Remploy 2008 Accounts



Remploy
Putting ability first

Contents

Chairman's Review

The Board's vision is for Remploy to be the leader in supporting people with disabilities or health conditions into employment, both with mainstream employers and in our own factories

The Directors present their annual report on the affairs of the Company together with the audited financial statements and auditors' report for the year ended 31 March 2008.

In November 2007, the Secretary of State for the Department for Work and Pensions (DWP) approved Remploy's modernisation plan. That was a landmark decision for Remploy because it allows us to implement a plan which is aimed at building on Remploy's heritage, but in a 21st Century context. The Board's vision is for Remploy to be the leader in supporting people with disabilities or health conditions into employment, both with mainstream employers and in our own factories.

Specifically, over the next five years the modernisation plan will increase to 20,000 the number of disabled people each year who gain mainstream employment through Remploy. Equally importantly, the plan will allow us to modernise Remploy's factories and prepare more disabled people for work. Remploy has a key role to play in achieving the Government's objective of providing people with complex disabilities with a clear route into employment.

However, to implement the plan has required considerable change. Twenty nine of our 83 factories have been closed and approximately 1,500 disabled employees were affected by the closures. We are very aware of the impact this has had on those employees and on their families and carers. Some of those employees have taken early retirement. Some have taken voluntary redundancy and with Remploy's help are looking for new jobs. Some have chosen to remain on Remploy's terms and conditions and are being supported by Remploy into new jobs with other employers. Remploy has a history of caring for individuals – we must extend that care to all of those affected employees who wish to continue working as they build their careers outside Remploy.

In addition to the modernisation plan, the past 12 months have seen a number of other developments at Remploy.

Remploy successfully met its key targets for 2007/8. We supported over 6,500 disabled people into mainstream employment, an increase of 28% over the previous year and four times as many as five years ago. Remploy has maintained its position as the main route to work for disabled people who experience the most complex barriers to employment. We remain the largest provider of the Government's Workstep programme for people who experience the most complex barriers to work.

A key element of the growth in mainstream employment has been the continued expansion of our high street and city centre branch network, where we equip disabled job seekers with the skills that they need to successfully re-enter employment. The branches also ensure close employer engagement which means that Remploy has over 4,000 jobs on its books at any time. During 2007/8 we opened eight new branches. We plan to open another 11 branches in 2008/9, with a target of around 45 branches nationwide by March 2010.

Despite continuing competition from overseas, we increased sales and reduced losses in our manufacturing businesses in 2007/8. Sales grew by 6% and losses were reduced by 5% from £100.8m to £95.7m. The most significant increases were in our Furniture business, where sales increased by 27%, helped by the Government's Building Schools for the Future programme, and our Textiles business which makes nuclear and chemical protection suits for the Police and Army, where sales increased by 60%.

We are working closely with Government departments, local authorities and health authorities to secure extra work for Remploy factories. We have had significant encouragement and support and have secured some new work, principally in the schools' furniture, textiles and IT recycling areas. However, we need public bodies to turn goodwill into orders on a much larger scale if we are to meet the ambitious targets in the modernisation plan. Continuation of the factories is contingent on these orders.

We met the short term objectives of the modernisation plan. No disabled employee was made compulsorily redundant and we provided continuity of employment on Remploy's terms and conditions for all those disabled people who wished to remain Remploy employees. At the 29 factories which closed, 356 employees took early retirement with a redundancy payment, 635 opted for voluntary redundancy, 214 opted to transfer to another Remploy factory, 259 chose to stay Remploy employees and be found work in mainstream employment and seven took normal retirement.

We once again managed our operations within the grant in aid provided by the Department for Work and Pensions.

There has been significant change in the Remploy Board during the past year. Mr Bob Warner, the company's chief executive, decided not to renew his contract at the conclusion of its five year term. Remploy has developed hugely under Mr Warner's leadership, including most recently the implementation of the modernisation plan. The Board is extremely grateful to Mr Warner for his dedication to the aims of Remploy and for the considerable achievements over the past five years. The Secretary of State has appointed Mr Tim Matthews as chief executive with effect from 1 October 2008. Mr Matthews joins the company to deliver the balance of the modernisation plan and to lead the company in its aim of supporting even more disabled people in the UK into work.

Further changes to the Board saw Mrs Jill Hill, who had been an executive director on the Remploy Board since 2001 leave the Board in April 2008. Jill was responsible for developing the IT recycling, electronics and automotive businesses within Remploy and had a key role in the modernisation strategy. Mrs Anne Jessopp, who joined Remploy in 2004 as executive director, HR, left in July 2008. We welcome Ms Kate Nash and Mr Ian Black who were appointed as new non-executive directors on 1 November 2007 to replace the two non executive directors who left the Board in 2007/8 and Peter Smith who joined the Board in June 2008.

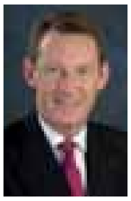
The past year has been challenging for Remploy and especially for its employees. We have made a successful beginning to Remploy's five year modernisation programme. We are determined to improve the life chances of disabled people by significantly increasing the number of disabled people that we support into mainstream employment and by moving our own businesses towards a sustainable future.

Ian Russell CBE
Chairman

Directors and Advisers

as at 23 September 2008

Ian Russell CBE Chairman (aged 55)



Ian joined the company as Non-Executive Chairman in January 2007. In addition to chairing Remploy, Ian is Chairman of Advanced Power AG, an adviser to the 3i Group and an adviser to the Clyde Bergemann Power Group. He is Non-Executive Director of Johnston Press, the British Assets Trust and the Mercantile Investment Trust. He also chairs the campaign board of the University of Edinburgh and is Non-Executive Director of Business in the Community. Previously Ian was Chief Executive of Scottish Power and prior to that he worked for HSBC and Mars.

Bob Warner Chief Executive (aged 57)

Bob joined the company as Finance Director in April 2002 and became Chief Executive in 2004. In his last role at BT, he managed the demerger and flotation of mmO2. His previous posts have included President of Operations at mmO2, President of Europe Operations, BTwireless and Deputy Finance Director of British Coal. Previous directorships include British Interactive Broadcasting, BT Cellnet Limited and Epeopleserve (Jersey) Limited.

Tim Matthews Chief Executive (Designate) (aged 57)

Tim joined the company as Chief Executive Designate in September 2008. In his last role Tim was Senior Vice President of global consulting engineering and project management company, Parsons Brinckerhoff Inc. Tim had previously been the Managing Director of Parsons Brinckerhoff Ltd. He has had several high profile jobs in the public sector, including Chief Executive of the Highways Agency from November 2000 to October 2003 and Chief Executive of Guys and St Thomas' NHS Hospital Trust from March 1993 to November 2000.

Nigel Hopkins Executive Director, Finance and Strategy (aged 50)

Nigel joined the company as Finance Director in May 2004. Formerly Director of Administration with Comau Estil, Nigel previously held posts with Laporte, United Technologies, Coopers & Lybrand and Ernst & Young.

Jill Hill (Left the Board April 2008) Corporate Development Director (aged 57)

Jill joined the company in August 2001. In addition to her role at Remploy, Jill held a number of other directorships which included Northern Defence Industries Limited. Jill's prior role was as Managing Director of Rolls-Royce Materials Handling Limited. Previously she worked for Clarke Chapman Limited and as Chairman of Caillard SA.

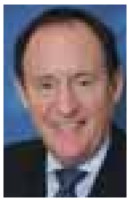
Anne Jessopp (Left the Board July 2008) Executive Director, HR (aged 44)

Anne joined Remploy in July 2004 as Executive Director of HR. Prior to this appointment Anne was HR Director for Lex Industrial Solutions. Previously, Anne held posts with the RAC, Thorn Electronics, Proctor and Gamble and Rolls-Royce.

Graham Corbett CBE* Non-Executive Director (aged 73)

Graham was appointed to the Board as Non-Executive Director in June 2004. In addition to this role, Graham is currently Chairman of Trustees for RICAbility. Previously, Graham was Chairman of Postcomm and Deputy Chairman of the Competition Commission, Board member and Chief Financial Officer of Eurotunnel and Senior Partner of Peat Marwick's Continental European Firm.

Ian Harley** *** Non-Executive Director (aged 58)



Ian was appointed to the Board as Non-Executive Director in June 2004, and he is the Senior Independent Director for Remploy. In addition to this Ian is Chairman of Rentokil Initial Pension Trustee Limited and Non-Executive Director, Deputy Chairman, and Senior Independent Director of British Energy plc. He is also Chairman of the Court of the Whitgift Foundation and Vice President of the National Deaf Children's Society. Previously Ian was Chief Executive of Abbey National and prior to this worked for Touche Ross & Co.

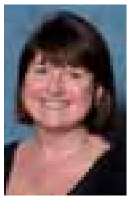
Joe Mann MBE* **Non-Executive Director (aged 56)**

Joe was appointed to the Board as Non-Executive Director in May 2006. Joe is currently National Secretary with Community Trade Union, with specific responsibility for politics and external affairs. Since 1997, he has been a member of the Labour Party National Policy Forum, and since 2003 a member of the Labour Party National Executive Committee. Joe is also a member of the Executive Committee of the General Federation of Trade Unions. From 1995 to 2000 Joe was General Secretary of the National League of The Blind and Disabled; during which time he was appointed to the Government's Disability Rights Task Force.

Ian Thornley** **Non-Executive Director (aged 48)**

Ian was appointed to the Board as Non-Executive Director in May 2006. In addition to this, Ian is also the Managing Director of Staffing Partners, a corporate finance advisory business specialising in the recruitment and staffing sector. Previously a Chartered Accountant, Ian joined Northwest Airlines in 1992, holding a number of senior management posts with responsibility for operations in Europe, the Middle East and Africa. He joined a US quoted support services business in 1998 as Corporate Development Director before being appointed Managing Director of Right4Staff Limited, one of its UK subsidiaries. Ian led a management buy-out of Right4Staff in 2002, serving as its CEO until October 2005.

Kate Nash OBE** **Non-Executive Director (aged 45)**



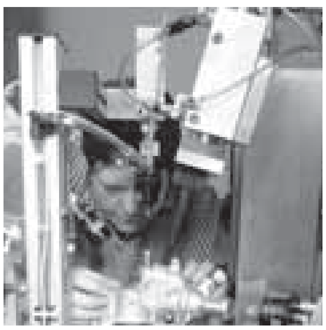
Kate was appointed to the Board as Non-Executive Director in November 2007. Kate is currently a freelance Diversity Consultant having 20 years' experience in working strategically to effect long-term attitudinal and major social systems change in relation to disabled people. She also holds posts as a Governor of Motability, the leading car scheme for disabled people and as a Non-Executive Director of the Disability & Carers Service, an Executive Agency of the Department for Work and Pensions. Previously Kate was Chief Executive of the Royal Association for Disability and Rehabilitation (RADAR) for five and a half years. Prior to that she was the deputy CEO and Company Secretary with Arthritis Care and Founding Director of the Leadership Consortium.

Ian Black* **Non-Executive Director (aged 56)**

Ian was appointed to the Board as Non-Executive Director in November 2007. Ian is a highly experienced and commercially orientated HR Director and Business Partner who has worked in various sectors. Previously Ian spent 10 years working at BAT/Rothmans as a senior HR Director. Ian has worked at other leading organisations, including NCR organisation, AT&T and Sidlaw PLC.

Remploy has a key role to play in achieving the Government's objective of providing people with complex disabilities with a clear route into employment

Tim Matthews joined Remploy as Chief Executive on the retirement of Bob Warner



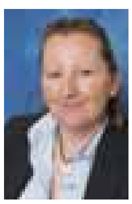
Peter Smith Non-Executive Director (aged 50)

Peter was appointed to the Board as Non-Executive Director in June 2008. In addition to his work for Remploy, Peter was appointed a Commissioner for the Legal Services Commission in April 2008. Previous positions include Procurement Director for Dun & Bradstreet (Europe), the Department of Social Security and the NatWest Group. He was Chairman, then President of the Chartered Institute of Purchasing and Supply.

Sally Smedley* (Left the Board July 2007) Non-Executive Director (aged 59)

Sally was appointed to the Board in January 2001. She was Chair of the Remunerations and Nominations Committee. Previous positions include HR Director at British Energy plc, Director of East Midlands Electricity and Non-Executive Director of Cornwell Park plc.

Lisa Stone** (Left the Board July 2007) Non-Executive Director (aged 46)



Lisa was appointed to the Board as Non-Executive Director in January 2001. In addition to this she is Chief Operating Officer of HgCapital and Non-Executive Director of SHL, Addison (Germany) and Visma (Norway).

Guy Phillips Secretary (aged 46)

A solicitor, Guy joined the Company in 1994 as Legal Adviser. Previously, he held positions with John Mowlem, American Express and the Investment Management Regulatory Organisation.

* Member of the Remuneration Committee

** Member of the Audit Committee

*** Senior Independent Non-Executive Director

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Chartered Accountants
London

Solicitors

Michelmores LLP
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EX2 5WR

Directors' Report

The Directors present their 63rd annual report on the affairs of the Company, together with the financial statements and auditors' report for the year ended 31 March 2008.

Principal activities

Remploy Limited is a private company as defined by the Companies Act 1985, limited by guarantee, without share capital.

The Company was incorporated in 1945 with the principal objectives of providing training and employment for registered severely disabled persons under special conditions.

Business review and future prospects

In line with the Company's commitment to best practice in financial reporting, the Directors present the financial statements under International Financial Reporting Standards.

The Company's revenue for the year was £164.2m (2007: £155.7m). The result for the year amounted to a profit after tax of £9.1m (2007: a loss of £6.9m).

A business review and a review of key performance indicators and future prospects of the Company is included within the Chairman's review.

Principal risks and uncertainties

To implement the requirements of the EU Accounts Modernisation Directive, the UK Companies Act 1985 has been amended to require a description of the principal risks and uncertainties facing the Company. The Board has identified the following potential risks and uncertainties that could have a material impact on the Company's performance and has put in place internal processes and controls designed to mitigate each risk. These risks and uncertainties are identified in a Strategic Risk Framework, which is monitored by both the Audit Committee and the Board. The Company's results could also be impacted by other factors. The risk factors detailed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

Risk factor	Internal processes and controls
Adverse economic, political and legal environments	Regular monitoring of Government policy Working with stakeholders
Retention of key talent	Provide rewarding employment experience Regular review and assessment of employees
Competitive pressures and failing to capture sufficient profitable business	Investment in products and services Investment in sales and marketing Customer satisfaction surveys Key customer and supplier contract monitoring and appraisal
Financial controls	Internal audit and risk process Self-assessment programme Directors' annual confirmations Detailed budgeting and forecasting procedures
Reputation in delivering equal opportunities	Achieving diversity targets Gender, race and ethics policy
Credit risk	Review of major customer credit limits and other exposures Efficient credit control function
Liquidity risk	Working capital management Daily review of short-term liquidity Continual analysis of borrowing and customer credit requirements
Business continuity and disaster recovery	Build in resilience where cost-effective Business continuity plans Regular testing of these plans Information security controls
Modernisation	Consultation and agreement of key stakeholders Regular monitoring of Government policy Business plans for modernisation
Pension scheme changes	Effective liaison between the Company and the Trustees

The Board confirms that it, and the Audit Committee, have reviewed the effectiveness of the system of internal controls and that there are ongoing processes for identifying, evaluating and managing the significant risks faced by the Company.

Directors' Report continued

Environmental matters

We recognise that our businesses have an impact on the environment through our printing operations, offices, transport and other business activities. We are committed to ensuring that where practical any adverse impact on the environment from our activities is being minimised. Most of our business sites are ISO 14001 approved and we are planning to gain accreditation for the remaining business sites. Our goal is to reduce waste as much as possible at its source and otherwise to reuse or recycle as much as is technically and practically possible.

Going concern

Based on normal business planning and control procedures the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Secretary of State has committed to funding Remploy's activities through the approval of the Remploy Modernisation Plan until March 2013. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Financial risk management objectives and policies

Details for risks along with actions taken by the Directors have been presented in note 22 of the financial statements.

Dividends

The Company is limited by guarantee and has no share capital and therefore does not pay dividends.

Directors

Refer to the Corporate Governance report on pages 11 to 15.

Charitable and political contributions

No Company donations for charitable and political purposes were made during the year (2007 – £nil).

Employees and employment of disabled persons

The aim of the Company is to maximise the number of disabled people in employment in three main ways:

- through supporting people to gain employment with other employers;
- in our manufacturing businesses; and
- in our service sector businesses.

At the end of the year 3,504 disabled people (2007: 4,956) were employed in Remploy's own businesses. In addition, 6,472 people (2007: 5,068) were supported during the year to 31 March 2008 to pursue a career with other employers.

Progressions

The number of people who progressed to open unsupported employment during the year was 477 (2007: 688).

Employee involvement

Involving all people is an important part of how Remploy operates. One of Remploy's values is openness. This means not only demonstrating openness through communication but also being open to new ideas and feedback.

A structured communication plan ensures that two-way communication takes place on key issues at local, business and organisational level. A variety of methods are used from team and site briefings to newsletters and conference calls.

Each business has a communication plan to complement the national plan. Communication is seen as an important part of any manager's role and training is taking place to ensure everyone has the required skills. Remploy employees have access to the intranet and it is used extensively by all employees. This was complemented with an investment in IT training to ensure that people have the appropriate skills.

Senior managers attend functional team meetings and key training courses, which support the formal feedback process.

Involvement of the recognised trade unions takes place through a working together partnership, which includes openly sharing information and joint working at a national level on learning, health and safety and the organisational challenges that face Remploy. Local and business level consultation takes place and has been strengthened by a recent agreement.

Pension fund

The assets of the pension fund, established for the benefit of the Scheme's members, are held in trust separately from the assets of the Company. The Board of Trustees comprises an independent trustee, Mr Robert Gravill representing the Trustee Corporation Limited, appointed by the Board of Remploy Limited, and comprises four Trustees appointed by the executive directors of the Company and four Trustees elected by the members. A Trustee Report was made available to all members during the year. Funds are managed independently by UBS Global Asset Management (UK)

Ltd, Schroder Investment Management Limited, Legal and General Investment Management Limited, Gartmore Investment Management Limited, Alliance Bernstein Limited, BNY Mellon Asset Management International Limited, Pimco Funds plc and Royal London Asset Management Limited on behalf of the Trustees to whom they report each quarter.

The Scheme Actuary confirmed at the last formal actuarial valuation on 31 March 2007 that the Scheme showed an accounting deficit of £113.8m (note 25). In June 2008, the Trustees and the Company agreed to spread the deficit over a ten year period. The Company made an additional contribution of £7m in April 2008.

The Employer's standard contribution rate required to cover future benefits on an ongoing basis was calculated as 13% of pensionable earnings per annum (excluding the cost of providing the death-in-service lump sum benefits).

The employee contribution rate remains at 7%.

Auditors

Each of the Directors at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Board meeting.

Approved by the Board and signed on its behalf by:

Nigel Hopkins
Executive Director Finance
17 September 2008

During the year Remploy supported 6,500 disabled people into jobs in mainstream employment

Health and Safety Report

No Health, Safety and Environment prosecutions or prohibitions for the third consecutive year

Remploy continues the drive to improve safety – reducing the number of accidents for the sixth consecutive year.

- Site accident statistics have improved by 10% on last year.
- No Health, Safety and Environment prosecutions or prohibitions for the third consecutive year, although we did receive two improvement notices.
- A further 30% reduction in value of Employer's Liability claims from last year. This represents a year-on-year reduction for each of the last five years.

Reportable accidents in our sites have continued to decline year-on-year. There were 34 reportable accidents this year (one less than last year).

This year we have extended the reporting of accident statistics to concentrate on Accident Frequency (numbers of accidents per hours worked) throughout both Remploy's Employment Services and Enterprise Businesses.

The Safety Management System (SMS) audit process remains the focal point in driving our Health and Safety agenda – measuring the degree of implementation of procedures, training, education and processes. Continuing the process of ongoing improvement, next year several enhancements have been made to this process, including technical updates as well as adding core elements of Environmental Management Systems.

The SMS scores are helping us to prioritise attention and focus the resources of the Joint Management and Union teams on developing action plans for the lower scoring sites.

Corporate Governance

Compliance

In accordance with Treasury guidelines, the Company is subject to the Combined Code (2006) on corporate governance and has complied throughout the year ended 31 March 2008 with the provisions as set out in section 1 of the Combined Code (2006), in so far as they are appropriate to Remploy under Government objectives for Non-Departmental Public bodies, except as noted below. The Company offers a five year service contract, although terminable on 12 months' notice, to its Chief Executive. The Company feels this departure is appropriate given that the Chief Executive is appointed by the DWP.

Board of Directors

The Board of Directors (the 'Board') and their membership of Board Committees is shown below and comprise, a Chairman, a Chief Executive plus one Executive and seven independent Non-Executive Directors. One of the Non-Executive Directors has been appointed to act a Senior Independent Director. Appointments to the Board are advertised; the Chairman, Chief Executive and Non-Executive Directors are appointed by the DWP in consultation with the Chairman. Other Executive Directors are appointed by the Chairman. In all cases a committee comprising Executive and Non-Executive Directors is constituted for each appointment. Details of the terms and conditions of appointment of the Non-Executive Directors are available upon written request from the Company Secretary at the Company's registered office.

The Board is responsible for setting Company strategy, acquisition policy, approval of major capital expenditure, senior management appointments and the establishment and monitoring of internal controls. It reviews the strategic direction of the Company and the operating results in line with targets set by the DWP in the Annual Performance Agreement. It monitors the progress of the Company towards the achievement of budgets and targets.

Board performance evaluation

A process of performance evaluation of the Board, its Committees and Directors was undertaken in 2008. This process consisted of:

- discussions between the Chairman and each of the Directors to assess Director performance and to allow any other issues to be raised;
- the Senior Non-Executive Director led an assessment of the Chairman's performance by the Non-Executive Directors and feedback to the Chairman; and
- a collective assessment of Board performance by all Directors.

The areas for assessment are identified well in advance to give all Directors sufficient time to consider and develop their response. Broadly, the areas considered were:

- Board role and agenda setting;
- monitoring performance and strategic planning;
- size, composition and independence of the Board;
- Directors' roles, training and development;

Corporate Governance continued

- Board leadership, teamwork and management relations;
- quality of meetings;
- Director and Board evaluation, compensation and ownership;
- succession planning;
- ethics;
- constituencies and
- input from the Executive Directors.

Issues arising from the self-assessment evaluation were presented to the Board by the Chairman and an action plan was developed to ensure continuous improvement in the operation of the Board and its Committees.

Board Committees

The Board has had for many years a supporting committee structure in line with the proposals of the Cadbury Committee on the Financial Aspects of Corporate Governance. Membership of the committees is set out in the Directors and Advisers section.

Remuneration Committee

The Remuneration Committee is chaired by Mr Graham Corbett CBE and includes two other Non-Executive Directors. The Committee reviews salaries and targets for performance pay for Executive Directors and senior managers and makes recommendations to the DWP with regard to the Chief Executive. Details of the terms of reference of the Committee are available upon written request from the Company Secretary at the Company's registered office. Further details can be found in the Remuneration report section.

Attendance at meetings during the year

	Board meetings	Audit Committee meetings	Remuneration/ nomination committee meetings
Number of Meetings	14	2	3
Ian Russell CBE	14	-	3
Bob Warner	14	-	3
Jill Hill (left in April 2008)	14	-	-
Nigel Hopkins	14	2	-
Anne Jessopp (left in July 2008)	13	-	3
Ian Harley	11	2	-
Graham Corbett CBE	14	-	3
Ian Thornley	13	2	-
Joe Mann MBE	12	-	2
Kate Nash OBE (joined in November 2007)	5	-	-
Ian Black (joined in November 2007)	5	-	2
Sally Smedley (left in July 2007)	5	-	1
Lisa Stone (left in July 2007)	5	-	-

Nominations Committee

The work of the Nominations Committee is undertaken by the Remuneration Committee.

Open advertising was used for the appointments of Non-Executive Directors during the year.

Appointments to the Board are advertised. The Chairman, Chief Executive and Non-Executive Directors are appointed by the DWP in consultation with the Chairman. Other Executive Directors are appointed by the Chairman.

In all cases a committee comprising Executive and Non-Executive Directors is constituted for each appointment. Details of the terms of reference of the Committee are available upon written request from the Company Secretary at the Company's registered office.

Remploy executive

The management of the business within the annual operational plan and the five year strategic plan is delegated to the Executive Directors.

Accounting Officer

The Chief Executive, Mr Warner, is designated in the Agreement with the Secretary of State as the Accounting Officer. His role is to advise the Board and he is responsible for the duties set out in the Non-Departmental Public Bodies Accounting Officer memorandum. He is responsible for assuring Parliament that:

- there is due propriety and regularity in the use of resources provided to the Company by the Secretary of State;
- adequate accounting, audit and information systems exist to achieve proper financial management and control, performance information and value for money and efficiency improvements and;
- appropriate standards are maintained and financial considerations are taken fully into account by the Board at all stages in framing and reaching decisions, and their execution.

Internal controls

The Directors acknowledge that they have overall responsibility for the Company's system of internal control, including suitable monitoring procedures, and for reviewing its effectiveness. The system of control is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, but any such system can only provide reasonable, and not absolute, assurance against misstatement or loss. The Directors make commercial decisions on risk within a managed framework and against a formal procedures and ethics policy.

The Board has implemented in full the Turnbull guidance (2005), Internal Control; Guidance for Directors on The Combined Code. A review of the risk management process for significant risks was undertaken and is set out in the risk management policy document which comprises procedures, strategies and review processes. Procedures and implementation are set around an extensive Strategic Risk Framework which has been in place all year and is reviewed regularly by the Executive and the Audit Committee. In addition, the Board and management are keeping under active review the need to enhance continuously the system of control. The Board can confirm that from 1 April 2007 to the date of approval of the Annual Report and Financial Statements that there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This is reviewed regularly by the Board and accords with the Turnbull guidance.

The Company's internal financial control and monitoring procedures include:

- clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;
- the control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties;
- detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budgets and;

Remploy is the country's largest employer of disabled people. Over 3,000 people work in the Enterprise Businesses

Corporate Governance continued

- reporting on internal financial controls and procedures by Internal Audit.

Remploy has an Internal Audit Department which operates to standards defined in the Government Internal Audit Manual. The work of the Internal Audit Department is informed by an analysis of the risk to which the Company is exposed and the annual internal audit plans are based on this analysis. The audit approach is endorsed by the Audit Committee and internal audit plans are approved by the Executive Directors. An annual report is issued by the Internal Audit Manager on internal audit activity which includes an independent opinion on the adequacy and effectiveness of the system of internal financial control.

The Board has reviewed the effectiveness of the system of internal controls for the period covered by the financial statements. This review takes into account the work of the Internal Audit Department, the Executive Directors who have responsibility for the development and maintenance of the control framework, and the comments of the external auditors in their management letter and other reports. All recommendations to improve controls are considered and followed up as appropriate.

Business ethics

As an executive Non-Departmental Public Body (NDPB) Remploy complies with the central Government requirement to have in place a code of best practice for employees. The Code of Business Ethics draws heavily on the Government's Model Code and its underlying principles and it covers key business issues which are appropriate for a commercial company.

Related party transactions

Remploy Limited is a Non-Departmental Public Body sponsored by the Secretary of State for the Department for Work and Pensions. During the year, Remploy Limited entered into normal arm's length contractor relationships for New Deal for Disabled People and other programmes with Jobcentre Plus and other associated agencies which are a part of the Department for Work and Pensions. Information regarding these arrangements has been disclosed in note 26 of the financial statements.

Remploy Limited has had a number of material transactions with other Government Departments and other central government bodies which arose in the normal course of trading. Most of these transactions have been with the Ministry of Defence. No further information has been provided on these transactions as, in the Directors' opinion, these Government Departments are not considered to meet the definition of a related party as set out in IAS 24, *Related Party Disclosures*.

Going concern

In accordance with their responsibilities as Directors, the Directors have considered the appropriateness of the going concern basis for the preparation of the financial statements and they continue to adopt the going concern basis in preparing the financial statements.

The Secretary of State has committed to funding Remploy's activities through the approval of the Remploy Modernisation Plan until March 2013.

By order of the Board:

G J G Phillips
Secretary
17 September 2008

Remploy is a Non-Departmental Public Body sponsored by the Secretary of State for Work and Pensions

Audit Committee Report

An expanding network of city centre recruitment branches is supporting more and more disabled people into mainstream employment

Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board. The Audit Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained therein;
- Reviewing the Company's internal financial controls and unless expressly addressed by the Board itself, the Company's internal control and risk management systems;
- Monitoring and reviewing the effectiveness of the Company's internal audit function;
- Making recommendations to the Board, for their approval in the annual general meeting in relation to the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm; and
- Reviewing the effectiveness of the Company's whistleblowing procedures, particularly communication processes and follow up procedures.

The Audit Committee is required to report its findings to the Board, identify any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

Composition of the Audit Committee

The members of the Audit Committee are:

Name	Date of appointment	Formal accounting qualification
Mr I Harley (Chairman)	2004	Fellow of Institute of Chartered Accountants in England and Wales
Mrs L Stone (left the Audit Committee July 2007)	2001	
Ms K Nash OBE	2008	
Mr I Thornley	2007	Member of Institute of Chartered Accountants of Scotland

Membership of the Committee is reviewed by the Chairman of the Committee and the Company Chairman, who is not a member of the Audit Committee, at regular intervals and they recommend new appointments to the Nominations Committee for onward recommendation to the Board. Appointments are for a period of three years and are extendable by no more than one additional three-year period. The Committee is normally comprised of three independent Non-Executive Directors with a minimum of two members at any time. Two members constitute a quorum.

The Audit Committee structure requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently, the Audit Committee Chairman fulfils this requirement. All Audit Committee members are expected to be financially literate.

The Board expects the Audit Committee members to have an understanding of:

- The principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
- Key aspects of the Company's operations including corporate policies, Company financing, products and systems, information security and internal control;
- Matters that influence or distort the presentation of accounts and key figures;
- The principles of, and developments in, company law, sector specific laws and other relevant corporate legislation;
- The role of internal and external auditing and risk management;
- The regulatory framework for the Company's businesses; and
- Environmental and social responsibility best practices.

Meetings

The Audit Committee is required to meet at least twice a year and has an agenda linked to events in the Company's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his or her fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee invites the Chief Executive, Finance Director, Company Accountant, Internal Audit and Risk Manager, and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior managers are invited to present such reports as are required for the Committee to discharge its duties.

Audit Committee Report continued

No disabled employee was made compulsorily redundant as a result of the modernisation programme

Overview of the actions taken by the Audit Committee to discharge its duties

Since the previous Report of the Audit Committee, the Audit Committee has:

- Reviewed the financial statements to the 2008 reports and accounts. As part of this review the Committee received a report from the external auditors on their audit of the annual reports and accounts;
- Considered the output from the Company-wide process used to identify, evaluate and mitigate risks;
- Reviewed the effectiveness of the Company's internal controls and disclosures made in the annual reports and accounts on this matter;
- Reviewed and agreed the scope of the audit work to be undertaken by the auditors;
- Considered a report from the external auditors on the review of the effectiveness of controls across the Company and received a report on management action taken in response to work undertaken by the auditors in 2007;
- Agreed the fees to be paid to the external auditors for the audit of the 2008 accounts;
- Reviewed the performance of the Internal Audit function;
- Agreed a programme of work for the company's Internal Audit function;
- Reviewed the performance of the external auditors;
- Received reports from the Internal Audit and Risk Manager on the work undertaken by the Internal Audit function and management responses to proposals made in the audit reports issued by the function during the year; and
- Reviewed whistleblowing procedures and actions taken.

External auditors

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee and day-to-day responsibility to the Company Finance Director. The policy states that the external auditors are jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Company's policy on external audit sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Company, subject to de minimis levels and Audit Committee Chairman approval in emergency situations.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviewed:

- the changes in key external audit staff in the external auditors' plan for the current year;

- the arrangements for day-to-day management of the audit relationship;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by the external auditors, in addition to their case by case approval of the position of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- the external auditors' fulfilment of the agreed audit plan and variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of the external auditor's observations on internal control.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit committee has recommended to the Board that the external auditors are re-appointed.

Internal Audit function

The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy of the resourcing and plans of the Internal Audit function. To fulfil these duties, the Committee reviewed:

- Internal Audit's terms of reference, reporting lines and access to the Audit Committee and all members of the Board;
- Internal Audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of resolution;
- the statistics on staff numbers, qualifications and experience and timeliness of reporting; and
- the level and nature of non-audit activity performed by Internal Audit.

The Company Whistleblowing Policy contains arrangements for the Company Internal Audit Manger to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors. The Chairman of the Audit Committee will be available at Board meetings to answer any questions about the work of the Committee.

Approval

This report was approved by the Audit Committee and signed on its behalf by:

Ian Harley
Chairman of the Audit Committee
17 September 2008

Remuneration Committee Report

Information not subject to audit

Composition
The Company has a Remuneration Committee chaired by Mr G Corbett CBE and includes two Non-Executive Directors Mr J Mann MBE and Mr I Black. Other attendees have been Mr Ian Russell CBE as Chairman of the Company, Mr R Warner Chief Executive and Mrs A Jessopp, Executive Director Human Resources and Mrs S Smedley, former Chair.

Remuneration policy
The Committee aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate Executive Directors and Business Managers. The Committee works within the Government policy guidelines. The main components of remuneration are:

Basic salaries
The Chairman, Chief Executive and all Non-Executive Directors are appointments by the Secretary of State for Work and Pensions. The Chief Executive and Non-Executive Directors' salaries are reviewed annually by the Secretary of State. Basic salaries for Executive Directors are considered by the Committee taking into account the performance of the individual. The Chairman does not receive a salary.

Bonuses
The Chairman and Non-Executive Directors do not receive a bonus. A performance related bonus is payable to Executive Directors, based on the Performance and Resources Agreement, whose terms are based on a recommendation from the Committee and agreed with the Secretary of State in consultation with the Chairman. The Chief Executive's maximum bonus is currently 35% of salary and based on the same criteria as applied to Executive Directors.

Pensions
The Company operates defined benefit and defined contributions pension schemes and the Chief Executive and Executive Directors are ordinary members of the defined benefit scheme. For the defined benefit scheme, retirement benefits are based on final remuneration and length of service and are funded through a separate trustee administered scheme. The scheme is contributory with members paying 7% of salary. The Company pays contributions to the scheme based on the recommendations of the independent actuary who carries out a valuation of the scheme every three years.

Service contracts
The Chief Executive is appointed for a fixed period of five years which is terminable on twelve months notice by the Secretary of State. This contract can be renewed subject to the agreement of the Secretary of State. Executive Directors are appointed by the Chairman of Remploy Limited. Their contracts have no fixed period and are terminable on six months notice by the Company. The Chairman and Non-Executive Directors are appointed for a period of three years which is terminable by the Secretary of State with no notice period and which can be renewed for one further period.

The status of appointments as at 17 September 2008 is as follows:

	Date of service contract	Unexpired term	Notice period	Compensation if early termination
Mr I Russell CBE	January 2007	13 months	None	None
R Warner	November 2003	2 months	12 months	None
N Hopkins	May 2004	None	6 months	None
I Harley	July 2004	21 months	None	None
G Corbett CBE	July 2004	21 months	None	None
I Thornley	May 2006	8 months	None	None
J Mann MBE	May 2006	8 months	None	None
K Nash OBE	November 2007	26 months	None	None
I Black	November 2007	26 months	None	None
P Smith	June 2008	33 months	None	None

Audited information

Directors' emoluments

Total emoluments in the year were:

	2008 £'000	2007 £'000
Remuneration excluding costs of pension and life assurance schemes	**670**	550
Costs of pensions and life assurance scheme contributions	**45**	48
Supplementation of pensions paid to former Directors in the year	**73**	65

All emoluments paid to present and past Directors are in connection with the management of the affairs of the Company.

Remuneration Committee Report continued

Details of emoluments and pensions are as follows:

	Salary		Bonus*		Benefits		Total		Pension contributions		Years of service	Accrued pension	Increase in accrued pension	Transfer value of increase
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000	**2008 £'000**	**2007 £'000**	2008 £'000	2007 £'000		2008 £'000	2008 £'000	2008 £'000
Ian Russell CBE	-	-	-	-	-	-	**-**	**-**	-	-				
R Warner	125.5	125.5	56.5	-	15.1	15.3	**197.1**	**140.8**	11.4	11.0	6.0	13.3	2.2	22.5
J V Hill	67.1	89.7	36.4	-	7.0	7.2	**110.5**	**96.9**	8.3	11.1	7.0	12.5	1.4	24.9
N Hopkins	111.6	96.3	58.4	-	10.2	10.2	**180.2**	**106.5**	13.8	11.9	4.0	8.6	2.9	17.3
A Jessopp	93.2	90.0	41.3	-	8.9	9.3	**143.4**	**99.3**	11.5	11.1	4.0	6.8	1.9	8.8
S Smedley	2.5	7.5	-	-	-	-	**2.5**	**7.5**	-	-				
L Stone	-	7.5	-	-	-	-	**-**	**7.5**	-	-				
I Harley	7.5	7.5	-	-	-	-	**7.5**	**7.5**	-	-				
G Corbett CBE	7.5	7.5	-	-	-	-	**7.5**	**7.5**	-	-				
J Mann MBE	7.5	6.4	-	-	-	-	**7.5**	**6.4**	-	-				
I Thornley	7.5	6.4	-	-	-	-	**7.5**	**6.4**	-	-				
K Nash OBE	3.1	-	-	-	-	-	**3.1**	**-**	-	-				
I Black	3.1	-	-	-	-	-	**3.1**	**-**	-	-				
A Pedder CBE	-	29.0	-	-	-	3.2	**-**	**32.2**	-	-				
S Knowles	-	26.6	-	-	-	3.3	**-**	**29.9**	-	3.3				
A D Tuffin CBE	-	1.3	-	-	-	-	**-**	**1.3**	-	-				
Total	**436.1**	**501.2**	**192.6**	**-**	**41.2**	**48.5**	**669.9**	**549.7**	**45.0**	**48.4**	**21.0**	**41.2**	**8.4**	**73.5**

* The bonus disclosed for 2008 of £192,600, includes a bonus of £82,000 relating to 2007, which was approved in December 2007. The 2007 bonus was paid to R Warner (£25,100), J V Hill (£19,600), N Hopkins (£19,300) and A Jessopp (£18,000).

The accrued pensions benefits are based on the number of years of pensionable service and the basic pensionable salary. The Company supplements the pensions of past Directors and other past employees on an annual basis. The amount payable in the year in respect of past Directors was £73,000 (2007: £65,000).

The transfer values disclosed do not represent a sum paid or payable to the individual director, they represent a potential liability of the pension scheme.

S Knowles and A D Tuffin CBE left the Board in July 2006.

A Pedder CBE left the Board in December 2006.

S Smedley and L Stone left the Board in July 2007.

The Remuneration Report is signed by Mr G Corbett CBE, Chair of the Remuneration Committee.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

United Kingdom 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 applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By 2012 we will be finding 20,000 jobs in mainstream employment each year for people with disabilities or health conditions

Independent Auditors' Report

to the members of Remploy Limited

We are pioneering projects in the UK which greatly improve the employment prospects of people with learning disabilities

We have audited the financial statements of Remploy Limited for the year ended 31 March 2008 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Committee Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Committee Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Committee Report to be audited have been 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 Chairman's Statement that is cross referenced from the business review and future prospects section of the Directors' Report.

In addition we 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 review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority in so far as they are appropriate to Remploy Limited under Government objectives for Non-Departmental Public Bodies, and we report if it does not.

We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. 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 further information outside the Annual Report.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements and the part of Report of the Remuneration Committee described as having been audited 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.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
17 September 2008

Income Statement

year ended 31 March 2008

	Notes	Ongoing Operations £'000	Impact of Modernisation (note 10) £'000	2008 £'000	2007 £'000
Continuing operations					
Revenue	6	149,232	15,035	164,267	155,702
Funding from Secretary of State for the Department for Work and Pensions	5	145,800	73,228	219,028	133,800
Total revenue		295,032	88,263	383,295	289,502
Materials		(91,794)	(10,872)	(102,666)	(93,597)
Staff costs	11	(116,718)	(23,741)	(140,459)	(144,837)
Operating charges		(42,067)	(9,906)	(51,973)	(50,031)
Depreciation	14	(3,901)	(330)	(4,231)	(5,333)
Modernisation expense	10	-	(73,127)	(73,127)	-
Gain/(loss) on sale of property, plant and equipment		627	(55)	572	5
Operating profit/(loss)	8	41,179	(29,768)	11,411	(4,291)
Finance income	12	544	-	544	273
Finance costs	12	(2,506)	-	(2,506)	(2,906)
Profit/(loss) before tax		39,217	(29,768)	9,449	(6,924)
Income tax expense	13	(313)	-	(313)	-
Profit/(loss) for the year		**38,904**	**(29,768)**	**9,136**	**(6,924)**

The notes on pages 29 to 63 are an integral part of these financial statements.

Statement of Recognised Income and Expense

year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Actuarial gains on defined benefit pension scheme (net)	25	74,278	11,888
Net income recognised directly in equity		74,278	11,888
Profit/(loss) for the year		9,136	(6,924)
Total recognised income and expense for the period		**83,414**	**4,964**

Balance Sheet

as at 31 March 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Property, plant and equipment	14	42,206	60,402
Current assets			
Inventories	15	8,761	9,763
Trade and other receivables	16	55,064	27,560
Assets held for sale	17	9,352	-
Cash and cash equivalents	18	5,529	1,679
		78,706	39,002
Total assets		120,912	99,404
Current liabilities			
Trade and other payables	20	(41,746)	(42,211)
Obligations under finance leases	19	(189)	(6,644)
Bank overdraft	21	(14,548)	(16,165)
Provisions for other liabilities and charges	24	(24,225)	-
		(80,708)	(65,020)
Net current liabilities		(2,002)	(26,018)
Non-current liabilities			
Retirement benefit obligation	25	(113,788)	(183,769)
Obligations under finance leases	19	(222)	(7,835)
		(114,010)	(191,604)
Total liabilities		(194,718)	(256,624)
Net liabilities		(73,806)	(157,220)
Reserves			
Funded by the Secretary of State for the Department for Work and Pensions	5	(73,806)	(157,220)

The notes on pages 29 to 63 an integral part of these financial statements. These financial statements were approved and authorised for issue by the Board of Directors on 17 September 2008.

Signed on behalf of the Board of Directors

I Russell CBE
Chairman

R Warner
Chief Executive
(Accounting Officer)

N Hopkins
Executive Director Finance and Strategy

Cash Flow Statement

as at 31 March 2008

	Notes	2008 £'000	2007 £'000
Profit/(loss) for the year		9,136	(6,924)
Adjustments for:			
Depreciation on property, plant and equipment	14	4,231	5,333
Gain on disposal of property, plant and equipment		(572)	(5)
Interest received		(544)	(273)
Impairment of property, plant and equipment	14	491	-
Impairment on reclassification of non current assets held for sale	17	7,311	-
Non-cash elements of retirement benefit charge		4,299	6,352
Operating cash flows before movements in working capital		24,352	4,483
Decrease in inventories		1,002	487
Increase in trade and other receivables		(27,504)	(2,901)
(Decrease)/increase in trade and other payables		(465)	3,967
Increase in provisions for other liabilities and charges		24,225	-
Net cash from operating activities		21,610	6,036
Investing activities			
Interest received	12	544	273
Proceeds on disposal of property, plant and equipment		1,768	52
Purchase of property, plant and equipment	14	(4,388)	(2,791)
Net cash used in financing activities		(2,076)	(2,466)
Financing activities			
Repayments of obligations under finance leases		(14,067)	(3,761)
Net cash used in financing activities		(14,067)	(3,761)
Net increase/(decrease) in cash and cash equivalents		5,467	(191)
Cash and cash equivalents at 1 April	18	(14,486)	(14,295)
Cash and cash equivalents at 31 March	**18**	**(9,019)**	**(14,486)**

The notes on pages 29 to 63 an integral part of these financial statements.

Notes to the Financial Statements

year ended 31 March 2008

1. General information

Remploy Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given in the Directors and Advisers section. The nature of the Company's operations and its principal activities are set out in note 6.

Liability of members

The Company is limited by guarantee and has no share capital. The members of the Company are the Directors who have each undertaken to contribute to the assets of the Company in the event of the same being wound up during the time he or she is a member or within one year after he or she ceases to be a member, such amount as may be required not to exceed one pound. Refer to note 5.

The main agreement between the Company and the Secretary of State for the Department for Work and Pensions (DWP) provides the following in paragraph 12.3:

"Upon a winding-up of the Company following termination of this Agreement, the Company will use its best endeavours to ensure that the Secretary of State is consulted on an orderly winding-up of the Company. Provided that the Secretary of State's proposals for an orderly winding-up are implemented by the Company (to the extent that it is able to do so), the Secretary of State shall pay to the Company by way of a grant a sum equal to the net deficit (being the excess of liabilities over the proceeds of realisation of assets) incurred by the Company."

2. Adoption of new and revised Standards

In the current year, the Company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendments to IAS 1 *Presentation of Financial Statements*. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital.

The following Interpretations issued by the International Financial Report Interpretations Committee are effective for the current period but are not relevant to the operations of the company:

- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting under Hyperinflationary Economies*;
- IFRIC 8 *Scope of IFRS 2 – Share-based Payment*;
- IFRIC 9 *Reassessment of Embedded Derivatives*;
- IFRIC 10 *Interim Financial Reporting and Impairment*; and
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 8 *Operating Segments*;
- IAS 23 (Revised) *Borrowing Costs*;
- IFRIC 12 *Service Concession Arrangements*;
- IFRIC 13 *Customer Loyalty Programmes*; and
- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) which have been adopted by the European Union, and therefore the financial statements comply with article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for certain items which are measured at fair value as required by IFRS. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The principal accounting policies adopted are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Notes to the Financial Statements continued

Sales of services and products are recognised when goods are delivered and title has passed.

Sales of services rendered in relation to recruitment services are accrued to delivery of service.

Revenue in respect of European Social Fund (ESF) and other similar related funding is recognised when the service has been preformed and meets the criteria for collection as set out in the funding arrangement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

If a sale and leaseback transaction results in a finance lease, any excess of sale proceeds over the carrying amount is deferred and recognised in the income statement over the lease term. If a sale and leaseback transaction results in an operating lease, any profit or loss is recognised in the income statement immediately.

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss for the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income in the period in which they become receivable. Other grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Taxation

The tax expense represents the sum of the tax currently 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 income statement 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 Company's liability for current tax is calculated using 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 differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The assets residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Internally-generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from the Company's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Freehold buildings	50 years
Leasehold land and buildings	Period of lease or 50 years whichever shorter
Fixtures and equipment	Between 2 and 10 years

Notes to the Financial Statements continued

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non-current asset held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

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

Financial assets

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loan and receivables

Trade receivables, loans and others receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement 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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of financial asset is reduced by the impairment loss directly for all financial assets with the exceptions of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and 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.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks an rewards of ownership of the asset to another entity.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangement entered into.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables
Trade payables are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits from the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Retirement benefits
Payments to the defined contribution retirement benefit scheme are charged as an expense as they fall due.

For the defined benefit scheme, actuarial updates of the scheme's liabilities and assets are performed at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised in the Statement of Recognised Income and Expense.

The retirement benefit obligation recognised outside the profit and loss, in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of the scheme assets.

Past cost is recognised immediate to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

4. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies
In the process of applying the Company's accounting policies, which are described in note 3, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements continued

More city centre recruitment branches will open in 2009

Impairment review of fixed assets
The Directors have performed an impairment review of the carrying value of fixed assets as required under IAS 36 'Impairment of Assets'. The land and buildings were revalued to market value at the IFRS transition date and the Directors consider that the book value at 31 March 2008 equates to the net realisable value should these assets be disposed of. In respect of other tangible fixed assets, the Directors have identified a number of cash generating units, all of which have negative cash flows from operations. The Directors however consider that the funding received from the DWP is provided to support all cash generating units in totality and hence, the Directors have allocated this funding to each of the cash generating units which has resulted in a cash positive/break even position. The continued funding from the DWP is a key judgement in concluding that no impairment provision is required.

Provision for old and obsolete inventory
The Directors have reviewed the ageing and movements of its inventory to assess the potential loss in respect of obsolescence. In determining whether provision for obsolescence should be recorded in the income statement, the Directors have considered the allowance required for inventory obsolescence based on the current economic environment and past obsolescence history.

Impairment of receivables
The Directors have reviewed the trade receivables to assess the need for a provision for the impairment of receivables. In determining whether an impairment loss should be recorded in the profit and loss account, the Directors have made judgements based on prior experience and the current economic environment.

Accordingly, a provision for the impairment of receivables is made where there is an identified loss event, or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flow. The provision for the impairment of receivables is detailed in note 16.

Self insurance
The Company has provided for partial self insurance arrangements based on historical number of claims filed, value of each claim filed and settlement amounts. The Company has also included an estimate of claims incurred but not recorded. This has been based on the historical lead time in days between the accident and the claim being reported. The provision for self insurance is included in note 24 as part of other payables.

Defined benefit obligation
The Company operates a defined benefit scheme. The retirement benefit obligation recorded is based on actuarial assumptions, including discount rates, inflation and mortality rates. The assumptions are based on current market conditions at the year end, historical information and consultation with and

input from actuaries. The Directors review the assumptions annually. If they change, or actual experience is different from the assumptions, the retirement benefit obligation will be adjusted accordingly. The assumptions used are detailed in note 25.

Impairment of assets held for sale

The Directors have performed an analysis of the fair value less cost to sell of land and building classified as assets held for sale as required under IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The Directors have used either agreed selling price or independent valuations performed to determine the fair value of assets held for sale. The cost to sell these assets has been estimated by the Directors based on the complexity of the asset to be sold and an estimate of the legal and other related expenses to be incurred.

5. Financial agreement with the DWP

The Company has entered into agreements with the DWP under which:

1. Grants-in-aid and loans have been received (secured by fixed and floating charges on Remploy Limited's assets) to finance the purchase of fixed assets; and
2. Grants-in-aid which are not repayable have been received in respect of:
   (a) the excess of expenditure over income other than depreciation and profit/(loss) on sales of fixed assets; and
   (b) changes in working capital.

The Secretary of State has committed to funding Remploy's activities through the approval of the Remploy Modernisation Plan until March 2013.

The movements in the reserve account during the year were as follows:

	2008 £'000	2007 £'000
Reserve account		
Balance at 1 April	(157,220)	(162,184)
Grants-in-aid		
– Ongoing operations	145,800	133,800
– Modernisation		
Funding received	50,000	–
Accrued income (see note 16)	23,228	–
Net results before grant-in-aid received	(228,164)	(140,724)
Transfer from income statement	9,136	(6,924)
Transfer from statement of recognised income and expenditure	74,278	11,888
Balance at 31 March representing total liabilities	**(73,806)**	**(157,220)**

In line with Treasury guidelines, the Company is required to show the notional cost of capital. The notional interest would have been a charge of £4.04 million for the year (2007: £5.25 million) at 3.5% (2007: 3.5%) based on an average capital employed.

Notes to the Financial Statements continued

6. Business segments

For management purposes the Company is organised into business segments. These are the basis on which the Company reports its primary segment information. The Company operates in two geographical segments, being the UK and the USA.

On 1 April 2007, the Managed Services segment was no longer recognised by the Company as a separate business segment as its activities were deemed more appropriate to other existing segments including Employment Services and Community Enterprise. Due to difficulty in obtaining appropriate information relating to prior year, management has not reclassified prior year numbers.

	2008 £'000		2007 £'000	
	External sales	Inter-segment sales	External sales	Inter-segment sales
Revenue				
Automotive (2007: Manufacturing)	51,445	418	52,712	-
Furniture	23,620	624	18,600	37
Textiles	19,069	9,370	11,940	4
Household and toiletries	13,528	-	9,308	-
Print and packaging	13,453	801	13,858	973
Employment services	13,308	172	7,625	12
Workscope	8,908	859	10,346	128
Healthcare	6,283	612	6,191	-
Building products	5,059	42	5,120	-
Electronics	4,382	256	4,545	-
Ecycle	2,190	13	4,952	2
Product contracts	777	2	36	8
Offiscope	728	67	746	80
Service contracts	635	6	1,738	9
Public sector	510	29	701	5
Community enterprise	372	5	119	38
Managed services	-	-	7,152	119
Corporate and support services	-	-	13	-
	164,267	**13,276**	**155,702**	**1,415**

The inter-segment sales are internal sales between business segments, which eliminate at an overall company level. Inter-segment sales are all priced on an arm's length basis.

	2008 £'000	2007 £'000
Segment assets		
Automotive (2007: classified as Manufacturing)	7,470	7,825
Furniture	5,747	5,681
Textiles	3,340	4,597
Household and toiletries	1,899	5,590
Print and packaging	6,683	5,473
Employment services	5,338	2,248
Workscope	2,479	2,738
Healthcare	1,544	1,361
Building products	1,962	2,142
Electronics	1,939	1,734
Ecycle	963	733
Product contracts	-	153
Offiscope	270	246
Service contracts	-	89
Public sector	205	90
Community enterprise	38	63
Managed services	-	924
Corporate and support services	81,037	57,717
	120,914	**99,404**

	2008 £'000	2007 £'000
Segment liabilities		
Automotive (2007: classified as Manufacturing)	(7,105)	(5,981)
Furniture	(4,214)	(3,590)
Textiles	(2,655)	(841)
Household and toiletries	(146)	(4,136)
Print and packaging	(3,336)	(4,233)
Employment services	(7,378)	(3,280)
Workscope	(2,032)	(2,275)
Healthcare	(844)	(756)
Building products	(794)	(942)
Electronics	(436)	(338)
Ecycle	(1,409)	(2,473)
Offiscope	(92)	(73)
Public sector	(79)	(29)
Community enterprise	-	(2)
Managed services	-	(258)
Corporate and support services	(164,198)	(227,417)
	(194,718)	**(256,624)**

Remploy has a proud record of supporting disabled people into employment for more than 60 years

Notes to the Financial Statements continued

6. Business segments (continued)

	2008 £'000	2007 £'000
Operating profit/(loss)		
Funding from Secretary of State	219,028	133,800
Automotive (2007: classified as Manufacturing)	(6,343)	(7,079)
Furniture	(14,202)	(15,475)
Textiles	(5,781)	(9,688)
Household and toiletries	(5,299)	(7,073)
Print and packaging	(5,691)	(5,663)
Employment services	(29,271)	(19,555)
Workscope	(19,214)	(19,435)
Healthcare	(6,399)	(6,834)
Building products	(3,957)	(3,162)
Electronics	(4,271)	(3,924)
Ecycle	(5,893)	(5,707)
Product contracts	(6,525)	(1,736)
Offiscope	(2,567)	(2,964)
Service contracts	(2,965)	(8,473)
Public sector	(1,610)	(1,827)
Community enterprise	(921)	(536)
Managed services	-	(4,440)
Corporate and support services	(13,581)	(14,520)
Modernisation one-off expense	(73,127)	-
	11,411	**(4,291)**

	Operating profit/(loss) £000's	Finance costs £000's	Finance income £000's	Income tax £000's	Profit/(loss) for the year £000's
Reconciliation of operating profit/(loss) to profit/(loss) for the year					
Funding from Secretary of State	219,028	-	-	-	219,028
Automotive (2007: classified as Manufacturing)	(6,343)	-	-	-	(6,343)
Furniture	(14,202)	-	-	-	(14,202)
Textiles	(5,781)	-	-	-	(5,781)
Household and toiletries	(5,299)	-	-	-	(5,299)
Print and packaging	(5,691)	-	-	-	(5,691)
Employment services	(29,271)	-	-	-	(29,271)
Workscope	(19,214)	-	-	-	(19,214)
Healthcare	(6,399)	-	-	-	(6,399)
Building products	(3,957)	-	-	-	(3,957)
Electronics	(4,271)	-	-	-	(4,271)
Ecycle	(5,893)	-	-	-	(5,893)
Product contracts	(6,525)	-	-	-	(6,525)
Offiscope	(2,567)	-	-	-	(2,567)
Service contracts	(2,965)	-	-	-	(2,965)
Public sector	(1,610)	-	-	-	(1,610)
Community enterprise	(921)	-	-	-	(921)
Corporate and support services*	(13,581)	(2,506)	544	(313)	(15,856)
Modernisation one-off costs	(73,127)				(73,127)
	11,411	**(2,506)**	**544**	**(313)**	**9,136**

*Represents one-off modernisation cost.

Notes to the Financial Statements continued

6. Business segments (continued)

	2008 £'000	2007 £'000
Capital expenditure		
Automotive (2007: classified as Manufacturing)	-	54
Furniture	119	188
Textiles	15	11
Household and toiletries	325	189
Print and packaging	117	364
Employment services	1,574	576
Workscope	6	146
Healthcare	-	6
Building products	259	40
Electronics	486	107
Ecycle	114	-
Corporate and support services	1,373	1,110
	4,388	**2,791**

	2008 £'000	2007 £'000
Depreciation		
Automotive (2007: classified as Manufacturing)	22	116
Furniture	300	406
Textiles	36	67
Household and toiletries	219	227
Print and packaging	382	495
Employment services	169	111
Workscope	122	167
Healthcare	50	81
Building products	99	141
Electronics	126	86
Ecycle	72	88
Product contracts	-	59
Offiscope	41	73
Service contracts	-	46
Public sector	20	22
Community enterprise	2	2
Managed services	-	5
Corporate and support services	2,571	3,141
	4,231	**5,333**

	2008 £'000	2007 £'000
Impairment on non current assets held for sale		
Corporate and support services*	**7,311**	-

*Represents one-off modernisation cost.

	2008 £'000	2007 £'000
Impairment on property, plant and equipment		
Corporate and support services*	**491**	-

*Represents one-off modernisation cost.

7. Geographical markets

Included in turnover are exports amounting to £14,953,000 (2007: £9,027,000).
A geographical analysis of turnover by destination is as follows:

	2008 £'000	2007 £'000
Europe	14,159	8,224
USA	428	579
Other	366	224
Total non-audit fees	**14,953**	**9,027**

Notes to the Financial Statements continued

8. Operating profit/(loss)

The operating profit/(loss) has been arrived at after charging/(crediting) the following:

	2008 £'000	2007 £'000
Net foreign exchange (gains)/losses	(87)	122
Research and development costs	15	264

9. Auditors remuneration

	2008 £'000	2007 £'000
Audit services		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	140	134
Non-audit services		
Fees payable to the Company's auditors for other services:		
Other services relating to taxation	89	76
Accounting advice	25	-
	114	**76**

10. Impact of Modernisation

On 22 May 2007, the Company announced that it had commenced consultation with employee representatives in connection with the closure and merger of a number of sites ("the Modernisation Plan"). Following the completion of extensive consultation a revised Modernisation Plan was submitted to the DWP on 12 November 2007 and this was approved on the 29 November 2007. The approved Modernisation Plan resulted in the closure of 17 sites, merger of a further 11 sites and the extension of the voluntary redundancy programme to 50 of the sites that are to remain open. As per the Modernisation Plan, the target date for the merger and closure of sites was 31 March 2008. However 20 of the sites will close in the 2008/09 financial year. The results included in the 'Impact of Modernisation' column in the income statement represents a combination of one-off costs incurred as a result of the Modernisation Plan and the income and expenses incurred at affected sites which will not re-occur.

As part of the Modernisation Plan the DWP has agreed additional funding of £111 million which is expected to be paid over the next five years and meet the costs of the Modernisation Plan. A total of £50 million has been drawn down in the current financial year and a further £23.228 million of income has been accrued. A summary of the significant non-recurring costs incurred in the current financial year are as follows:

	2008 £'000	2007 £'000
Redundancy and other payments to employees	54,609	-
Impairment of non-current assets held for sale (note 17)	7,311	-
Impairment of property, plant and equipment (note 14)	491	-
Onerous contracts and leases	3,290	-
Pension loss on curtailment and past service cost (note 25)	2,527	-
Placement costs relating to employment services	1,215	-
Finance leases early settlement penalty cost	510	-
Other site closure related expenses	3,174	-
	73,127	**-**

Notes to the Financial Statements continued

11. Staff Costs

The average monthly number of employees (including executive directors) was as set out in the table below.

From 1 April 2007 a number of the business units have been restructured and the staff numbers for 2008 have been presented on that basis. However, it has not been possible to apportion staff for 2007 on the basis of the new structure and staff numbers for 2007 have been presented on the basis of the previous structure.

	2008 Number	2007 Number
Corporate and support services	185	203
Automotive (2007: Manufacturing)	575	606
Furniture	737	786
Print and packaging	341	347
Textiles	580	628
Workscope	999	1,083
Household and toiletries	219	238
Employment services	1,388	914
Managed services	-	530
Healthcare	375	379
Building products	179	175
Ecycle	286	292
Electronics	219	218
Service contracts	151	450
Offiscope	122	136
Public sector	97	111
Community enterprise	53	32
Product contracts	351	93
	6,857	**7,221**

In addition Remploy supported 6,472 (2007: 5,068) disabled people into work with other employers.

The aggregate payroll costs were as follows:

	2008 £'000	2007 £'000
Wages and salaries	114,422	116,100
Pension charge – service costs (note 25)	17,171	20,543
Social security costs	8,866	8,194
	140,459	**144,837**

In addition to above, included in modernisation expenses are one-off redundancy and other payments to employees of £57,824,000 and a pension charge – loss on curtailment and past service cost of £2,527,000 (note 10).

12. Finance income and costs

	2008 £'000	2007 £'000
Finance income		
Bank interest receivable on cash and cash equivalents	544	273
Finance costs		
Net pension scheme interest costs (note 25)	2,102	2,154
Interest on obligations under finance leases	404	624
Interest on bank overdraft	-	128
Total finance costs	**2,506**	**2,906**

Notes to the Financial Statements continued

13. Income taxes

	2008 £'000	2007 £'000
Current tax expense recognised in income statement	**313**	-

The total charge for the year can be reconciled to the accounting loss as follows:

	2008 £'000	2007 £'000
Profit/(loss) from continuing operations	9,449	(6,924)
Income tax expense calculated at 30%	2,835	(2,077)
Effect of expenses that are not deductible in determining taxable profit	3,761	609
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(6,398)	1,468
Effect of chargeable gains	115	-
Income tax expense recognised in the income statement	**313**	**-**

The tax rate used for the 2008 reconciliation is the corporate tax rate of 30% (2007: 30%).

	2008 £'000	2007 £'000
Unrecognised deferred tax assets		
Pension deficit	31,861	55,131
Tax losses – revenue	1,475	7,568
Tax losses – capital	76	
Temporary differences	614	1,763
Other timing differences	-	1,905
	34,026	**66,367**

The Directors have not recognised any deferred tax assets on the basis that the generation of taxable profit in the foreseeable future is not probable. The unrecognised deferred tax asset at 31 March 2007 has been restated to include an unrecognised deferred tax asset on the pension deficit.

The government has publicly stated its intention to reduce the corporation tax rate in the United Kingdom from 30% to 28% from 1 April 2008. Legislation to effect this change was substantively enacted on the 26 June 2007. The unrecognised deferred tax balances have therefore been calculated at 28%.

14. Property, plant and equipment

	Land and buildings £000's	Plant and machinery £000's	Other equipment £000's	Assets under construction £000's	Total £000's
Cost					
At 1 April 2006	72,511	42,501	12,330	850	128,192
Additions/transfers	684	535	496	1,076	2,791
Disposals	(10)	(1,441)	(100)	-	(1,551)
At 31 March 2007	73,185	41,595	12,726	1,926	129,432
Additions/transfers (note 6)	2,294	1,638	1,558	(1,102)	4,388
Disposals	(957)	(2,834)	(1,345)	-	(5,136)
Reclassified as held for sale (note 17)	(23,907)	-	-	-	(23,907)
At 31 March 2008	50,615	40,399	12,939	824	104,777
Accumulated depreciation and impairment					
At 1 April 2006	21,527	34,404	9,270	-	65,201
Charge for the year	1,803	1,934	1,596	-	5,333
Eliminated on disposals	(8)	(1,417)	(79)	-	(1,504)
At 31 March 2007	23,322	34,921	10,787	-	69,030
Charge for the year (note 6)	1,744	1,456	1,031	-	4,231
Impairment loss (note 6)	-	491	-	-	491
Eliminated on disposals	-	(2,718)	(1,219)	-	(3,937)
On assets reclassified as held for sale (note 17)	(7,244)	-	-	-	(7,244)
At 31 March 2008	17,822	34,150	10,599	-	62,571
Net book value					
At 31 March 2008	32,793	6,249	2,340	824	42,206
At 31 March 2007	**49,863**	**6,674**	**1,939**	**1,926**	**60,402**

The impairment loss on plant and machinery relates to the modernisation programme (note 10). The Directors assessed the appropriateness of the carrying value of property, plant and equipment at 31 March 2008 in light of the results and have concluded, subject to continuing funding from the DWP, that no further impairment provision was required.

The carrying value of assets held under finance leases is £nil (2007: £4,300,000 relating to plant and machinery and £369,262 (2007: £6,700,000) relating to land and buildings and other equipment.

At 31 March 2008, the Company has entered into contractual commitments for the acquisition of property, plant and equipment amounting to £223,000 (2007: £686,000).

Notes to the Financial Statements continued

15. Inventories

	2008 £'000	2007 £'000
Raw materials	5,302	5,986
Work-in-progress	470	654
Finished goods	2,989	3,123
	8,761	**9,763**

16. Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	25,644	24,687
Provision for impairment of trade receivables	(357)	(350)
Provision for credit notes	(622)	(394)
Net trade receivables	24,665	23,943
Other receivables	2,088	1,798
Accrued income	23,228	-
Prepayments	5,083	1,819
	55,064	**27,560**

The average credit period taken on sales of goods is 43 days (2007: 47 days). The Company makes 100% provision for all receivables that are past due beyond 12 months and 50% provision for receivables between 6 to 12 months. A further provision of 1% is made on all other balances. This provision policy is not applied to 'blue chip' organisation defined as FTSE 350 companies and public bodies unless there are specific concerns over the reliability of the receivable. This policy has been determined by reference to past default rates.

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers are reviewed on an ongoing basis if active but also annually with the Finance Director and Board approval for all accounts with a credit limit of £150,000 and above.

There are no customers who represent more than 10% (2007: 10%) of the total balance of trade receivables.

Included in the Company's trade receivable balance are receivables with a carrying amount of £505,000 (2007: £382,000) which are past due at the reporting date, for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances. The average age of these receivables is 135 days (2007: 135 days).

	2008 £'000	2007 £'000
Ageing of past due but not impaired receivables		
Up to 6 months	483	373
6-12 months	21	9
Over 12 months	1	-
Total	**505**	**382**

	2008 £'000	2007 £'000
Provision for impairment of receivables		
As at 1 April	350	457
Impairment losses recognised/(written back)	76	(9)
Amounts written off as uncollectible	(148)	(98)
As at 31 March	**278**	**350**

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that no further provision is required in excess of the allowance for doubtful debts.

Included in the provision for impairment of receivables are individually impaired trade receivables with a balance of £74,000 (2007: £81,000) which represents any accounts currently in legal dispute or receivership. A 100% provision is held for any such accounts liquidation.

	2008 £'000	2007 £'000
Ageing of impaired receivables		
Up to 6 months	248	321
6-12 months	28	23
Over 12 months	2	6
Total	**278**	**350**

No receivables have been renegotiated in the current or prior year. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Notes to the Financial Statements continued

17. Non-current assets classified as held for sale

The non-current assets held for sale represents land and building with a net book value of £16,663,000 (note 14) affected by the Modernisation Plan. The Company expects to sell all these assets within the next 12 months.

An impairment loss of £7,311,000 (2007: £nil) has been recognised in the income statement as a result of the write down of the assets to fair value less direct costs of disposal (note 10).

18. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

	2008 £'000	2007 £'000
Cash in hand and at bank	5,529	1,679
Bank overdraft	(14,548)	(16,165)
Cash and cash equivalents	**(9,019)**	**(14,486)**

19. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 £000's	2007 £000's	2008 £000's	2007 £000's
Amounts payable under finance lease				
Within one year	239	7,076	239	6,135
In the second to fifth years inclusive	227	5,528	227	4,499
After five years	-	2,985	-	2,735
	466	15,589	466	13,369
Less: future finance charges	(55)	(1,110)		
Present value of lease obligations	411	14,479		
Less: amount due for settlement within 12 months (shown under current liabilities)	(189)	(6,644)		
Amount due for settlement after 12 months	**222**	**7,835**		

The Company leases certain of its fixtures and equipment under finance lease for an average lease term of 5 years 3 months (2007: 5 years 10 months). For the year ended 31 March 2008 the average effective borrowing rate was 5.92% (2007: 5.92%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Sterling. The fair value of the Company's lease obligations approximated their carrying amount at 31 March 2008. The Company's obligations under finance leases are secured by the lessor's rights over leased assets.

Notes to the Financial Statements continued

20. Trade and other payables

	2008 £'000	2007 £'000
Trade payables	9,479	16,012
Employment payables	8,239	9,238
Social security and other taxes	4,081	2,261
Accrued expenses	17,169	10,752
Deferred income	1,138	2,429
Corporation tax	313	-
Other payables	1,327	1,519
	41,746	**42,211**

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 44 days (2007: 39 days). Employment payables relate to cost of staff including salary-related costs.

The Company generally does pay any interest to its trade suppliers for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade payables and other payables approximates their fair value.

21. Bank overdraft

The bank overdraft is repayable on demand within one year and denominated in Sterling. The average effective interest rate on bank overdraft approximates 6% (2007: 5.82%) per annum.

The Directors estimate the fair value of the Company's borrowings to approximate the book value.

At 31 March 2008, the Company had available £2,400,000 (2007: £500,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

22. Financial instruments

(a) Financial risk management

The Company has exposures to the following risks from its use of financial instruments:

- Capital risk management
- Credit risk
- Liquidity risk
- Cash flow and interest rate risk.

This note presents information about the Company's exposure to each of the above risks, the Company's management of the grants-in-aid provided by DWP, and the Company's objectives, policies and procedures for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has put in place policies that have been established to identify and analyse risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Board is assisted in its oversight role by Internal Audit function, who undertake both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Capital risk management

The Company's objectives when managing grant-in-aid are to safeguard the Company's ability to continue as a going concern in order for the Company to meet its objectives of providing training and employment for registered severely disabled persons under special conditions.

The Company is a private company as defined by the Companies Act 1985, limited by guarantee, without share capital and therefore meets its capital requirements by way of funding from the DWP. The details of grant-in-aid movements and the purpose for which these aids are received have been provided in note 5.

The capital structure of the Company consists of a bank overdraft disclosed in note 21, cash and cash equivalents disclosed in note 18 and reserves which are funded by the DWP disclosed in note 5.

(b) Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the financial statements.

Notes to the Financial Statements continued

22. Financial instruments (continued)

	Notes	2008 £'000	2007 £'000
Financial assets			
Trade and other receivables			
Trade receivables	16	24,665	23,943
Accrued income	16	23,228	-
Other receivables	16	2,088	1,798
Cash and cash equivalents	18	5,529	1,679
		55,510	**27,420**
Financial liabilities			
Trade and other payables			
Trade payables	20	9,479	16,012
Employment payables	20	8,239	9,238
Social security and other taxes	20	4,081	2,261
Accrued expenses	20	17,169	10,752
Corporation tax	20	313	-
Other payables	20	1,327	1,519
Obligations under finance leases	19	411	14,479
Bank overdraft	21	14,548	16,165
		55,567	**70,426**

(c) Credit risk management

The Company's principal financial assets are bank balances, cash and trade and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

The credit risk management relating to trade and other receivables has been detailed in note 16.

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

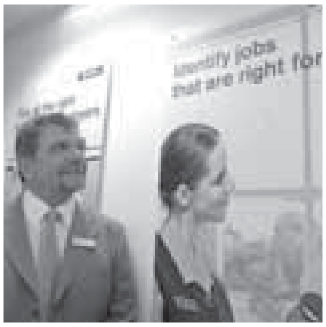
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company agrees an annual funding with the DWP. As a part of the Modernisation Plan, the Company has received confirmation from the DWP on 29 November 2007 of a funding envelope of £555 million for 5 years from 1 April 2008.

The Company manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 21 is a summary of an additional undrawn bank overdraft facility that the Company has at its disposal to further reduce liquidity risk.

The table below has been drawn up based on the contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period and financial liabilities have been presented based on the earliest date on which the Company can settle the debt.

	Carrying amount £000's	Contractual cash flows £000's	Due less than one year £000's	Between 1 and 2 years £000's	Between 2 and 5 years £000's	Over 5 years £000's
At 31 March 2008						
Financial assets						
Trade receivables	24,665	24,665	24,665	-	-	-
Accrued income	23,228	23,228	23,228	-	-	-
Other receivables	2,088	2,088	2,088	-	-	-
Cash and cash equivalents	5,529	5,529	5,529	-	-	-
	55,510	55,510	55,510	-	-	-
Financial liabilities						
Trade payables	9,479	9,479	9,479	-	-	-
Employment payables	8,239	8,239	8,239	-	-	-
Social security and other taxes	4,081	4,081	4,081	-	-	-
Accrued expenses	17,169	17,169	17,169	-	-	-
Corporation tax	313	313	313	-	-	-
Other payables	1,327	1,327	1,327	-	-	-
Obligation under finance leases	411	466	239	227	-	-
Bank overdraft	14,548	14,548	14,548	-	-	-
	55,567	55,622	55,395	227	-	-

Notes to the Financial Statements continued



22. Financial instruments (continued)

	Carrying amount £000's	Contractual cash flows £000's	Due less than one year £000's	Between 1 and 2 years £000's	Between 2 and 5 years £000's	Over 5 years £000's
At 31 March 2007						
Financial assets						
Trade receivables	23,943	23,943	23,943	-	-	-
Other receivables	1,798	1,798	1,798	-	-	-
Cash and cash equivalents	1,679	1,679	1,679	-	-	-
	27,420	27,420	27,420	-	-	-
Financial liabilities						
Trade payables	16,012	16,012	16,012	-	-	-
Employment payables	9,238	9,238	9,238	-	-	-
Social security and other taxes	2,261	2,261	2,261	-	-	-
Accrued expenses	10,752	10,752	10,752	-	-	-
Other payables	1,519	1,519	1,519	-	-	-
Obligation under finance leases	14,479	15,589	15,589	-	-	-
Bank overdraft	16,165	16,165	16,165	-	-	-
	70,426	**71,536**	**71,536**	**-**	**-**	**-**

(e) Cash flow and interest rate risk management

The Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate arises from bank overdraft borrowing and finance leases. The interest arising on the bank overdraft is a floating interest rate and therefore exposes the Company to cash flow and interest rate risk. The interest arising on finance leases is a fixed interest rate.

Management prepares regular cash flow forecasts to minimise the use of the bank overdraft facility. As the bank overdraft facility is only used towards the year end, the Directors do not consider this risk to be material.

(f) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed by the central finance function. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Monetary assets		Monetary liabilities	
	2008 £000's	2007 £000's	2008 £000's	2007 £000's
Euro	1,996	2,258	2,007	1,272
US dollar	12	471	-	-
	2,008	**2,729**	**2,007**	**1,272**

Foreign currency sensitivity analysis

The Company is mainly exposed to the Euro and US Dollars.

The following table details the Company's sensitivity to a 10% increase and decrease in the Sterling against the relevant foreign currencies. 10% is the sensitivity rate represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Sterling strengthens 10% against the relevant currency. For a 10% weakening of the Sterling against the relevant currency, there would be an equal and opposite impact on the income and reserves and the balances below would be negative.

	Euro currency impact		US dollar currency impact	
	2008 £000's	2007 £000's	2008 £000's	2007 £000's
Impact on income statement with +/- 10% movement	**1**	**99**	**1**	**47**

(g) Fair value of financial instruments

The fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and is calculated by reference to market rates discounted to current value.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices and;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values due to the short maturity of the instruments or because they bear interest at rates approximate to the market.

Notes to the Financial Statements continued

23. Operating leases

	2008 £'000	2007 £'000
Lease expenses under operating leases recognised in profit/(loss) for the year		
Plant and machinery	616	547
Other	8,024	7,298
	8,640	**7,845**

Total of future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Commitments expiring:		
Within one year	2,351	1,690
Between one and five years	7,913	10,494
More than five years	46,581	48,567
	56,845	**60,751**

The majority of the operating lease commitments relate to property. Other lease arrangements relate to vehicles and plant and equipment.

24. Provisions

	Redundancy £'000	Onerous contracts and contracts cancellation £'000	Total £'000
As at 1 April 2007	-	-	-
Charged to the income statement	20,728	3,497	24,225
As at 31 March 2008	**20,728**	**3,497**	**24,225**

The redundancy provision of £20,728,000 is in relation to the modernisation programme (note 10) which has been approved by the DWP on 29 November 2007. The provision includes all known amounts for employees who have selected redundancy.

Onerous contracts and contract termination relates to contractual rental obligations on operating leases affected by the modernisation programme (note 10).

The expected timing of outflows are within the next 12 months.

25. Retirement benefits

The Company operates defined benefit and defined contribution pension schemes. The schemes' funds are administered by trustees and are independent of the Company's finances.

Defined contribution scheme

The Company made contributions of £895,000 (2007: £847,000) to the defined contribution scheme. There are no amounts owed to this pension scheme by the Company at the year end (2007: £nil).

Defined benefit scheme

The most recent full actuarial valuation of the defined benefit scheme was carried out at 31 March 2007 by Barrett Waddingham LLP.

	2008	2007
Key assumptions		
Discount rate	6.60%	5.30%
Salary increase	4.50%	4.20%
Inflation	3.50%	3.20%
Expected return on scheme assets at start of the year*	7.24%	6.88%
Pre-retirement mortality table – 2007	Remploy specific table based on Remploy experience between 2000 and 2006 with allowance for improvements in life expectancy in line with medium cohort projections	
Pre-retirement mortality table – 2008	Remploy specific table based on Remploy experience between 2000 and 2006 with allowance for improvements in life expectancy in line with medium cohort projections subject to a minimum rate of improvement of 1% per annum	
Post-retirement mortality table – 2007	Remploy specific table based on Remploy experience between 2000 and 2006 with allowance for improvements in life expectancy in line with medium cohort projections	
Post-retirement mortality table – 2008	Remploy specific table based on Remploy experience between 2000 and 2006 with allowance for improvements in life expectancy in line with medium cohort projections subject to a minimum rate of improvement of 1% per annum	

* The assumptions for the expected return on the Scheme's assets is derived as a weighted average of the expected returns on each asset class, recognising the proportions of the assets invested in each. The expected returns on each class are based on market conditions at the start of the relevant accounting year, allowing for risk premiums expected on assets where appropriate. The long-term rate of return expected at 31 March 2008 is 7.46% (2007: 7.22%).

Notes to the Financial Statements continued

25. Retirement benefits (continued)

Amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	2008 £'000	2007 £'000
Current service cost	17,171	20,543
Interest cost	30,268	26,396
Expected return on scheme assets	(28,166)	(24,242)
Loss on curtailment	1,918	-
Past service cost	609	-
Total pension cost	**21,800**	**22,697**

Of the charge for the year, £2,102,000 (2007: £2,154,000) has been included in finance costs, £17,171,000 (2007: £20,543,000) has been included in staff costs and £2,527,000 (2007: £nil) has been included under modernisation expenses. Actuarial gains amounting to £74,278,000 (2007: £11,888,000) have been reported in the statement of recognised income and expenditure.

The amount included in the balance sheet arising from the Company's obligations in respect of its defined retirement benefit scheme is as follows:

	2008 £'000	2007 £'000
Present value of funded obligations	450,128	537,909
Present value of unfunded obligations	53,661	61,236
Fair value of scheme assets	(390,001)	(415,376)
Retirement benefits obligation	**113,788**	**183,769**

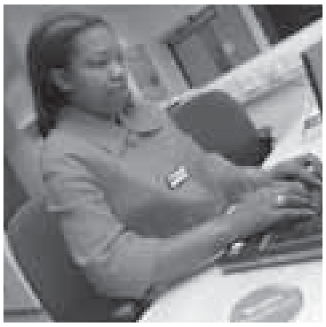
Movements in the present value of defined benefit obligations were as follows:

	2008 £'000	2007 £'000
As at 1 April	582,337	557,099
Service cost	17,171	20,543
Interest cost	30,268	26,396
Scheme amendments	609	-
Curtailment	1,918	-
Actuarial gains	(127,679)	(14,549)
Contributions from scheme members	6,686	7,533
Benefits paid	(24,292)	(14,715)
Age-related rebates	136	30
As at 31 March	**487,154**	**582,337**
Money purchase – deferred members	1,175	742
Additional Voluntary Contributions	15,460	16,066
As at 31 March	**503,789**	**599,145**

Movements in the fair value of scheme assets were as follows:

	2008 £'000	2007 £'000
As at 1 April	398,568	367,794
Expected return on scheme assets	28,166	24,242
Actuarial losses	(53,401)	(2,661)
Contributions from sponsoring company	17,503	16,345
Contributions from scheme members	6,686	7,533
Benefits paid	(24,292)	(14,715)
Age-related rebates	136	30
As at 31 March	**373,366**	**398,568**
Money purchase – deferred members	1,175	742
Additional Voluntary Contributions	15,460	16,066
As at 31 March	**390,001**	**415,376**
Fair value of assets		
Equity instruments	198,513	208,921
Debt instruments	107,796	110,219
Property	50,506	55,821
Other assets	33,186	40,415
	390,001	**415,376**

Notes to the Financial Statements continued



25. Retirement benefits (continued)

The overall expected rate of return has been calculated by Barnett Waddingham LLP, independent actuaries, based on assets held at 31 March 2008. The actual return on scheme assets was £25,236,000 (2007: £21,581,000).

The Company regularly makes ex-gratia payments to increase pensions in payment for the effects of inflation in accordance with the pension provisions generally applying to public service employees. These additional payments are not separately funded. A liability in respect of the present value of these unfunded obligations has been recognised within the pension scheme liabilities.

During the year the Company made additional contributions of £6,777,000 (2007: £6,600,000) to the pension scheme. In addition a further £1,127,437 (2007: £1,100,000) was paid in respect of ex-gratia increases to pensions in payment.

History of movements

The historical movement in defined benefit pension schemes assets and liabilities are as follows:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of defined benefit obligations	503,789	599,145	573,907	492,059
Fair value of scheme assets	(390,001)	(415,376)	(384,602)	(312,211)
Retirement benefit obligation	**113,788**	**183,769**	**189,305**	**179,848**

Expected contributions

The estimated amounts of contributions expected to be paid to the scheme during the year beginning 1 April 2008 is £22.4 million of which £5.1 million will be met by employee contribution.

26. Related parties

There were no transactions with related parties during the current or prior year except as specified below:

Transactions with the Department for Work and Pensions (DWP)

Please refer to note 5 for details of the relationship with DWP.

Other than the grants-in-aid disclosed in note 5, the Company has the following transactions with DWP:

	2008 £'000	2007 £'000
Revenue	**8,981**	**3,180**

Other than the accrued income related to grant-in-aid, the Company has the following balance with DWP:

	2008 £'000	2007 £'000
Amount owed by DWP	**2,632**	**422**

Remuneration of key management personnel

The remuneration of the key management personnel (excluding directors) of the Company is set out below in aggregate for each one of the categories specified in IAS 24 Related Parties' Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Directors' remuneration report.

	2008 £'000	2007 £'000
Short-term employee benefits	339,108	333,253
Post-retirement benefits	30,776	33,454
Total benefits	**369,884**	**366,707**

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