

Company No: 04146505

**ANNUAL REPORT
BRB (RESIDUARY) LIMITED
31 March 2009**

Registered Office

Whittles House
14 Pentonville Road
London N1 9HF

CONTENTS

CONTENTS	2
DIRECTORS	5
CHAIRMAN’S STATEMENT	6
INTRODUCTION TO THE ACCOUNTS	7
<i>History of BRBR and its Statutory Background</i>	<i>7</i>
<i>Going Concern and the Government Guarantee</i>	<i>7</i>
<i>Results of the Year</i>	<i>7</i>
<i>Members and their Interests</i>	<i>7</i>
<i>Chairman and Chief Executive</i>	<i>7</i>
<i>The Board of the Company</i>	<i>8</i>
<i>Audit Committee</i>	<i>8</i>
<i>Remuneration Committee</i>	<i>8</i>
<i>External Auditors</i>	<i>8</i>
<i>Equal Opportunities</i>	<i>8</i>
<i>Data Handling and Data Security</i>	<i>8</i>
<i>Statement of Directors’ Responsibilities</i>	<i>9</i>
OPERATING AND FINANCIAL REVIEW	10
OPERATING REVIEW	10
<i>Business Overview</i>	<i>10</i>
<i>Strategy</i>	<i>10</i>
<i>Company Structure</i>	<i>10</i>
<i>Non Operational Estate</i>	<i>11</i>
<i>Administrative Office Estate (AOE)</i>	<i>12</i>

<i>AOE Strategy</i>	12
<i>AOE Strategy Implementation: Rail House Manchester</i>	13
<i>Burdensome Estate</i>	14
<i>Claims Management</i>	14
<i>Other Activities</i>	15
<i>Safety</i>	15
FINANCIAL REVIEW	16
<i>Operating Performance</i>	16
<i>Taxation</i>	16
<i>Balance Sheet</i>	16
<i>Financing Strategy</i>	17
<i>Cash Flow</i>	17
<i>Business Risks</i>	17
<i>Market Risk</i>	17
<i>Knowledge Management</i>	17
STATEMENT ON INTERNAL CONTROL	18
<i>Scope of Responsibility</i>	18
<i>The Purpose of the System of Internal Control</i>	18
<i>Capacity to Handle Risk</i>	18
<i>The Risk and Control Framework</i>	18
<i>Review of Effectiveness</i>	19
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRB (RESIDUARY) LIMITED	21
<i>Respective responsibilities of directors and auditors</i>	21
<i>Basis of audit opinion</i>	21

Opinion..... 22

PROFIT AND LOSS ACCOUNT 23

GROUP BALANCE SHEET 24

BALANCE SHEET BRB (RESIDUARY) LIMITED 25

GROUP CASH FLOW STATEMENT 26

NOTES TO THE ACCOUNTS 27

DIRECTORS

Chairman	G W D Sutherland
Directors	T A Jenner C W W Pierce P C Trewin
Registered Office	Whittles House 14 Pentonville Road London N1 9HF
Auditors	PricewaterhouseCoopers LLP 80 Strand London WC2R 0AF

CHAIRMAN'S STATEMENT

I have pleasure in presenting the report and audited financial statements for the year ended 31 March 2009. The results contained herein reflect the continued success of BRBR in realising value from the assets and liabilities inherited from the British Railways Board (BRB) during what has again proved to be an extremely challenging year for the Company. 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 restructuring of the majority of the onerous head leases within the Administrative Office Estate, and the disposal of 145 sites from the non-operational portfolio. The Company has also continued to progress the redevelopment of Rail House Manchester for letting to government tenants.

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 Company's reported financial performance shows a profit on ordinary activities of £20.4m (2008: £22.0m loss), which reflects in part the positive profit impact from restructuring the majority of the onerous leaseholds held by the Company, and the settlement of an historic liability inherited from the Strategic Rail Authority (SRA).

Members and their Interests

The present Members of the BRBR Board are listed on page 5 and details of the Members' remuneration are given on page 33. 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 21 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 5 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 on 2 occasions during the year.

External Auditors

Following a competitive procurement exercise undertaken during 2006/07, PricewaterhouseCoopers LLP were re-appointed as the Company's external auditors. The external audit of the 2008/09 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 in respect of the Annual Report and financial statements

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. The directors are also responsible for preparing 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2009 and that applicable accounting standards have been followed.

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 three components:
 - The Non Operational Property Estate – comprising 270 geographically dispersed sites of mixed use, mostly acquired in the 19th century for railway construction;
 - The Administrative Office Estate – which comprises 1.4m sq ft of office space; a number of the administrative offices were previously subject to long dated onerous head leases, and the majority of these leases were restructured during the reporting year;
 - 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 2009 some 270 non-operational sites form the Company's non-operational estate. These sites have a book value as at 31 March 2009 of £55.4 million (2008: £97.3 million) of which £38.1m is in current assets and the remainder is in 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 270 sites which make up the estate as at 31 March 2009, the majority have been released for disposal, including a significant number to local authorities and transport bodies.

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 145 sites and generated sales proceeds of £42.2 million.

During the course of the year there has been a number of instances of purchasers withdrawing from agreements to purchase residential land, reflecting the combined impact of the fall in residential property values and the reduced availability of finance. However, BRBR has continued to work with the Housing and Communities Agency to help deliver the Government's housing targets. A notable success was the sale of a large site at Gateshead to the local council for residential development. Auction sales of secondary property and land with "hope value" have continued, in part reflecting the desire of investors to place money in land and property rather than with banks and financial institutions.

BRBR has also continued to dispose of sites to support transport initiatives. Noteworthy transport related sales during the year include the following:

- Thornton's Fields carriage sidings, Stratford, to form part of the Olympic Park;
- A former freight terminal in Glasgow to First Group for the construction of a major new bus depot;
- Land at Bathgate to Network Rail for re-opening of the Airdrie to Bathgate railway line;
- Land at Herne Bay to Stagecoach for the construction of a new bus depot.

The Company also continues to own a number of operational properties, one such site being the railway Test Track at Old Dalby, Leicestershire. In February 2009 the Test Track was returned to operational use by the tenant, Metronet, and the testing of new trains for London Underground is now underway. The Test Track is available for use by the rail industry. BRBR is also continuing to work with the DfT and Network Rail to bring Waterloo International Terminal back into operational use.

Rental and advertising income from non-operational property totalled £9.3 million (2008: £5.1 million).

Administrative Office Estate (AOE)

The Company continues to hold some 1.4 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 85-90% mark over the year, reflecting the Company's strategy of maximising the rental income from the properties.

As noted previously, the onerous leases associated with the majority of the Administrative Offices were restructured towards the end of the reporting year. However, for a significant part of the year the majority of the Admin Offices continued to be held on long term onerous leases and the financial cost of these arrangements is reflected in the trading loss of £4.8 million incurred in the year to 31 March 2009 (2008: £5.8 million). The provision to cover the onerous leases has been reduced by £113.5 million following the restructuring of the long dated leases and now stands at £20.3 million as at 31 March 2009 (2008: £133.8 million).

Property rental income from the portfolio totalled £16.9 million for the year (2008: £19.6 million). The reduction in rental income reflects in the main the temporary loss of income associated with the redevelopment of Rail House Manchester (now known as Piccadilly Gate), and the permanent loss of income following the expiry of the short leasehold at Stephenson House, Croydon.

AOE Strategy

During the course of the year the Company has continued to implement its strategy for the Administrative Office Estate, the aim of the strategy being to reduce the quantum and long term nature of the liabilities imposed by the onerous head leases. Owing to the heterogeneous nature of the offices themselves, BRBR has focused on developing site specific strategies rather than adopting a "one size fits all" approach. The site specific strategies currently being deployed include:

- Comprehensive redevelopment to provide quality accommodation for government tenants (e.g. Rail House Manchester);
- Partial refurbishment to protect and grow income from commercial tenants (e.g. Southern House, Croydon); and
- Restructuring / buying-in head lease obligations (completed for the majority of the long dated onerous leases).

AOE Strategy Implementation: Rail House Manchester

Rail House is a 10-storey 1960s office block adjacent to Manchester Piccadilly train station built originally to accommodate British Rail staff. Following the withdrawal from the building of the principal commercial tenant BRBR has worked closely with the Office of Government Commerce (OGC) to promote a comprehensively redeveloped Rail House as a location for government occupation.

The redevelopment of Rail House, re-named Piccadilly Gate, will deliver a number of benefits both from the BRBR and the government perspective. For example:

- The freehold value of Piccadilly Gate will be enhanced as the Company will be able to achieve a higher level of rent for the redeveloped building than is currently the case;
- Piccadilly Gate will be an exemplar building both in terms of its BREEAM (BRE Environmental Assessment Method) rating and in terms of space utilisation, which will facilitate the OGC target of 10m² per member of staff.
- More efficient use will be made of the civil estate; and
- Piccadilly Gate will enjoy excellent transport links to London, thereby making the relocation of government staff outside London much more attractive.

On completion in summer 2010 Piccadilly Gate will be occupied by the Government Office for the North West, the Highways Agency and the Training and Development Agency, who will be relocating from London. BRBR intends to continue working with OGC to identify whether other Administrative Offices might offer similar opportunities to house government tenants.

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 2008/9 include, for the Listed Structures, the completion of masonry repairs and waterproofing to Lune Viaduct in Cumbria and Riddings Viaduct which spans the England / Scotland border. Mosshouse Viaduct on the Auchinleck to Muirkirk branch was demolished following de-listing of the structure.

Tunnel works were completed to Lydgate Tunnel in Oldham. Infilling works were undertaken to several public road bridges including Parkham Road Bridge in Cambridgeshire and Cross Keys Bridge in Caerphilly. Two bridges were reconstructed – Cripps River Bridge in Somerset and River Deane Bridge near Barnsley. The Company also transferred 20 structures to County Councils including two public road bridges to Doncaster MBC, three public road bridges to Norfolk CC and 15 structures to Devon CC, including Shillamill Tunnel and Shillamill Viaduct.

Finally, the Company received the Railway Heritage Trust Conservation Award at the 2008 National Railway Heritage Awards in respect of its renovation of the Britannia Bridge Memorial at Llanfairpwll, Anglesey. This is one of a number of railway memorials for which the Company is responsible.

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 2009, 494 disease and injury claims were still outstanding against the Company, including 116 mesothelioma claims, 65 asbestosis claims, 24 pleural plaque claims, 68 vibration white finger claims and 221 industrial deafness claims. During the year some £13.1 million was paid out in settlement of such claims. The value of the provision for employee related claims as at 31 March 2009 was £253.1 million (2008: £226.9m). The increase in the provision follows as independent actuarial valuation of claims data conducted by Milliman.

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 1.8 years (2008: 2.2 years), which compares favourably against an industry average of 3 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 successor businesses 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 2009 totalled £53.8m (2008: £29.2m), which in the main reflects rental income from the current property portfolio together with the income associated with the settlement of an historic liability inherited from the SRA. 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 £42.2m (2008: £64.5m). The profit on property sales totalled £21.9m (2008: £30.7m).

As a consequence of the restructuring of the majority of the Company's onerous property leases, £122.6m of the onerous lease provision has been written-back to the Profit and Loss Account.

The operating expenditure reported in the period totals £85.3m (2008: £41.7m).

The reported financial result for the year is a profit on ordinary activities before tax of £20.4m (2008: £22.0m 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. The outcome of these discussions is currently uncertain, and as such, whilst it is possible that the Company could move into a taxable profit position, the directors do not feel it is appropriate to recognise a tax liability in the 31 March 2009 accounts.

Balance Sheet

Following the independent valuation of the Company's property assets book values have been adjusted downwards by 25%-35%. The reduction in asset values reflects the general movement in property yields together with the more specific reduction in the value of sites which might be sold for residential development. The latter reflects the reduced appetite of the major house builders to acquire sites prevalent for the majority of the year.

The consolidated Balance Sheet includes both North Pole Depot and Waterloo International Terminal (WIT), acquired during 2007/08 at the request of DfT. North Pole Depot has been independently valued at £25.1m (2008: £31.4m). BRBR's holding at WIT comprises the station freehold and a number of leaseholds. The freehold station has been independently valued at £38.1m and the independent valuation of the leaseholds is a net negative figure of £35.6m, which is due to the onerous nature of the lease relating to the arches which sit beneath the station.

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.

During 2009 BRBR undertook a restructuring of the majority of its long dated onerous property leases. Given the extraordinary nature of the restructuring exercise, DfT provided additional funding of £60 million to facilitate completion of the restructuring. The £60 million has been treated as deferred income in the March 09 balance sheet pending possible repayment to DfT.

Cash Flow

The Group generated a net cash outflow in the year of £42.7m (2008 : £50.9m inflow). Excluding the cash flows in respect of the restructuring of the onerous property leases, BRBR generated a net cash inflow of £29.5 million during 2009 (2008: £37.4 million inflow, excluding DfT funding). The cash balance as at 31 March 2009, including the exceptional funding from DfT, was £33.8 million.

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 2008/09 saw a continued deterioration in 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.

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 effectively 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 2008/09 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, Audit 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;
- As Chairman/Chief Executive I report to the Board at least twice yearly on the key risks and the effectiveness of the management of those risks.

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. All decision papers for the Board include consideration of risk issues.

- **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 as appropriate.

- **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 2008/09 confirms that BRBR has established a sound 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 AUDITORS' REPORT TO THE MEMBERS OF BRB (RESIDUARY) LIMITED

We have audited the group and parent company financial statements (the "financial statements") of British Railways Board (Residuary) Limited for the year ended 31 March 2009 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Introduction to the Accounts that is cross referred from the Operating and Financial Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Introduction to the Accounts and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
80 Strand
London
WC2R 0AF*

PROFIT AND LOSS ACCOUNT

	Note	31 March 2009 £m	31 March 2008 £m
Turnover			
Trading income			
Continuing operations		53.8	29.2
Total Trading Income	2, 3	53.8	29.2
Operating Expenditure			
	4	(85.3)	(41.7)
Release of onerous lease provision	5	122.6	-
Introduction of Waterloo onerous lease provision		-	(40.9)
Profit / (Loss) on ordinary activities before exceptional items	3, 6	91.1	(53.4)
Goodwill amortisation	10	(95.5)	-
		(4.4)	(53.4)
Profit on disposal of fixed assets/non-operational property	7	21.9	30.7
Profit/(Loss) on Ordinary Activities before Interest		17.5	(22.7)
Net Interest Receivable	8	2.9	0.7
Profit/(Loss) on Ordinary Activities before Taxation		20.4	(22.0)
Taxation	9	-	-
Profit/(Loss) on Ordinary Activities for the period		20.4	(22.0)
Statement of Total Recognised Gains and Losses			
		31 March 2009 £m	31 March 2008 £m
Result for the period		20.4	(22.0)
Unrealised (deficit) / surplus on revaluation of properties		(30.4)	73.3
Total gain / (loss) recognised relating to the year		(10.0)	51.3

GROUP BALANCE SHEET

	Note	31 March 2009 £m	31 March 2008 £m
Fixed Assets			
Intangible Assets	10	-	-
Tangible Assets	11	-	-
Investment Property	14	146.3	114.5
		146.3	114.5
Current Assets			
Debtors falling due within one year	13	14.9	17.4
Debtors falling due after more than one year	13	41.1	43.7
Non-Operational Property	14	38.1	75.0
Cash at bank and in hand		33.8	76.5
		127.9	212.6
Less:			
Creditors falling due within one year	15(a)	(26.0)	(35.1)
		101.9	177.5
Net Current Assets			
		248.2	292.0
Total Assets less Current Liabilities			
Less:			
Creditors falling due after more than one year	15(b)	(101.1)	(43.7)
Provisions for Liabilities and Charges	16	(325.4)	(416.6)
		(178.3)	(168.3)
Reserves			
Revaluation Reserve	18(a)	119.9	165.9
Profit and Loss Account Reserve	18(b)	(298.2)	(334.2)
	19	(178.3)	(168.3)

The financial statements on pages 23 to 46 were approved by the board of directors on 17 July 2009 and were signed on its behalf by:

Chairman.....

BALANCE SHEET BRB (RESIDUARY) LIMITED

	Note	31 March 2009 £m	31 March 2008 £m
Fixed Assets			
Tangible Assets	11	-	-
Investments	12	36.0	12.6
Investment Property	14	109.8	114.5
		145.8	127.1
Current Assets			
Debtors falling due within one year	13	14.3	16.8
Debtors falling due after more than one year	13	41.1	43.7
Non-Operational Property	14	38.1	75.0
Cash at bank and in hand		33.8	74.2
		127.3	209.7
Less:			
Creditors falling due within one year	15(a)	(39.1)	(54.4)
Net Current Assets		88.2	155.3
Total Assets less Current Liabilities		234.0	282.4
Less:			
Creditors falling due after more than one year	15(b)	(101.1)	(43.7)
Provisions for Liabilities and charges	16	(327.8)	(415.9)
		(194.9)	(177.2)
Reserves			
Revaluation Reserve	18(a)	119.9	165.9
Profit and Loss Account Reserve	18(b)	(314.8)	(343.1)
	19	(194.9)	(177.2)

Chairman.....

GROUP CASH FLOW STATEMENT

	Note	31 March 2009 £m	31 March 2008 £m
Net Cash Outflow from Operating Activities	22	(7.3)	(10.2)
Returns on Investments and Servicing of Finance			
Interest received from leasing debtors		2.8	0.6
Other interest received		3.9	1.7
Interest paid in respect of finance leases		(2.8)	(0.7)
Other interest paid		(0.2)	-
Net Cash Inflow from Returns on Investments and Servicing of Finance		3.7	1.6
Capital Expenditure and Financial Investment			
Sale of assets		40.8	64.5
Purchase of assets		(7.6)	(2.7)
Acquisition of subsidiary undertakings		(44.2)	-
Net Cash Inflow /(Outflow) from Capital Expenditure and Financial Investment		(11.0)	61.8
Financing			
New loan from parent organisation		60.0	-
Repayment of Loans & Leases		(88.1)	(2.3)
Net cash outflow from Financing		(28.1)	(2.3)
Increase/(Decrease) in Cash at bank and in hand		(42.7)	50.9

NOTES TO THE ACCOUNTS

1. Accounting Policies

(a) Form of Accounts

The accounts have been prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards, modified by the revaluation of non-operational property and administration buildings. Under the Transport Act 2000, BRB (Residuary) Limited has had transferred to it the assets and liabilities of the British Railways Board, such that BRBR (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 accounts are presented in the form of group accounts which consolidate the results of BRB (Residuary) Limited and its subsidiary undertakings and have been prepared in accordance with applicable accounting standards. BRB (Residuary) Limited has taken advantage of the exemption under the Companies Act not to disclose a Profit and Loss Account for BRB (Residuary) Limited.

(b) Income

Income includes rental and advertising income generated from the property portfolio owned by the company. Turnover excludes work performed on BRB (Residuary) Limited's own assets.

(c) Grant

Grant is recognised on an accruals basis.

(d) Taxation

BRB (Residuary) Limited and its subsidiary undertakings are assessable to taxation in accordance with the Taxes Acts. Deferred tax is recognised in respect of timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the Balance Sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted

or substantially enacted by the Balance Sheet date. Deferred tax is measured on a non-discounted basis.

(e) Tangible Fixed Assets

Tangible fixed assets include land and buildings required for the ongoing operations of BRB (Residuary) Limited. Short leasehold improvements are capitalised at cost subject to a minimum monetary level of £1,000.

(f) Depreciation

Depreciation is provided on a straight-line basis over periods relating to the estimated useful economic lives of assets and commences in the accounting period following entry into service. The lives used for the major categories of assets are:

Owner Occupied Buildings	30-40 years
Short Leasehold Improvements	Life of Lease

Depreciation is not provided on investment properties, in accordance with SSAP 19, which does not require depreciation of investment properties where the unexpired lease term is 20 years or more.

In 2008/09 the only category of assets for which depreciation was charged was IT assets. These are depreciated on a straight line basis over 4 years.

(g) Leasing

The capital element of leasing liabilities is included within creditors. The liability is stated at the deemed capital portion of the annual lease payments calculated on standard repayment method with the proportion of total payments relating to capital increasing through the term of the lease. The remainder of the annual payment, representing interest, is shown within net interest in the Profit and Loss Account.

Rentals under operating leases are charged to the Profit and Loss Account on a straight-line basis over the operational lease term.

(h) 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 change in value above historic cost is taken to the Revaluation Reserve. Where properties are revalued downward reflecting an impairment in value due to price changes, the decrease in value above the historic cost is taken back to the revaluation reserve; the decrease in value to below the historic cost is charged to the profit and loss account. Where the impairment is due to loss of economic benefit, the impairment is charged straight to profit and loss account. Where negative valuations exist on leasehold properties with onerous lease terms appropriate provisions are raised.

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. In order to comply with applicable accounting standards any revaluation surplus is taken to the revaluation reserve. Where properties are revalued downward reflecting an impairment in value due to price changes, the decrease in value above the historic cost is taken back to the revaluation reserve; the decrease in value to below the historic cost is charged to the profit and loss account. Where the impairment is due to loss of economic benefit, the impairment is charged straight to profit and loss account. On disposal of a property the revaluation is transferred to the profit and loss account as a reserve movement. Income from disposals is accounted for when contractually due. Non-operational property is held as a current asset when the decision has been made to dispose of the property. All other properties are held as investment properties.

(i) 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 profit and loss account as incurred.

(j) Creditors' Payment Policy

BRB (Residuary) Limited's policy is to pay bills in accordance with agreed settlement terms in line with the principles of the CBI Prompt Payers Code, which aims to encourage best practice in dealing with the payment of bills.

(k) Employee Claims

BRB (Residuary) Limited holds the liability for claims arising from employees and former employees relating to circumstances arising from their employment with the British Railways Board. This includes industrial disease, notably asbestosis, deafness, vibration white finger, and personal accident. The industrial disease element of the provision was actuarially valued by external consultants in May 2003. The provision is internally reviewed annually and is normally externally reviewed every 5 years. The external review due during 2008 was deferred due to the uncertainties surrounding Pleural Plaques claims. This external review has now been undertaken as part of the 2009 year end accounts process.

(l) Environmental Liabilities

BRB (Residuary) Limited is exposed to environmental liabilities relating to the former operations of the British Railways Board. Provision for the cost of environmental and other remedial work is made in accordance with FRS12 where contamination is known to have occurred, except in relation to the valuation of properties where any environmental issues are taken into account when valuing the property.

(m) Pensions

BRB (Residuary) Ltd operates 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.

The last actuarial review for funding purposes was carried out as at 31 December 2004 by independent qualified actuaries Watson Wyatt Partners using the projected unit method. Assets and accrued liabilities were valued using the market related method.

The scheme is open to new members.

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.

(n) Financial Instruments

BRB (Residuary) Ltd may hold any of the following financial assets and liabilities:

Assets: Investments, long-term debtors and accrued income, and short-term debtors and accrued income.

Liabilities: Loans and overdrafts, long-term creditors, short-term creditors, provisions arising from contractual arrangements, and finance lease obligations.

The main purpose of the financial instruments is to finance operations.

(o) Cash, Bank, and Overdraft

Cash, bank and overdrafts balances are recorded at current values. Interest earned on bank accounts and interest charged on overdrafts are recorded as, respectively, 'Interest Receivable' and 'Interest Payable' in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

(p) Goodwill

Goodwill represents the excess of purchase consideration for business and subsidiary undertakings acquired over the fair value of the net assets acquired at the date of acquisition. Goodwill arising on the acquisition is written off to the profit and loss account over the period over which the value of the underlying business acquired is expected to exceed the values of its identifiable net assets.

2. Income

Trading Income

	31 March 2009 £m	31 March 2008 £m
Rents and maintenance charges	21.9	24.7
Miscellaneous income	31.9	4.5
	53.8	29.2

3. Segmental Analysis

	Total Income 31 March 2009 £m	Operating Profit/(Loss) 31 March 2009 £m	Net Assets/(Liabilities) 31 March 2009 £m
2009 Analysis			
BRB (Residuary) Limited	53.8	91.3	(211.9)
Cross Channel Catering Service Ltd	-	-	0.3
SET	-	(0.2)	8.8
Whittles Properties Trent & Derwent Limited	-	-	18.6
Whittles Properties Brunel Limited	-	-	3.1
Whittles Properties Crewe Limited	-	-	0.3
Whittles Properties Croydon Limited	-	-	1.9
Whittles Properties Manchester Limited	-	-	0.6
Total	53.8	91.1	(178.3)
	Total Income 31 March 2008 £m	Operating Profit/(Loss) 31 March 2008 £m	Net Assets/(Liabilities) 31 March 2008 £m
2008 Analysis			
BRB (Residuary) Limited	26.1	(59.4)	(177.2)
Cross Channel Catering Service Ltd	-	-	0.3
SET	3.1	6.0	8.6
Total	29.2	(53.4)	(168.3)

Income originates wholly in the United Kingdom.

BRBR is a company owned wholly by the Department for Transport and is responsible for the administration of the residual assets and liabilities from the British Railways Board.

Cross Channel Catering Services Ltd is a wholly owned subsidiary of BRB (Residuary) Ltd and is currently a dormant company.

South Eastern Trains Ltd and South Eastern Trains (Holdings) Ltd became wholly owned subsidiaries of BRB (Residuary) Ltd on 1/4/2006.

The SRA was wound up on 30/11/2006. On this date, the assets and liabilities of the company were transferred to BRB (Residuary) Ltd.

On 18/02/2009 BRB (Residuary) Ltd started an onerous lease re-structuring programme by purchasing a number of companies containing freehold properties. (See Investments note 12) The acquired companies were Passgift Ltd, Holaw (458) Ltd, Reefstem Ltd, Ridgedrum Ltd, Holaw (473) Ltd and Manorsign Ltd. These companies are now in the process of being liquidated with their assets and liabilities distributed out to a number of special purpose vehicle companies (namely Whittles Properties Trent & Derwent Ltd, Whittles Properties Brunel Ltd, Whittles Properties Crewe Ltd, Whittles Properties Croydon Ltd and Whittles Properties Manchester Ltd)

4. Analysis of Operating Expenditure

Analysis of Expenditure

	31 March 2009	31 March 2008
	£m	£m
Staff costs (note 6(e))	2.8	2.7
Materials, supplies and services	47.5	4.8
Estate management costs	35.0	34.2
Operating expenditure	85.3	41.7

5. Onerous lease provision release

BRB (Residuary) Ltd purchased a number of companies with freehold properties during the year for a consideration of £44.2m as part of its onerous lease re-structuring programme (see note 12). Previously BRB (Residuary) Ltd recorded an onerous lease provision of £122.6m in relation to these properties in the 2007/8 financial statements. During the year this onerous lease provision was fully released.

6. Operating Result

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

Property leases and rentals of £21.9m (2008: £23.4m).

Auditors' remuneration and expenses of £126k (2008: £49k).

Depreciation of £nil (2008: £13k), and hire of plant and equipment of £33.8k (2008: £28k).

BRB (Residuary) Limited is committed to the maintenance of burdensome structures for an unspecified future period. In the period to 31 March 2009, costs associated with the maintenance and disposal of these structures amounted to £7.9m (2008: £8.0m).

The charges described above include a movement on provisions of £70.5m release (2008: £11.0m charge).

(b) *Charitable donations*

BRB (Residuary) Ltd made a charitable donation of £500 to the National Archive of Railway Oral History during the period (2008: £250).

(c) *Operating lease commitments*

At the year end BRB (Residuary) Limited was committed to make payments in the forthcoming year in respect of non-cancellable operating leases, principally in respect of property, as follows:

	31 March 2009	31 March 2008
	£m	£m
Leases expiring within one year	-	0.3
Leases expiring between one and five years	4.0	4.0
Leases expiring in more than five years	9.4	9.5
	13.4	13.8

(d) *Directors*

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

	Salary	Benefits in Kind	Total	Pension	Total
	£000	£000	£000	Contributions	£000
	£000	£000	£000	£000	£000
G W D Sutherland	192	-	192	30	222
P C Trewin	149	3	152	-	152
T A Jenner	61	-	61	-	61
C Pierce	19	-	19	-	19
	421	3	424	30	454

(e) *Total staff costs*

	31 March 2009 £m	31 March 2008 £m
Salaries and wages	2.3	2.4
Employer's liability for social security costs	0.5	0.3
	<u>2.8</u>	<u>2.7</u>

(f) *Staff numbers*

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

	Number Employed 31 March 2009	Number Employed 31 March 2008
BRB (Residuary) Ltd	<u>32</u>	<u>32</u>

7. (a) **Profit on disposal of fixed assets/non-operational property**

	Non-Operational Properties £m	AOE Freehold Property £m	31 March 2009 Total £m	31 March 2008 Total £m
Sales proceeds properties	41.2	1.0	42.2	64.5
Historic cost of properties sold	(2.9)	(0.1)	(3.0)	(1.1)
Revaluation cost of properties sold	(14.9)	(0.7)	(15.6)	(31.7)
Profit on disposal of properties	<u>23.4</u>	<u>0.2</u>	<u>23.6</u>	<u>31.7</u>
Selling costs incurred	(1.7)	-	(1.7)	(1.0)
Profit on disposal of fixed assets/non-operational property	<u>21.7</u>	<u>0.2</u>	<u>21.9</u>	<u>30.7</u>

(b) **Note of Historical Cost Profits and Losses**

	31 March 2009 £m	31 March 2008 £m
Reported profit/(loss) on ordinary activities before taxation	20.4	(22.0)
Realisation of property revaluation gains of previous years	15.6	31.7
Historical cost profit on ordinary activities before taxation	36.0	9.7
Taxation	-	-
Historical cost profit for the year after taxation	<u>36.0</u>	<u>9.7</u>

8. Net Interest Receivable

	31 March 2009 £m	31 March 2008 £m
Interest receivable on:		
Leases	2.8	0.5
Other	3.9	1.7
Interest receivable	<u>6.7</u>	<u>2.2</u>
Interest payable on leases	2.8	0.6
Unwinding of discount on provisions and long term creditors	0.8	0.9
Other	0.2	-
	<u>3.8</u>	<u>1.5</u>
Net interest receivable	<u>2.9</u>	<u>0.7</u>

9. Taxation

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

There are no tax charges relating to the Group (2008: £nil).

The amounts on which there is a potential asset for deferred taxation at the rate of 28% (2008:28%) are shown below. No deferred tax asset has been established for these amounts.

	31 March 2009 £m	31 March 2008 £m
Gains on Valuation of Non-Operational Property	<u>15.5</u>	<u>27.2</u>

Any capital gains tax payable on the sale of non-operational property would be reduced by indexation.

10. Intangible Assets

	Goodwill arising on restructuring of onerous lease £m	Total £m
Cost at 1 April 2008	-	-
Arising during the year	95.5	95.5
Cost at 31 March 2009	95.5	95.5
Amortisation at 1 April 2008	-	-
Amortisation during the year	(95.5)	(95.5)
Amortisation at 31 March 2009	(95.5)	(95.5)
Net Book value at 31 March 2009	-	-
Net Book Value at 1 April 2008	-	-

On 18/02/09 BRBR entered into an onerous lease restructuring programme. BRBR purchased a number of companies and property interests for £44.2m (see note 12). The transaction generated a goodwill charge of £95.5m calculated as follows:

	£m
Consideration	44.2
Fair value of net assets acquired	<u>(51.3)</u>
Goodwill arising on acquisition	95.5

This goodwill has been fully amortised in the year to 31 March 2009.

11. Tangible Assets

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

12. Investments

Subsidiaries

BRB (Residuary) Limited has the following subsidiaries, which have an accounting year-end of 31 March 2009.

Company Name	Activity	Issued Share Capital	Cost less provision for impairment	Percentage Owned by BRB (Residuary) Ltd
Cross Channel Catering Services Limited	Dormant	100	327,564	100
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
Whittles (Islington) Limited (formerly Crossrail Limited)	Dormant	2	2	100
South Eastern Trains Limited	Trading	2	2	100
South Eastern Trains Holding Limited	Dormant	1	1	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 Liverpool Limited	Trading	1	3,500,001	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	296,576	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
			36,027,494	

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

On 18 February 2009, BRB (Residuary) Limited purchased a number of companies with freehold properties for a consideration of £44.2m. This consideration also included a stand alone asset, Rail House, Liverpool. Accordingly a special purpose vehicle company, Whittles Property Liverpool Ltd was set up to carry this property. Previously BRB (Residuary) Limited included an onerous lease provision of £122.6 m in relation to those properties in the 2007/8 financial statements. An independent valuation confirmed the valuation of the properties to be £36.5m. Details of companies acquired are as following;

At acquisition date:

	Passgift Ltd	Holaw (458) Ltd	Reefstem Ltd	Ridgedrum Ltd	Holaw (473) Ltd	Manorsign Ltd	Total
	£m	£m	£m	£m	£m	£m	£m
Net Assets	18.0	9.6	32.9	8.9	-	-	69.4
Profit & Loss Reserves	(3.8)	(3.9)	(2.3)	1.0	-	-	(9.0)
Revaluation Reserves	21.8	13.5	35.2	7.9	-	-	78.4
Share Capital	-	-	-	-	-	-	-
Total	18.0	9.6	32.9	8.9	-	-	69.4

The above companies are now in the process of being liquidated and their assets and liabilities have been distributed to a number of special purposes vehicle companies (namely Whittles Properties Trent & Derwent Ltd, Whittles Properties Brunel Ltd, Whittles Properties Crewe Ltd, Whittles Properties Croydon Ltd, and Whittles Properties Manchester Ltd).

This acquisition generated a goodwill charge of £95.5m, as described in Note 10.

The companies acquired by purchase of shares above have been accounted for using acquisition accounting rules.

13. Debtors

	Group 31 March 2009	Company 31 March 2009	Group 31 March 2008	Company 31 March 2008
	£m	£m	£m	£m
Trade Debtors	10.7	10.1	8.5	8.4
Prepayments and accrued income	4.2	4.2	8.2	8.2
Other Debtors	-	-	0.7	0.2
Debtors falling due within one year	14.9	14.3	17.4	16.8
Debtors falling due after more than one year	41.1	41.1	43.7	43.7
	56.0	55.4	61.1	60.5

Debtors include £43.7m recoverable from successor businesses relating to leasing liabilities. This amount is owed by Freightliner (1995) Limited. £39.9m of this debt falls due between 2011 and 2016. Since its privatisation in 1996, Freightliner (1995) Limited has required revenue funding by government grants. No provision has been made against this debt.

14. Investment Property and Non-Operational Property

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 2009, 234 properties (2008: 380 properties) with a value of £38.1m (2008 £75.0m) at current market prices have been released for sale. These properties are held as current assets pending sale. All other land is held as investment property pending a decision about its future use.

Freehold buildings were valued on 31 March 2009 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.

Movement on the portfolio during the period.

Company	Investment Property £m	Current Asset £m	Total £m
Opening Value	114.5	75.0	189.5
Revaluation	(6.3)	(24.1)	(30.4)
Transfer to Current Asset	(5.2)	5.2	-
Additions	7.6	-	7.6
Disposals	(0.8)	(18.0)	(18.8)
Closing Balance	109.8	38.1	147.9

Group	Investment Property £m	Current Asset £m	Total £m
Opening Value	114.5	75.0	189.5
Revaluation	(6.3)	(24.1)	(30.4)
Transfer to Current Asset	(5.2)	5.2	-
Additions	44.1	-	44.1
Disposals	(0.8)	(18.0)	(18.8)
Closing Balance	146.3	38.1	184.4

15. Creditors

(a) Creditors falling due within one year

	Group 31 March 2009 £m	Company 31 March 2009 £m	Group 31 March 2008 £m	Company 31 March 2008 £m
Trade creditors	1.1	1.1	1.5	1.5
Accruals and deferred income	8.8	8.1	29.6	29.0
Payroll, taxation and social security	1.4	1.4	3.8	3.8
Leasing liabilities	3.5	3.5	0.2	0.2
Other	11.2	11.2	-	-
Intercompany creditors	-	13.8	-	19.9
	26.0	39.1	35.1	54.4

(b) Creditors falling due after more than one year

	Group 31 March 2009 £m	Company 31 March 2009 £m	Group 31 March 2008 £m	Company 31 March 2008 £m
Loan from parent	60.0	60.0	-	-
Leasing Liabilities	41.1	41.1	43.7	43.7
	101.1	101.1	43.7	43.7

(c) Repayment of loans and leasing liabilities included above

	31 March 2009 Leases £m	31 March 2008 Leases £m
Due for repayment within one year	3.5	0.2
Between one and two years	4.2	0.5
Between two and five years	16.9	13.8
In five years or more	19.1	29.4
	43.7	43.9

16. Provisions for Liabilities and Charges

Company

		Provision 1 April 2008	Paid	Unwind Discount	Revised Discount Rate	Charged/ (Released)	Provision 31 March 2009
	Note	£m	£m	£m	£m	£m	£m
Property	(a)	174.7	(4.9)	0.3	5.6	(118.5)	57.2
Employee	(b)	226.9	(13.1)	0.5	-	38.8	253.1
Business Sales and Other	(c)	10.7	-	-	-	3.4	14.1
Redundancy	(d)	3.6	(0.4)	-	-	0.2	3.4
		<u>415.9</u>	<u>(18.4)</u>	<u>0.8</u>	<u>5.6</u>	<u>(76.1)</u>	<u>327.8</u>

Group

		Provision 1 April 2008	Paid	Unwind Discount	Revised Discount Rate	Charged/ (Released)	Provision 31 March 2009
	Note	£m	£m	£m	£m	£m	£m
Property	(a)	174.7	(4.9)	0.3	5.6	(118.5)	57.2
Employee	(b)	226.9	(13.1)	0.5	-	38.8	253.1
Business Sales and Other	(c)	11.4	(0.3)	-	-	0.6	11.7
Redundancy	(d)	3.6	(0.4)	-	-	0.2	3.4
		<u>416.6</u>	<u>(18.7)</u>	<u>0.8</u>	<u>5.6</u>	<u>(78.9)</u>	<u>325.4</u>

(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 FRS 12. 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. The majority of the long dated onerous leases were restructured during the course of the year so as to eliminate the long term liabilities. The provision has therefore been reduced accordingly as shown in Note 5.

(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 2020 and, based on recent evidence, possibly until 2040.

(c) Business Sales and Other

The provision for business sales and other includes commitments made to the purchases 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 FRS 12.

(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 SRA.

17. Financial Instruments

Financial instruments comprise deposits, overnight borrowings, finance leases and other items such as trade debtors, trade creditors and provisions. The main purpose of these financial instruments is to finance operations.

The main risks arising from the financial instruments are interest rate risk and to a lesser degree liquidity risk and foreign currency risk. The policies for managing these risks are set to achieve compliance with the DfT's regulatory framework.

Operations are financed through a mixture of grant, property sales and, to a much smaller extent, finance leases. Cash was deposited in accordance with the DfT's regulatory framework.

Short-term liquidity is maintained by judicious management of cash deposits.

Short-term debtors and creditors are excluded from the following disclosures:

(a) *Interest rate risk profile*

The interest rate profile of BRB (Residuary) Limited's financial assets and liabilities as a 31 March 2009 is set out below. All balances are held in sterling:

Company

	Fixed Rate	Floating Rate	Total	Total
	£m	£m	31 March 2009	31 March 2008
<i>Financial Assets</i>	£m	£m	£m	£m
Cash at bank	-	33.8	33.8	74.2
Leasing assets	43.7	-	43.7	43.9
	43.7	33.8	77.5	118.1

Group

	Fixed Rate	Floating Rate	Total	Total
	£m	£m	31 March 2009	31 March 2008
<i>Financial Assets</i>	£m	£m	£m	£m
Cash at bank	-	33.8	33.8	76.5
Leasing assets	43.7	-	43.7	43.9
	43.7	33.8	77.5	120.4

Cash at bank at 31 March 2009 and 31 March 2008 included cash on short-term security deposit.

Company

	Fixed Rate	Floating Rate	Total	Total
	£m	£m	31 March 2009	31 March 2008
<i>Financial Liabilities</i>	£m	£m	£m	£m
Loan from parent	60.0	-	60.0	-
Leasing Liabilities (see note 15)	41.1	-	41.1	43.9
Provisions for Liabilities and Charges (see note 16)	-	327.8	327.8	415.9
	101.1	327.8	428.9	459.8

Group

	Fixed Rate	Floating Rate	Total	Total
	£m	£m	31 March 2009	31 March 2008
<i>Financial Liability</i>	£m	£m	£m	£m
Loan from parent	60.0	-	60.0	-
Leasing Liabilities (see note 15)	41.1	-	41.1	43.9
Provisions for Liabilities and Charges (see note 16)	-	325.4	325.4	416.6
	101.1	325.4	426.5	460.5

The floating rate finance leases bear interest rates based on the 12 month LIBOR.

(b) Fair Values

The fair value of all finance assets and liabilities approximates to book value.

18. Reserve Movements

(a) Revaluation reserve

	Group £m	Company £m
Balance at 1 April 2008	165.9	165.9
Revaluations	(30.4)	(30.4)
Disposals (see note 7)	(15.6)	(15.6)
Balance at 31 March 2009	<u>119.9</u>	<u>119.9</u>

(b) Profit and Loss Account reserve

	Group £m	Company £m
Balance at 1 April 2008	(334.2)	(343.1)
Transfer arising from realised revaluation on disposal	15.6	15.6
Profit on ordinary activities for the period	20.4	12.7
Balance at 31 March 2009	<u>(298.2)</u>	<u>(314.8)</u>

19. Reconciliation of Movements in Reserves

	Group 31 March 2009 £m	Company 31 March 2009 £m	Group 31 March 2008 £m	Company 31 March 2008 £m
Result for the period	20.4	12.7	(22.0)	(28.0)
Property revaluation	(30.4)	(30.4)	73.3	73.3
Net increase / (decrease) in reserves for the period	(10.0)	(17.7)	51.3	45.3
Opening reserves	(168.3)	(177.2)	(219.6)	(222.5)
Closing reserves	<u>(178.3)</u>	<u>(194.9)</u>	<u>(168.3)</u>	<u>(177.2)</u>

20. 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.

21. Post Balance Sheet Events

A Deed of Confirmation involving BRBR and its subsidiary companies was signed on 28 August 2009. This corrected an error which previously existed in the group structure on which intra-group dividend flows had been based. The Deed was deemed to be a legally binding document which took effect from 27 March 2009. The Deed has been accounted for as an Adjusting Post Balance Sheet.

22. Group Cash Flow

(a) Reconciliation of Operating Loss to net cash inflow / (outflow) from operating activities

	31 March 2009 £m	31 March 2008 £m
Operating Profit /(Loss)	91.1	(53.4)
(Increase)/Decrease in debtors	5.1	(5.0)
Increase/(Decrease) in creditors and provisions	(103.5)	48.2
Net cash inflow/(outflow) from operating activities	(7.3)	(10.2)

(b) Reconciliation of net cash flow to movement in net funds

	31 March 2009 £m	31 March 2008 £m
Increase / (Decrease) in cash in the period	(42.7)	50.9
Loan from parent organisation	(60.0)	-
Decrease in leasing liabilities	0.2	3.5
Change in net debt resulting from cash flows	(102.5)	54.4
Net debt at 1 April 2008	32.6	(21.8)
Net debt at 31 March 2009	(69.9)	32.6

(c) Analysis of Net Funds

	1 April 2008 £m	Cashflow £m	Non Cash Movements £m	31 March 2009 £m
Cash at bank and in hand	76.5	(42.7)	-	33.8
Loan from parent organisation	-	(60.0)	-	(60.0)
Leasing liabilities	(43.9)	0.2	-	(43.7)
Total	32.6	(102.5)	-	(69.9)

23. Related Party Transactions

BRB (Residuary) Limited is a company owned wholly by the Department for Transport (DfT). Additional funding of £60.0m (2008: £13.5m) was paid to BRB (Residuary) Limited by the DfT during the year. The £60m 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) Limited made a loan of £5.0m in March 2006 to South Eastern Trains Limited. This took place prior to South Eastern Trains Limited becoming a subsidiary. Due to cash transfers from South Eastern Trains this balance has become a £9.1m liability as at 31 March 2009 (2008: £7.0m).

BRB (Residuary) Limited did not enter into any transaction, arrangement or contract (other than a contract of service), including transactions at arm's length, with another part, exceeding £5,000 in value, in which the same part being a member, an executive, or a senior employee of the Company or its parent undertaking, or a person connected with any of the foregoing at any time during the year, had a direct financial interest that was notified to the DfT.