates. The consolidated financial statements are presented in Pounds Sterling, which is the group's functional currency.

2.4 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

b) Trade receivables and other receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

c) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2.5 Property, plant and equipment

Property, plant and equipment includes IT equipment and servers.

Assets are carried at cost less accumulated depreciation and accumulated impairment losses, and are reviewed for indications of impairment at each reporting date. Depreciation of these assets is charged to income. Depreciation is charged to operating expenses over their estimated useful lives of 5 years, using the straight line method. The management feels that straight line method is appropriate as the assets are of low value and the consumption of economic benefit is evenly spread over their estimated lives.

Gains and losses on disposal of property, plant and equipment are taken to the statement of comprehensive income. Repairs and maintenances are charged to the statement of comprehensive income when the expenditure is incurred.

2.6 Investment property

The group's investment property portfolio comprises Administrative Buildings and Non-Operational Property. Investment properties are held at fair value and revalued annually. The surplus or deficit on revaluation is reported in consolidated statement of comprehensive income. No depreciation is provided in respect of investment property.

Administrative Buildings

Office buildings are revalued annually on an individual property basis to current open market value, assuming existing use, by professional external surveyors. Where properties are revalued the charges are taken to the statement of comprehensive income.

Non-operational property

Non-operational property is carried at estimated market value, and is revalued annually on an open market basis by professional external surveyors.

Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for carrying amounts in the financial statements.

Where properties are revalued, the charges are taken to the statement of comprehensive income. Income from disposals is accounted for at the date of sale.

Non-operational property is held as a current asset when properties are released, ready for sale and expected to be sold in the next year. All other properties are held as investment properties.

2.7 Investment property held for sale

Under directions and guidance from the DfT, BRB (Residuary) Ltd operates a process to consider the likely usefulness of land for transport purposes before releasing it for sale. Properties are classified as 'investment property held for sale' once they are released, ready for sale and expected to be sold in the next year as per IFRS 5. All other properties are held as investment property pending a decision about its future use.

2.8 Inventory

Inventory describes property in Manchester which was originally held as investment property. This property does not satisfy the requirements of *IFRS 5; Assets held for sale* and has therefore been treated as inventory held in the accounts at original cost, on the basis that an election will be made for the historic cost of the asset to also be the tax base cost on any future sale. This will require an election to be made to HMRC within the required deadline.

2.9 Burdensome structures

Burdensome structures by their nature are not easily disposed of and consequently BRB Residuary Limited has decided that the most economic way to manage these structures is to maintain them to current safety standards and dispose of them when and if an appropriate opportunity arises. Expenditure on these structures is charged to the statement of comprehensive income as incurred.

2.10 Intangible assets

a) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated

impairment losses. At each reporting date, the group assess whether there is any indication that goodwill may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Impairment losses on goodwill are not reversed.

2.11 Pensions

BRB (Residuary) Ltd participates in 2 pension schemes which are as follows:

The BR Shared Cost Section of the Railway Pension Scheme is a defined benefit scheme. BRB (Residuary) Ltd is accounting for the pension contributions as if the scheme were a defined contribution scheme as it is not possible to separately identify the assets and liabilities in the scheme. Therefore, as required by IAS 19, the contributions are charged directly to the statement of comprehensive income.

The last actuarial review for funding purposes was carried out as at 31 December 2007 by independent qualified actuaries Watson Wyatt Partners. The scheme is open to new members.

As at 31 March 2010, the deficit in the whole of the Railway Pension Scheme was £1,642m. BRB (Residuary) Ltd has a British Crown guarantee to cover any long-term deficits arising in the scheme.

The Principal Civil Service Pension Scheme exists for all members of the Civil Service. The scheme is a defined benefit scheme backed by the Government. Within BRB (Residuary) Ltd, the scheme is not open to new members. Again, BRB (Residuary) Ltd is accounting for pension contributions as if the scheme were a defined contribution scheme as it is not possible to separately identify the assets and liabilities in the scheme. Therefore, as required by IAS 19, the contributions are charged directly to the statement of comprehensive income.

2.12 Revenue recognition

Revenue represents amounts receivable in respect of property rental income, advertising income and other property and trading activity earned in the normal course of business. Revenue is shown net of VAT and other sales-related taxes.

a) Interest income

Interest income is recognised using the effective interest method.

b) Rental Income

Rental income from investment property that is leased under an operating lease is recognised in the statement of comprehensive income on a straight-line basis over the lease term and is included in 'trading income'.

c) Dividend income

Dividend income is recognised when the group's right to receive payment has been established and is shown as 'miscellaneous income'.

2.13 Income tax

The tax expense represents the sum of the current tax payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated using the tax rates that have been enacted, or substantively enacted, by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on the temporary differences that arise when the tax authority recognises and measures assets and liabilities with rules that differ from those in the accounts. Deferred taxes are calculated under the balance sheet liability method at the rate of tax expected to prevail (subject to the rate being enacted or substantively enacted by that date) when temporary differences reverse. Deferred tax is not discounted.

Deferred tax liabilities are generally recognised for taxable temporary differences, and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

2.14 Provisions

Provisions for legal claims are recognised when; the group has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Government grant

Grants and other contributions received towards the cost of property, plant and equipment are included in trade and other payables as deferred income and released to the statement of comprehensive income over the estimated useful economic life of the asset which it relates to.

Revenue grant earned for management and provision of North Pole sites are credited to the statement of comprehensive income in the period to which they relate.

A grant of £13.5m was received by the group in the year ending 31 March 2009 for a variety of purposes (including a number of legacy issues). No further grant has been received during the year ending 31 March 2010.

2.16 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The group leases certain items of property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments.

The group has a back to back rolling stock lease. The assets and liabilities relating to the lease are included in trade and other receivables and borrowings respectively.

The leases are effectively accounted for as finance leases (see note 20) but due to their back to back nature full disclosure of payables/ receivables etc is not included in the financial statements.

Each lease payment is apportioned between the liability and finance charges so as to produce a constant periodic rate of interest over the lease term. Rental obligations, net of finance charges, are included in borrowings in the balance sheet.

The group leases out (as an operating lease) office buildings that it owns. The assets are included in the balance sheet as investment properties. Rental income is recognised in accordance with the rental income accounting policy in note 2.12 (b).

3. Revenue

Trading Income

	Group Year ended	
	31 March 2010	31 March 2009
	£m	£m
Rents and maintenance charges	20.8	21.9
Miscellaneous income	3.5	31.9
	24.3	53.8

Miscellaneous income for the year ending 31 March 2009 included a one-off property allowance scheme payment of £27.5m received from Network Rail.

4. Analysis of operating expenditure

Analysis of expenditure

	Group Year ended	
	31 March 2010	31 March 2009
	£m	£m
Employee benefit costs (note 6(d))	2.9	2.8
Materials, supplies and services	(1.8)	47.5
Estate management costs	29.4	35.0
Operating expenditure	30.5	85.3

Estate management costs include operating expenses relating to both rented and unrented properties. Materials, supplies and services expense for the year ending 31 March 2009 includes a £38.8m employee liability provision charge (see note 22).

5. Onerous lease provision release/ charge

During the year a total onerous provision charge of £0.9m was made, relating to Axis, Overline House, Whittles House, Friars Bridge Court Road and Waterloo International Terminal.

In the year ending 31 March 2009, BRB (Residuary) Ltd purchased a number of companies with freehold properties for a consideration of £44.2m as part of its onerous lease re-structuring programme. Previously BRB (Residuary) Ltd recorded an onerous lease provision of £122.6m in relation to these properties in the 2007/8 financial statements. It was fully released in the year ending 31 March 2009.

6. Operating result

(a) The operating result for the period is stated after charging:

Property leases and rentals of £16.7m (2009: £21.9m).

Auditors' remuneration and expenses of £139k (2009:£126k). During the year we have also appointed PricewaterhouseCoopers LLP as liquidator for some of the company's dormant subsidiaries at a cost of £26k.

Depreciation of £nil (2009: £nil), and hire of plant and equipment of £11k (2009: £8k).

BRB (Residuary) Limited is committed to the maintenance of burdensome structures for an unspecified future period. In the period to 31 March 2010, costs associated with the maintenance and disposal of these structures amounted to £8.5m (2009: £7.9m).

The charges described above include movements on provisions of £1.1m (2009: £72.5m charge).

(b) Charitable donations

There was no charitable donation made during the year (2009: £500).

(c) Directors

The directors' remuneration paid in the year was as follows:

	Salary £000	Benefits in Kind £000	Total £000	Pension Contributions £000	Total £000
G W D Sutherland	191	-	191	30	221
P C Trewin	151	3	154	-	154
T A Jenner	65	-	65	-	65
C Pierce	19	-	19	-	19
	<u>426</u>	<u>3</u>	<u>429</u>	<u>30</u>	<u>459</u>

As at 31 March 2010 the sum of accrued pension for the highest paid director was £15.8K (lump sum £1.2k)

(d) Employee benefit costs

	Group Year ended	
	31 March 2010	31 March 2009
	£m	£m
Salaries and wages	2.3	2.3
Social security costs	0.3	0.2
Pension costs: defined benefit schemes	0.3	0.3
	2.9	2.8

(e) Staff numbers

The average number of staff employed, excluding Board Members was as follows:

	Number Employed 31 March 2010	Number Employed 31 March 2009
BRB (Residuary) Ltd	36	34

7. Profit on disposal of investment property

	Non-Operational Estate £m	AOE Freehold Property £m	31 March 2010 Total £m	31 March 2009 Total £m
Sales proceeds	35.1	2.6	37.7	42.2
Carrying value	(22.2)	(2.8)	(25.0)	(18.6)
Profit before selling costs	12.9	(0.2)	12.7	23.6
Selling costs incurred	(1.0)	-	(1.0)	(1.7)
Profit on disposal of investment property	11.9	(0.2)	11.7	21.9

8. Finance income and expense

	Group Year ended	
	31 March 2010 £m	31 March 2009 £m
Interest receivable on:		
Leases	2.6	2.8
Other	0.6	3.9
	<u>3.2</u>	<u>6.7</u>
Interest payable on leases	(2.6)	(2.8)
Unwinding of discount on provisions and long term creditors	(1.0)	(0.8)
Other	-	(0.2)
	<u>(3.6)</u>	<u>(3.8)</u>
Finance income /(expense)	<u>(0.4)</u>	<u>2.9</u>

9. Property, plant and equipment

	Group & Company			Total £m
	Plant and Equipment £m	IT Equipment £m	Buildings £m	
<i>Costs</i>				
Gross book values at 1 April 2008, 2009 and at 31 March 2010	0.1	0.2	-	0.3
<i>Depreciation</i>				
Accumulated depreciation at 1 April 2008, 2009 and 31 March 2010	(0.1)	(0.2)	-	(0.3)
Net book values at 31 March 2010, 2009 and at 31 March 2008	-	-	-	-

10. Investment property

Group	As at 31 March		
	2010 £m	2009 £m	2008 £m
Opening Value	132.6	170.9	60.7
Additions due to business combinations	-	36.5	-
Capitalised subsequent expenditure	20.1	7.6	2.7
Fair value adjustment during the year	(1.9)	(30.4)	66.4
Transfer from/ (to) investment property held for sale	(34.7)	(52.0)	41.1
Closing balance	<u>116.1</u>	<u>132.6</u>	<u>170.9</u>

Company	As at 31 March		
	2010 £m	2009 £m	2008 £m
Opening Value	101.4	170.9	60.7
Capitalised subsequent expenditure	20.1	7.6	2.7
Fair value adjustment during the year	(2.7)	(30.4)	66.4
Transfer from/ (to) investment property held for sale	(2.3)	(38.2)	41.1
Reclassification of fixed assets within the group	(17.5)	(8.5)	-
Closing balance	99.0	101.4	170.9

Freehold buildings were valued on 31 March 2010 by external qualified chartered surveyors, principally Sanderson Weatherall and Lambert Smith Hampton, on an open market existing use basis in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation manual. When fair value could not be reliably determined, cost model was used (cost less impairment).

During the year, BRB (Residuary) Limited undertook various capital improvements to Rail House Manchester. As the property is now held by Whittles Properties Manchester Limited, the assets now have been transferred to this company.

11. Investment property held for sale

BRB (Residuary) Limited holds a portfolio of land which was not required for railway operational purposes, and accordingly was retained by British Railways Board during the privatisation process. The land was transferred to BRB (Residuary) Limited under a transfer scheme in accordance with the Railways Act 1993. It is the intention to dispose of this property where there is not a realistic prospect of the property being required for rail or other transport use in the foreseeable future.

In accordance with directions and guidance from the DfT, BRB (Residuary) Ltd operates a process to consider the likely usefulness of land for transport purposes before releasing it for sale. As at 31 March 2010, 95 properties (2009: 234 properties) with a value of £23.4m (2009 £31.2m) at current market prices have been released for sale group-wide. These properties are held as current assets pending sale. All other land is held as investment property pending a decision about its future use.

Group	As at 31 March		
	2010 £m	2009 £m	2008 £m
Opening Value	31.2	11.8	85.6
Fair value adjustment during the year	-	-	6.9
Disposals	(25.0)	(18.8)	(32.8)
Transfer to/ (from) investment property held for sale	34.7	52.0	(41.1)
Transfer to inventory	(17.5)	(13.8)	-
Reclassification (see note 26)	-	-	(6.8)
Closing balance	23.4	31.2	11.8

Company	As at 31 March		
	2010 £m	2009 £m	2008 £m
Opening Value	31.2	11.8	85.6
Fair value adjustment during the year	-	-	6.9
Disposals	(25.0)	(18.8)	(32.8)
Transfer to/ (from) investment property held for sale	2.3	38.2	(41.1)
Reclassification (see note 26)	-	-	(6.8)
Closing balance	8.5	31.2	11.8

12. Inventory

Inventory describes property in Manchester which was originally held as investment property. This property does not satisfy the requirement for *IFRS 5: Assets held for sale* and has therefore treated as inventory held in the accounts at original cost, on the basis that an election will be made for the historic cost of the asset to also be the tax base cost on any future sale.

Group	As at 31 March		
	2010 £m	2009 £m	2008 £m
Opening Value	13.8	-	-
Transfer from investment properties held for sale	17.5	13.8	-
Closing balance	31.3	13.8	-

13. Intangible assets

Group	2010 Goodwill £m	2009 Goodwill £m
	Net book amount as at 1 April	-
Arising during the year	-	95.5
Impairment charge	-	(95.5)
Net book amount as at 31 March	-	-

On 18 February 2009 BRBR entered into an onerous lease restructuring programme. BRBR purchased a number of companies and property interests for £44.2m. The transaction generated a goodwill charge of £95.5m calculated as follows:

2009 Group	Goodwill £m
Consideration	44.2
Fair value of net assets acquired	51.3
Goodwill arising on acquisition	95.5

Previously BRBR recorded an onerous lease provision of £122.6m in relation to those properties in the 2007/08 financial statements. As BRBR now has the property interest, BRBR fully released the provisions and impaired down the goodwill generated on this transaction during the year ending 31 March 2009.

14. Investments in subsidiaries

BRB (Residuary) Limited has the following subsidiaries, which have an accounting year-end of 31 March 2010.

Company Name	Activity	Issued Share Capital	Cost less provision for impairment	Percentage Owned by BRB (Residuary) Ltd
British Rail Engineering Limited	Dormant	1,000,000	1,000,000	100
RFD (Channel Tunnel) Limited	Dormant	10,100	10,100	100
British Transport Hotels Limited	Dormant	9,582,537	9,582,537	100
The Pullman Car Company Limited	Dormant	1,671,000	1,671,000	100
British Rail Limited	Dormant	1	1	100
British Railways Limited	Dormant	1	1	100
British Railways Board Limited	Dormant	1	1	100
South Eastern Trains Limited	Trading	2	2	100
DOA Limited	Dormant	1	1	100
Passgift Limited	Trading	1	-	100
Holaw (458) Limited	Trading	1	-	100
Reefstem Limited	Trading	1	-	100
Ridgedrum Limited	Trading	1	-	100
Holaw (473) Limited	Trading	1	-	100
Manorsign Limited	Trading	1	-	100
Whittles Properties Trent & Derwent Limited	Trading	1	16,471,446	100
Whittles Properties Brunel Limited	Trading	1	3,055,211	100
Whittles Properties Crewe Limited	Trading	1	1	100
Whittles Properties Croydon Limited	Trading	1	113,048	100
Whittles Properties Manchester Limited	Trading	1	1	100
Diesel Trains Limited	Dormant	1	1	100
			31,903,351	

Investments are carried at cost less any provision for impairment in value.

During the year ending 31 March 2010, Cross Channel Catering, Whittles (Islington) Limited (formerly Crossrail Limited) and South Eastern Trains Holdings were liquidated. The company received a final dividend of £0.3m from Cross Channel Catering Limited.

15. Financial instruments by category

Group 2010

Assets as per Balance Sheet

Trade and other receivables (excluding pre-payments)
Cash and cash equivalent
Total

Loans and receivables £m	Total £m
44.2	44.2
22.7	22.7
66.9	66.9

Liabilities as per Balance Sheet

Borrowings
Trade and other payables
Total

Other financial liabilities at amortised cost £m	Total £m
97.1	97.1
23.1	23.1
120.2	120.2

Company 2010

Assets as per Balance Sheet

Trade and other receivables (excluding pre-payments)
Cash and cash equivalent
Total

Loans and receivables £m	Total £m
90.9	90.9
22.7	22.7
113.6	113.6

Liabilities as per Balance Sheet

Borrowings
Trade and other payables
Total

Other financial liabilities at amortised cost £m	Total £m
97.1	97.1
56.2	56.2
153.3	153.3

Group 2009

Assets as per Balance Sheet

Trade and other receivables (excluding pre-payments)
Cash and cash equivalent
Total

Loans and receivables £m	Total £m
51.8	51.8
33.8	33.8
85.6	85.6

Group 2009

Liabilities as per Balance Sheet	Other financial liabilities at amortised cost £m	Total £m
Borrowings	101.1	101.1
Trade and other payables	26.0	26.0
Total	127.1	127.1

Company 2009

Assets as per Balance Sheet	Loans and receivables £m	Total £m
Trade and other receivables (excluding pre-payments)	54.7	54.7
Cash and cash equivalent	33.8	33.8
Total	88.5	88.5

Liabilities as per Balance Sheet	Other financial liabilities at amortised cost £m	Total £m
Borrowings	101.1	101.1
Trade and other payables	30.6	30.6
Total	131.7	131.7

Group 2008

Assets as per Balance Sheet	Loans and receivables £m	Total £m
Trade and other receivables (excluding pre-payments)	52.9	52.9
Cash and cash equivalent	76.5	76.5
Total	129.4	129.4

Liabilities as per Balance Sheet	Other financial liabilities at amortised cost £m	Total £m
Borrowings	43.7	43.7
Trade and other payables	35.1	35.1
Total	78.8	78.8

Company 2008

Assets as per Balance Sheet	Loans and receivables £m	Total £m
Trade and other receivables (excluding pre-payments)	52.3	52.3
Cash and cash equivalent	74.2	74.2
Total	126.5	126.5

Liabilities as per Balance Sheet	Other financial liabilities at amortised cost £m	Total £m
Borrowings	43.7	43.7
Trade and other payables	54.4	54.4
Total	98.1	98.1

Risk analysis involving financial instruments are provided in note 24 Risk management.

16. Trade and other receivables

Group	As at 31 March		
	2010 £m	2009 £m	2008 £m
Trade receivables	45.2	53.9	56.5
Less: Provision for impairment of trade receivables	(1.0)	(2.1)	(4.3)
Trade receivables- net	44.2	51.8	52.2
Prepayments	7.6	4.2	8.2
Other receivables	-	-	0.7
	51.8	56.0	61.1
Less: Non current portion of trade receivables	(37.1)	(41.1)	(43.7)
Current portion	14.7	14.9	17.4

Company	As at 31 March		
	2010 £m	2009 £m	2008 £m
Trade receivables	44.9	52.3	53.2
Less: Provision for impairment of trade receivables	(1.0)	(1.1)	(1.1)
Trade receivables- net	43.9	51.2	52.1
Prepayments	7.3	4.2	8.2
Other receivables	47.0	3.5	0.2
	98.2	58.9	60.5
Less: Non current portion of trade receivables	(37.1)	(41.1)	(43.7)
Current portion	61.1	17.8	16.8

Receivables include £40.2m recoverable from successor businesses relating to leasing liabilities. This amount is owed by Freightliner (1995) Limited. £28.6m of this debt falls due between 2011 and 2015. Since its privatisation in 1996, Freightliner (1995) Limited has required revenue funding by government grants. As discussed in note 2.15 the Group has a back to back rolling stock lease and the liability portion of the lease is included in borrowings (see note 20). No provision has been made against this debt.

Movements on the group and company provision for impairment of trade receivables are as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
At 1 April	2.1	4.3	1.1	1.1
Provided for	-	-	-	-
Written off	(0.8)	-	(0.1)	-
Released/ used	(0.3)	(2.2)	-	-
At 31 March	1.0	2.1	1.0	1.1

17. Cash and cash equivalents

	As at 31 March		
Group	2010 £m	2009 £m	2008 £m
Cash at bank and on hand	1.5	0.2	(0.5)
Short-term deposits	21.2	33.6	77.0
	22.7	33.8	76.5

	As at 31 March		
Company	2010 £m	2009 £m	2008 £m
Cash at bank and on hand	1.5	0.2	(2.8)
Short-term deposits	21.2	33.6	77.0
	22.7	33.8	74.2

18. Share capital

	As at 31 March		
Group and company	2010 £	2009 £	2008 £
Authorised			
10,000,000 (2009:10,000,000)			
Ordinary shares of £1 each			
Allotted, called up and fully paid	1	1	1

19. Trade and other payables

Group	As at 31 March		
	2010 £m	2009 £m	2008 £m
Trade payables	12.7	15.8	1.7
Amounts due to subsidiary undertakings	-	-	-
Social security and other taxes	1.4	1.4	3.8
Accrued expenses	9.0	8.8	29.6
Current portion	23.1	26.0	35.1

Company	As at 31 March		
	2010 £m	2009 £m	2008 £m
Trade payables	11.3	15.8	1.7
Amounts due to subsidiary undertakings	34.6	5.3	19.9
Social security and other taxes	1.4	1.4	3.8
Accrued expenses	8.9	8.1	29.0
Current portion	56.2	30.6	54.4

20. Borrowings

Group and company	As at 31 March		
	2010 £m	2009 £m	2008 £m
Non current			
Loan from parent	60.0	60.0	-
Leasing liabilities	37.1	41.1	43.7
	97.1	101.1	43.7
Current			
Leasing liabilities	4.2	3.5	0.2
Total borrowings	101.3	104.6	43.9

Repayment of loans and leasing liabilities included above

Group and company	As at 31 March		
	2010 Leases £m	2009 Leases £m	2008 Leases £m
Due for repayment within one year	4.2	3.5	0.2
Between one and two years	4.9	4.2	0.5
Between two and five years	19.5	16.9	13.8
In five years or more	11.6	19.1	29.4
	40.2	43.7	43.9

No repayment schedule is in place in respect of the loan from the parent entity (Department for Transport). Arrangements for ensuring that adequate funds will continue to be made available via the DfT are set out in the Going Concern and the Government Guarantee section of the introduction to the accounts. No interest is charged in respect of this balance.

21. Taxation

BRB (Residuary) Limited is assessed in accordance with the Taxes Acts.

The income tax expenses/ (credit) for taxation based on the profit for the year is as follows;

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current tax at 28% (2009:28%)	-	-	-	-
Deferred tax at 28% (2009:28%)	(5.8)	(0.7)	(5.6)	(1.2)
	(5.8)	(0.7)	(5.6)	(1.2)

The income tax expense/ (credit) for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Profit/ (loss) before taxation	2.3	(10.0)	(1.6)	(14.9)
Tax at the UK corporation tax rate of 28% (2009: 28%)	0.6	(2.8)	(0.5)	(4.2)
Taxable temporary differences	(6.4)	2.1	(5.1)	3.0
Income tax expense/ (credit) for the year	(5.8)	(0.7)	(5.6)	(1.2)

The deferred tax liabilities and assets recognised at the current and prior balance sheet dates are as follows:

Group	As at 31 March		
	2010 £m	2009 £m	2008 £m
Investment property	28.1	28.8	47.6
Investment property held for sale	0.7	5.0	2.5
Onerous lease provision	(15.4)	(16.0)	(35.2)
Tax losses	(5.0)	(3.6)	-
Balance sheet total	8.4	14.2	14.9

Company	As at 31 March		
	2010 £m	2009 £m	2008 £m
Investment property	27.6	28.3	47.6
Investment property held for sale	0.9	5.0	2.5
Onerous lease provision	(15.4)	(16.0)	(35.2)
Tax losses	(5.0)	(3.6)	-
Balance sheet total	8.1	13.7	14.9

22. Provisions for other liabilities and charges

2010 Group	Property £m	Employee £m	Business Sales and Other £m	Redundancy £m	Total £m
As at 1 April 2009	57.2	253.1	4.9	3.4	318.6
Charged / (credited) to the statement of comprehensive income	0.3	-	(0.8)	-	(0.5)
Unwinding discount	-	0.6	0.4	-	1.0
Revised discount rate	0.6	-	-	-	0.6
Used during year	(2.9)	(15.1)	-	(0.6)	(18.6)
As at 31 March 2010	55.2	238.6	4.5	2.8	301.1

2010 Company	Property £m	Employee £m	Business Sales and Other £m	Redundancy £m	Total £m
As at 1 April 2009	57.2	253.1	4.5	3.4	318.2
Charged / (credited) to the statement of comprehensive income	0.3	-	(0.8)	-	(0.5)
Unwinding discount	-	0.6	0.4	-	1.0
Revised discount rate	0.6	-	-	-	0.6
Used during year	(2.9)	(15.1)	-	(0.6)	(18.6)
As at 31 March 2010	55.2	238.6	4.1	2.8	300.7

2009 Group	Property £m	Employee £m	Business Sales and Other £m	Redundancy £m	Total £m
As at 1 April 2008	174.7	226.9	4.6	3.6	409.8
Additional provision	-	38.8	0.6	0.2	39.6
Unused amounts reversed	(118.5)	-	-	-	(118.5)
Unwinding discount	0.3	0.5	-	-	0.8
Revised discount rate	5.6	-	-	-	5.6
Used during year	(4.9)	(13.1)	(0.3)	(0.4)	(18.7)
As at 31 March 2009	57.2	253.1	4.9	3.4	318.6

2009 Company	Property £m	Employee £m	Business Sales and Other £m	Redundancy £m	Total £m
As at 1 April 2008	174.7	226.9	3.9	3.6	409.1
Additional provision	-	38.8	0.6	0.2	39.6
Unused amounts reversed	(118.5)	-	-	-	(118.5)
Unwinding discount	0.3	0.5	-	-	0.8
Revised discount rate	5.6	-	-	-	5.6
Used during year	(4.9)	(13.1)	-	(0.4)	(18.4)
As at 31 March 2009	57.2	253.1	4.5	3.4	318.2

Analysis of total provisions:

Group	As at 31 March		
	2010 £m	2009 £m	2008 £m
Non-current	273.9	304.1	391.1
Current	27.2	14.5	18.7
	301.1	318.6	409.8

Company	As at 31 March		
	2010 £m	2009 £m	2008 £m
Non-current	273.5	304.0	390.7
Current	27.2	14.2	18.4
	300.7	318.2	409.1

(a) Property

The property portfolio, which has been inherited from the British Railways Board by BRB (Residuary) Limited, includes a number of leased administration buildings with on-going contractual liabilities expiring at various dates between 2008 and 2098. Forecast cash flows have been produced for each of these buildings based on external valuations and discounted using appropriate Government gilt rates in line with IAS 37. Factors considered include the outcome of rent reviews, refurbishment costs, dilapidations and, in particular, the ability to sub-let these properties. No provision is made for management expenses and day to day administration costs. The movement in discount rate reflects changes in gilt rates during the period.

(b) Employee

The employee provision relates to industrial injury and disease claims arising from the British Railways Board's large employee base both prior to and subsequent to privatisation and for which indemnities were given to the majority of sold businesses which have been inherited by BRB (Residuary) Limited. The diseases concerned include asbestosis, mesothelioma, pleural plaques, deafness and vibration white finger. The provision is based on forecasts of future cash flows, based on the model produced by the Institute of Actuaries Asbestos Working Group. Claims are forecast to be received until at least 2040 and, based on recent evidence, possibly until 2050.

(c) Business sales and other

The provision for business sales and other includes commitments made to the purchasers of the former British Railways Board businesses under warranties and indemnities agreed during the sale process, public liability claims relating to periods prior to privatisation and claims under the British Railways Board's central insurance fund. The provision has been discounted using appropriate Government gilt rates in line with IAS 37.

(d) Redundancy

The redundancy provision relates to the contraction of the activity formerly undertaken by the British Railways Board and the outsourcing of property estate management. The redundancy provision also includes provision inherited from the Strategic Rail Authority (SRA).

23. Cash flows from operating activities

Cash generated from operating activities	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Trading income	24.4	53.8	24.4	53.8
Operating expenditure	(31.3)	37.3	(31.2)	37.4
Profit on disposal of fixed assets/ non-operational property	-	(18.8)	-	(18.8)
Net interest receivable/ payable	-	(0.8)	-	(0.8)
Investment property	-	0.8	-	0.8
Non operational property	-	18.0	-	18.0
Provisions	(18.6)	(91.2)	(18.8)	(90.8)
Changes in workings capital				
- Trade and other receivables	4.1	3.3	4.1	3.3
- Trade and other payables	(2.9)	(9.7)	(2.6)	(9.7)
Cash generated from operations	(24.3)	(7.3)	(24.1)	(6.8)

24. Risk management

The major risks associated with the Company's business are market risk, credit risk, operational risk and liquidity risk. The company has established a comprehensive framework for managing these risks which are continually evolving as business activities change in response to market, credit and other developments.

Market risk

Financial year 2009/10 saw a continuation of the difficult trading conditions reflective of the general economic environment. The impact of this was felt most keenly by BRBR within the area of property disposals the proceeds from which fund the other activities of the Company. BRBR will continue to monitor market conditions closely, particularly with regard to the likely impact on the programme to realise value from the Non Operational Estate and the Admin Office Estate.

Credit risk

The company's principal financial assets are cash and cash equivalents, trade and other receivables and amounts owed by other members of the group. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The company does not hold collateral over these balances.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are British banks with high credit ratings assigned by international credit-rating agencies. The credit risk on group undertaking is limited because the undertakings are under common control and the directors are confident of them continuing as going concerns.

BRBR's credit control is managed by property agents on a day to day basis. BRBR monitors cash collection and debtor ageing to ensure assets are safe guarded. Performance bonuses for the agents have been put in place to incentivise them to collect all debts on time. Debts over 90 days are reviewed by the management at the end of each period.

The company's credit risk is primarily attributable to its trade and operating lease receivables, although this is also considered limited as rentals are payable in advance.

Trade and other receivables are aged as follows;

	31 March 2010	31 March 2009
	£m	£m
>120 days	42.0	47.7
<120 days	-	0.9
<90 days	0.2	0.1
<60 days	-	0.2
<30 days	2.0	2.9
Total	44.2	51.8

Held within >120 days includes amounts owing from Freightliner of £36.0m. This relates to rolling stock leases and the payments are being received in accordance with the lease payment schedule.

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, system failure, fraud or inadequate internal financial controls and procedures.

The Company manages this risk through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingent facilities to support operations in the event of disaster.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company monitors its cash flow requirements and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. Arrangements for ensuring that adequate funds will continue to be made available via the parent entity are set out in the Going Concern and the Government Guarantee section of the introduction to the accounts.

25. Commitments

(a) Operating lease commitments- group company as lessee

The group pays head rent on several office premises under non-cancellable operating lease agreements.

As discussed in note 22 the company's property portfolio includes a number of leased administration buildings with on-going contractual liabilities expiring at various dates between 2010 and 2098. The company has adopted a net basis of presentation in respect of these leases and the net liabilities arising from these arrangements, being akin to onerous contract provisions, have been included in provisions for other liabilities and charges.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows;

	31 March 2010	31 March 2009
	£m	£m
Due for repayment within 1 year	5.9	6.2
Between 1 and 2 years	2.3	5.8
Between 2 and 5 years	6.8	6.7
In 5 years or more	639.8	642.2
Total	654.8	660.9

(b) Operating lease commitments- group company as lessor

The group receives rental income on several office premises under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows;

	31 March 2010	31 March 2009
	£m	£m
Due to be received within 1 year	8.6	9.7
Between 1 and 2 years	5.4	8.6
Between 2 and 5 years	9.5	12.3
In 5 years or more	7.3	10.7
Total	30.8	41.3

(c) Contractual obligations in respect of investment property

As discussed in the Operating Review section of the Operating and Financial Review, the Company continues to work closely with the Office of Government Commerce (OGC), Shareholder Executive and DfT in supporting a number of Government property initiatives which have been aimed at reducing the cost of running the civil estate. This has involved the development of a number of sites within the Company's investment property portfolio. As at 31 March 2010, a number of these developments were still ongoing with the Company having entered into contractual obligations in respect of the redevelopment work.

26. IFRS reconciliations- consolidated balance sheet as at 31 March 2008

Group as at 31 March 2008	Previously reported under UK GAAP	Investment property IAS40 (1)	Income taxes IAS 12 (2)	Split of provision-current & non current (3)	Reclassification of asset/provision (4)	Restated
	£m	£m	£m	£m	£m	£m
Assets						
Non-current assets						
Investment property	114.5	56.4				170.9
Trade and other receivables	43.7					43.7
	158.2	56.4	-	-	-	214.6
Current assets						
Trade and other receivables	17.4					17.4
Investment property held for sale	75.0	(56.4)			(6.8)	11.8
Cash and cash equivalents	76.5					76.5
	168.9	(56.4)	-	-	(6.8)	105.7
Total Assets	327.1	-	-	-	(6.8)	320.3
Equity						
Other reserves	165.9	(165.9)				-
Retained earnings	(334.2)	165.9	(14.9)			(183.2)
Total equity	(168.3)	-	(14.9)	-	-	(183.2)
Liabilities						
Non-current liabilities						
Borrowings	43.7					43.7
Deferred tax	-		14.9			14.9
Provisions for other liabilities and charges	416.6			(18.7)	(6.8)	391.1
	460.3	-	14.9	(18.7)	(6.8)	449.7
Current liabilities						
Trade and other payables	35.1					35.1
Provisions for other liabilities and charges	-			18.7		18.7
	35.1	-	-	18.7	-	53.8
Total liabilities	495.4	-	14.9	-	(6.8)	503.5
Total equity and liabilities	327.1	-	-	-	(6.8)	320.3

IFRS reconciliations- consolidated balance sheet as at 31 March 2009

Group as at 31 March 2009	Previously reported under UK GAAP	Prior year adjustment	Investment property IAS40 (1)	Income taxes IAS 12 (2)	Split of provision-current & non current (3)	Reclassifi-cation to inventory to (5)	Restated
	£m	£m	£m	£m	£m	£m	£m
Assets							
Non-current assets							
Investment property	146.3	56.4	(56.3)			(13.8)	132.6
Trade and other receivables	41.1						41.1
	187.4	56.4	(56.3)	-	-	(13.8)	173.7
Current assets							
Trade and other receivables	14.9						14.9
Investment property held for sale	38.1	(63.2)	56.3				31.2
Inventory						13.8	13.8
Cash and cash equivalents	33.8						33.8
	86.8	(63.2)	56.3			13.8	93.7
Total Assets	274.2	(6.8)	-	-	-	-	267.4
Equity							
Other reserves	119.9	(165.9)	46.0				-
Retained earnings	(298.2)	151.0	(46.0)	0.7			(192.5)
Total equity	(178.3)	(14.9)	-	0.7	-	-	(192.5)
Liabilities							
Non-current liabilities							
Borrowings	101.1						101.1
Deferred tax	-	14.9		(0.7)			14.2
Provisions for other liabilities and charges	325.4					(21.3)	304.1
	426.5	14.9	-	(0.7)	(21.3)	-	419.4
Current liabilities							
Trade and other payables	26.0						26.0
Provisions for other liabilities and charges	-	(6.8)				21.3	14.5
	26.0	(6.8)	-	-	21.3	-	40.5
Total liabilities	452.5	(8.1)	-	(0.7)	-	-	459.9
Total equity and liabilities	274.2	(6.8)	-	-	-	-	267.4

**IFRS reconciliations- consolidated statement of comprehensive income for the year ending
31 March 2009**

	Previously reported under UK GAPP £m	Investment property IAS 40 (1) £m	Income taxes (2) £m	Restated £m
Revenue- trading income	53.8			53.8
Less: operating costs	(85.3)			(85.3)
Release of onerous lease provision	122.6			122.6
Impairment of goodwill	(95.5)			(95.5)
Gross loss	(4.4)			(4.4)
Net loss from fair value adjustment on investment property	-	(30.4)		(30.4)
Profit/ (loss) from sale of investment property	21.9			21.9
Total operating profit/ (loss)	17.5	(30.4)		(12.9)
Finance income	6.7			6.7
Finance expense	(3.8)			(3.8)
Finance Income	2.9			2.9
Profit before income tax	20.4			(10.0)
Income tax credit	-		0.7	0.7
Profit for the year/ total comprehensive income	20.4	(30.4)	0.7	(9.3)

Notes to reconciliations

Balance sheet & Statement of comprehensive income

(1) Investment Property (IAS 40)

Revaluations and transfers of revalued amounts previously reported under the revaluation reserve under UK GAAP have now been transferred to retained earnings.

(2) Income taxes (IAS 12)

In line with (1), a deferred tax adjustment was made reflecting full provisioning in respect of the valuation of the non operational estate.

(3) Split of provisions between current and non-current (non IFRS adjustment)

Provisions for liabilities and charges have been split between amounts expected to crystallise within 1 year and after more than 1 year.

(4) Reclassifications (non IFRS adjustment)

A provision of £6.8m which was previously held in respect of an investment property has been released, with an impairment being booked for the same amount.

(5) Reclassification to inventory

As at 31 March 2009, property in Manchester was classified as investment property. It has now been reclassified as inventory as the property was purchased and developed for the specific purpose of resale. IAS 2 permits transfer from investment property to inventory when an entity commences the property's development with a view to sale.

Cash flows

The transition to IFRS will not affect the cash flows of the business. The presentation of the cash flow statement for the Group does not differ significantly from that under UK GAAP, except for the inclusion of short term deposits within the definition of cash and cash equivalents. Previously these were shown separately from cash as liquid resource.

There are no material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

27. Related party transactions

The following transactions were carried out with related parties;

(a) Sale of goods & services

BRB (Residuary) Ltd is wholly owned parent company of Whittles Properties Trent & Derwent Ltd, Whittles Properties Brunel Ltd, Whittles Properties Crewe Ltd, Whittles Properties Croydon Ltd, Whittles Properties Manchester Ltd, Whittles Properties Liverpool Ltd. (Whittles entities)

The Whittles entities each holds investment properties, BRB (Residuary) Ltd is acting as an agent for those entities, by collecting rents and paying expenses on their behalf. In return, BRB (Residuary) Ltd receives management fees. During the year ending 31/03/10, BRB (Residuary) Ltd received a total management fee of £24k from these entities.

(b) Key management compensation

Key management includes the Board of Directors (executive and non-executive), all members of Group Management and the Company Secretary. The compensation paid or payable to key management for employee services is shown below;

	31 March 2010	31 March 2009
	£m	£m
Total key management compensation	1.3	1.0

(c) Loans from related parties

BRB (Residuary) Ltd is a company owned wholly by the Department for Transport (DfT). During the year ended 31 March 2009 and 2008, BRB (Residuary) Ltd received additional funding of £60.0m and £13.5m respectively from the DfT.

The £60.0m is being accounted for as a long-term liability in the balance sheet. The £13.5m was treated as deferred income and has been released under the accruals concept.

BRB (Residuary) Ltd made a loan of £5.0m in March 2006 to South Eastern Trains Ltd. This took place prior to South Eastern Trains Ltd becoming a subsidiary. Due to cash transfers from South Eastern Trains this balance has become a £9.0m liability as at 31 March 2010 (2009: £9.1m).

28. Contingent liabilities

The British Railways Board gave certain warranties and indemnities in relation to the sale of businesses, most of which are subject to financial caps and time limits, a number of which extend until 2020 or thereabouts. The potential liabilities include personal injuries and environmental damage. These have now all been transferred to the DfT as part of BRB (Residuary) Limited. Where it is probable that these will materialize a provision has been included within the provision for liabilities and charges. The aggregate sum of the financial caps totals £1.3bn after provisions. In addition there are also certain uncapped liabilities. Whilst it is possible that a number of unexpected claims will emerge over time, BRB

(Residuary) Limited believes that provision has been made in these accounts for the amounts likely to be payable.

29. Post balance sheet events

There have been no significant events between the year end and date of approval of the financial statements which would require a change or additional disclosure in the financial statements.