Remploy
Putting ability first

Annual Report and financial statements 2011

Remploy
Putting ability first

Our Mission

To transform the lives of disabled people and those experiencing complex barriers to work by providing sustainable employment opportunities.

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Remploy Limited Report and financial statements 2011

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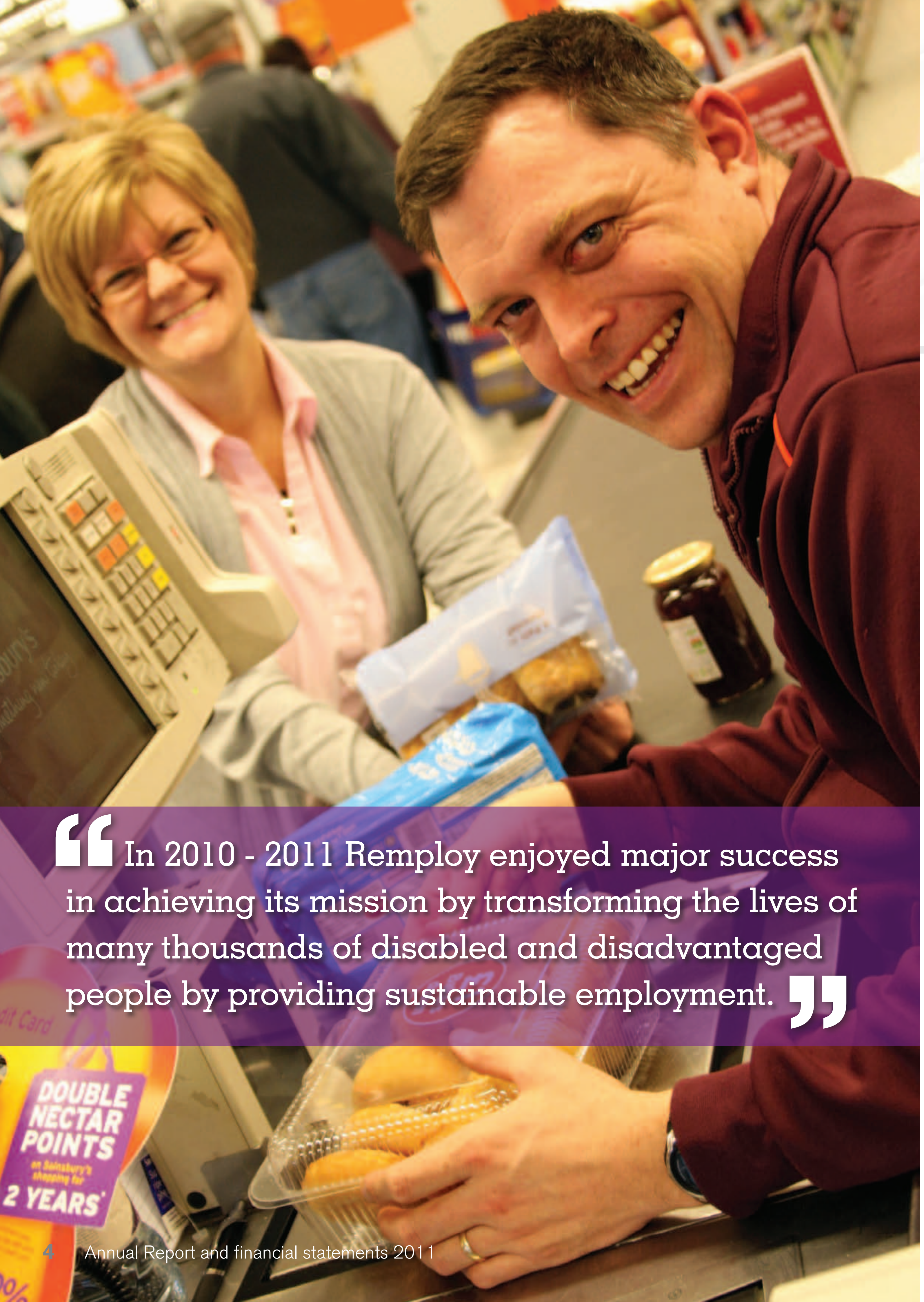


> "In 2010 - 2011 Remploy enjoyed major success in achieving its mission by transforming the lives of many thousands of disabled and disadvantaged people by providing sustainable employment."

Chairman's Review

During the year our Employment Services found more than 20,000 jobs for disabled and disadvantaged people – an increase of almost 90 per cent on the previous year.

Ian Russell, Chairman

This is a remarkable achievement in a very tight labour market and evidence that there are real opportunities for disabled people and that employers are increasingly recognising the real value and commitment that many disabled people bring to their workforce.

Remploy continues to focus on supporting and sustaining in work those in society who face the greatest challenges. For example, one in four of the people we supported had a mental health problem or a learning disability, and many had been out of work for more than a year.

During the year Employment Services deepened relationships with several key business partners including Marks & Spencer and Sainsbury's with whom Remploy became recruitment partner of choice. Remploy recognises the fundamental role that employers like M&S and Sainsbury's play in delivering sustainable employment. So, by helping employers to better understand and act upon the social and economic benefits of employing disabled people, in effect transforming business, we can help to transform the lives of individuals.

We will continue building long-term strategic partnerships with leading employer organisations and work closely with them fully to understand their needs around disability within their workplace.

Employment Services was delighted to be awarded the Investors in People Gold award, placing Remploy in the top 1.5% of organisations assessed by IIP. The assessors said Employment Services was well-managed, had made a substantial investment developing people for now and the future and the organisation and its people were socially responsible and committed to equality for all.

During the year Remploy bid for contracts to operate the Work Programme, the Government's main Welfare to Work initiative. It was with regret that we learned that we had not been successful with our bids to become a Prime Contractor. Our involvement in the Pathways to Work and Flexible New Deal programmes came to an end affecting around 170 employees, of whom 75 transferred to other providers.

However, we have secured opportunities for Remploy as a sub-contractor providing specialist support for disabled candidates and other disadvantaged people on the Work Programme in several parts of the country. The majority of the remainder of the affected employees were retained on this sub-contract work or were re-deployed.

Remploy's factory network won some substantial and important contracts, notably £42m of new business for our automotive business with Jaguar Land Rover. Our e-cycle business was a key partner with Microsoft in a programme to introduce the benefits of internet usage to the nine million people who are not online and is providing inexpensive reconditioned PCs to support the Race Online 2012 Manifesto for a Networked Nation.

However, Remploy's factory network continues to be impacted by the difficult economic climate and cheaper global competition.

Chairman's Review (continued)

> "Remploy's factory network continued to be impacted by the difficult economic climate."

This means that firstly, on average, half of our factory employees have little or no work on most days of the week, and secondly the operating results for the factories have been significantly out of line with the Modernisation Plan, including an anticipated overspend of more than £40 million by the end of the plan period.

As one means of addressing these issues the company introduced a voluntary redundancy scheme which will make a significant contribution to a reduction in overall costs and ensure that more of our employees who remain have fulfilling work. The company received 788 applications and, after consideration of the skills requirements of the businesses, 669 applications were accepted.

No factory will close as a result of the voluntary redundancy programme and every disabled employee opting for voluntary redundancy was offered support from Employment Services to find alternative employment.

Remploy continues to bear down on its carbon footprint with the aim of further reducing energy consumption by 5% during 2011/12 through a range of energy conservation measures in our factories and offices.

Employment Services attained the prestigious Investors in Diversity Award and our policies were updated to reflect provisions of the new Equality Act.

Looking ahead to 2011-12, we are in the penultimate year of the company's five year Modernisation Plan and decisions on our long-term future role and funding will need to be made. In December 2010, the Government commissioned a review of its specialist employment programmes for disabled people, including those provided by Remploy. The review was led by Liz Sayce, Chief Executive of RADAR, a leading pan-disability organisation. In June 2011, the Department for Work and Pensions published the review's findings and recommendations in a report entitled 'Getting in, staying in and getting on'. The review, which is a matter for Government, makes a series of important recommendations about the future of Remploy.

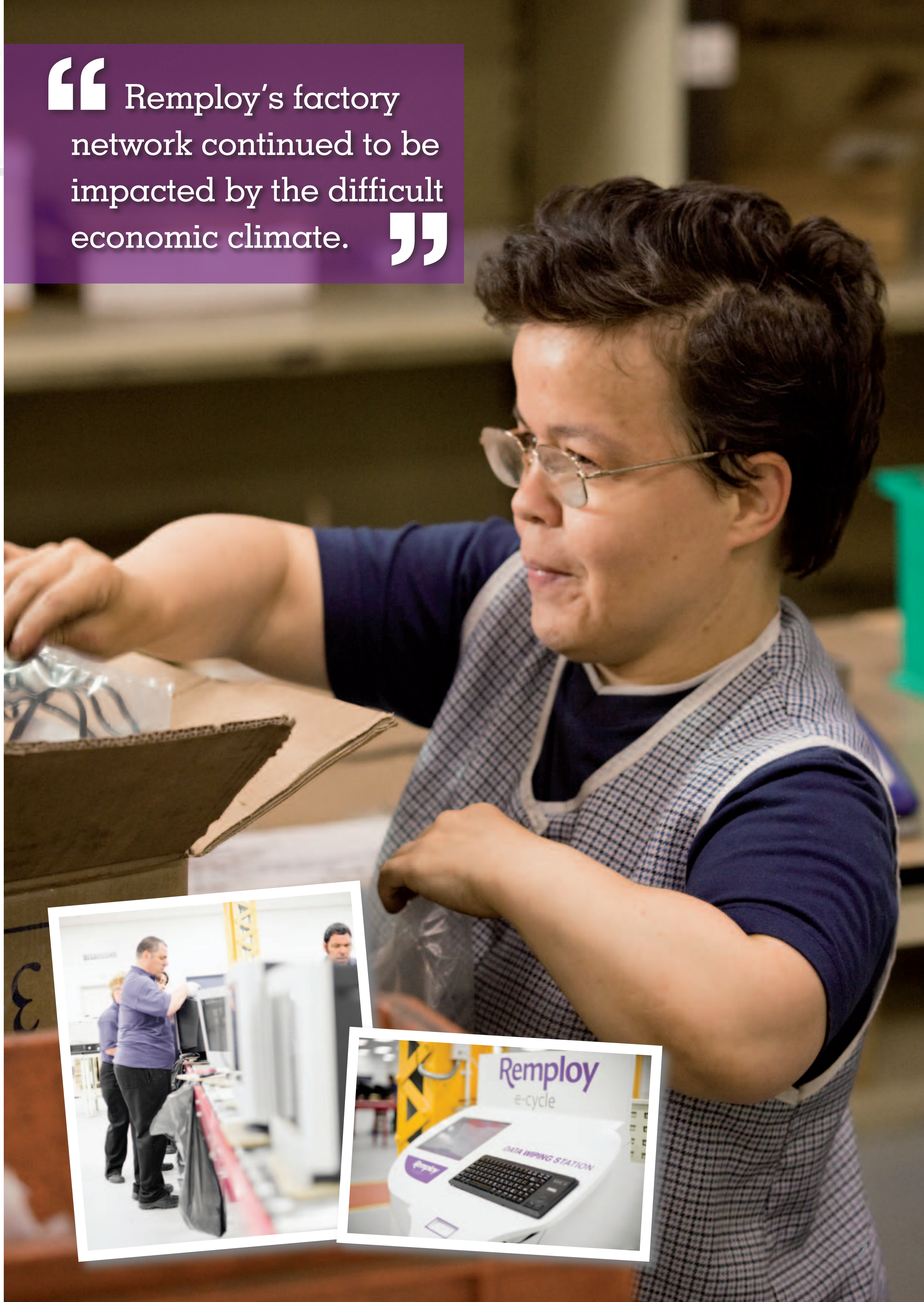
The Government consultation on the recommendations ran from 11 July to 17 October 2011.

2010-11 was a very challenging year for Remploy and our successes are in no small measure the result of the commitment and leadership shown by the executive team and senior management colleagues. My Board colleagues and I are indebted to them for the quality of their leadership and to all of our staff throughout the company who help to secure, both for our own employees and for the thousands of people with disabilities and health conditions, the employment opportunities that enable them to transform their lives.

I am grateful to Ministers and officials at the Department for Work and Pensions for their support and encouragement during the year and I would like to express my thanks to all members of the Board for the expertise and diligence they bring to Remploy. I would particularly like to record my sincere thanks to Peter Smith who left the board after serving almost three years as a Non-Executive director.

Ian Russell CBE

Chairman



Directors and Advisors

Ian Russell CBE*
Chairman
(aged 58)

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

Tim Matthews
Chief Executive
(aged 60)

Tim joined the Company as Chief Executive on 1 October 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 53)

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.

Joe Mann MBE*
Non-executive Director
(aged 59)

Joe was appointed to the Board as Non-executive Director in May 2006. Joe is Deputy General Secretary of the Community Trade Union, with specific responsibility for politics, the regions, voluntary sector and external affairs. Since 1997, he has been a member of the Labour Party National Policy Forum, and was a member of the Labour Party National Executive Committee from 2003 to 2009. Joe is also President 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.

Peter Smith** ***
Non-executive Director
(aged 52)

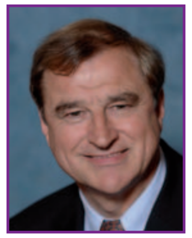
Peter was appointed to the Board as Non-executive Director in June 2008. His previous positions include Procurement Director for Dun & Bradstreet (Europe), the Department of Social Security and the NatWest Group. He was Chairman, then President of the Chartered Institute of Purchasing and Supply.

Ian Thornley**
Non-executive Director
(aged 52)

Ian was appointed to the Board as Non-executive Director in May 2006. He is also the founder and Managing Director of Staffing Partners, a corporate finance consultancy specialising in the recruitment and staffing sector. 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. Ian is the co-founder and Chairman of Composites People and Chairman of Logical Resources Recruitment Group, two independent specialist recruitment businesses.

Kate Nash OBE*
Non-executive Director
(aged 48)

Kate was appointed to the Board as Non-executive Director in 2007. Kate is 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 is also a political/strategic adviser with Royal Mail, KPMG, BT and Direct Enquiries. In addition, Kate runs an independent hub of best practice in the establishment of Employee Networks, across sector strands and works freelance for the Employers' Forum on Disability as their Gold Card Relationship Manager. She was appointed Chair at the Disability Alliance in 2007 and Chair of the Disability Rights Partnership.



Ian Black* **
Non-executive Director
(aged 59)

Ian was appointed to the Board as Non-executive Director in November 2007. Ian has worked in various business sectors with roles including IT, Quality, Marketing Services and most significantly as a commercially orientated HR Director and Change Leader. Previously, Ian spent 10 years working at BAT and Rothmans International as a senior HR Director and executive board member. Ian has held senior management positions in other leading organisations, including NCR and AT&T. In addition to his position with Remploy, he is currently a Director of OFE and Arch Management Consultants where he advises boards on subjects such as organisational development, remuneration, governance and performance management.

Guy Phillips
Secretary
(aged 49)

Guy, a solicitor, 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

*** Mr Peter Smith left the Board at the end of April 2011

Directors' Report

The Directors present their 66th annual report on the affairs of the Company, together with the financial statements and auditors' report for the year ended 31 March 2011.

Principal activities

Remploy Limited is a private Company as defined by the Companies Act 2006, limited by guarantee, without share capital.

The Company was incorporated in 1945 with the principal objective 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 which have been adopted by the European Union.

The Company's revenue excluding grant-in-aid (GIA) for the year was £130.3m (2010: £135.2m). The result for the year including grant-in-aid of £116.8m, (2010: £130.0m) amounted to a profit after tax of £3.8m (2010: profit of £2.9m).

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

Principal risks and uncertainties

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.

Type of risk	Risk	Risk description	Internal Processes and Controls
Strategic	Constrained Future funding	Government spending review impacting on liquidity and constraining future funding and as a consequence on going concern (See Note 2 in the financial statements).	Working with stakeholders Working capital management Daily review of short-term liquidity Continual analysis of borrowing and customer credit requirements Structural reorganisation opportunities
	Strategic uncertainty	Remploy has two years left of the modernisation plan. The recent independent Sayce review provides recommendations for Remploy going forward.	Ongoing strategic evaluation Working with stakeholders
Commercial	Competitive pressures and failing to capture or losing profitable business	Remploy is dependent on key contracts and relationships with our customers to generate sales income and outcome opportunities	Investment in products and services Investment in sales and marketing Customer satisfaction surveys Key customer and supplier contract monitoring and appraisal Growth of sales (especially to the Public Sector)
Operational	Retention of key staff	Remploy relies on highly skilled and motivated staff to achieve its mission – loss of key members of staff will impact Remploy's achievement of the mission	Provide rewarding employment experience Regular review and assessment of employees
	Adverse economic, political and legal environments	Remploy operates in complex businesses which are subject to change from these factors.	Regular monitoring of Government policy Working with stakeholders Regular monitoring of the Company's financial forecasts Cash control measures
	Reputation in delivering equal opportunities	Remploy relies on its reputation in delivering equal opportunities	Achieving diversity targets Gender, race and ethnicity policy
Financial	Financial and business controls	Remploy as both an NDPB, Legal entity and Public Corporation needs to ensure that appropriate business and financial controls are in place	Internal audit of financial and risk management controls Self-assessment programme Directors' annual confirmations Detailed budgeting and forecasting procedures
	Pension scheme changes and funding	Remploy operates defined benefit and defined contribution pension schemes for the benefit of its employees and scheme members. Changes in funding requirements and the scheme deficit impact Remploy's finances.	Effective liaison between the Company and the Trustees Monitoring of asset values and liabilities

Directors' Report (continued)

Principal risks and uncertainties (continued)

The Board confirms that it, and the Audit Committee, has re-viewed 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.

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 where appropriate. 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.

Health and safety

The Company has continued to improve in its Safety Performance this year, 2010-2011. The last several years have seen a year on year decrease in RIDDOR accidents, and this year has seen a further decrease of 6 RIDDOR, over the last year.

Moral - Our duty of care to our employees. Accident statistics have increased, from 15 reportable accidents in 2009/10 to 16 in 2010/11. Severity of accidents, however, is still low. H&S education has, again, been a key focus during the year with EB and ES managers/team leaders attending IOSH Managing Safely, along with delivery of Working Safely, Directing Safely and NEBOSH certificate. Online training packages for Stress, Manual Handling, Induction and Display Screen have been added to the Risk Assessment and Education programme.

Legal - Breach of Health and Safety Regulations. No Health and Safety Executive (HSE) prosecutions or prohibitions for the fifth consecutive year. In January, the tragic death of a person on an ES Retention contract occurred in Scotland – this individual was hit by a falling tree. Although this individual was under the responsibility of the host employer, a major review of our Duty of Care to those on ES contracts, and subsequent current/proposed mitigating actions to reduce liability, is underway. Additionally, we were subject to HSE scrutiny, following the amputation of a contractor's finger, while servicing a woodworking machine in our Wrexham factory. No further action proceeded with this incident, although Remploy has now embarked upon an investment programme to improve machine guarding.

Financial - Cost of Employers' Liability claims. These have decreased from £781k (settlements and premiums) in 2009/10 to £520k in 2010/11, a 33% decrease. This decrease is due to a number of factors including better Claims Handling management, better Safety Performance and improved defensible documentation.

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. Refer to note 2 of the financial statements for further details on the Directors' assessment of the going concern assumption.

Neath Port Talbot celebrate 1,000 days since their last lost time accident

Financial risk management objectives and policies

Details for risks along with actions taken by the Directors have been presented in note 21 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 16 to 19.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Information security

The Directors recognise their responsibilities under the Data Protection Act to ensure that personal and commercial information is protected against internal and external threats, loss or misuse. The Company has established a data forum to facilitate and manage this risk and has introduced specific compliance checks into its internal audit and security programmes.

Supplier payment policy

The Company's policy is to settle terms of payments with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors for the Company at 31 March 2011 were equivalent to 50 days' (2010: 49 days') purchases, based on the average daily amount invoiced by suppliers during the year.

Fixed assets

The Company undertook a valuation of its existing freehold properties in March 2011. No further impairments were identified since those made in 2010. Notification was received in the year of the termination of Employment Services Flexible New Deal contract resulting in an impairment of the case management software of £2.9m and of the leasehold properties of £2.0m (note 7).

Charitable and political contributions

No Company donations for charitable or political purposes were made during the year (2010: £nil).

Employees and employment of disabled persons

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

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

At the end of the year, 3,704 disabled people (2010: 3,923 disabled people) were employed in Remploy's own businesses.

In addition, during the year to 31 March 2011 Remploy found over 20,000 jobs in mainstream employment for disabled people and those experiencing complex barriers to work (2010: 10,600 jobs).

Directors' Report (continued)

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 overall 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 an enhanced intranet and this was used extensively by all employees. There is continued 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.

Pension fund

During the relevant period, assets of the fund were vested in the Board of Trustees which comprises an independent trustee, Mr Robert Gravill representing the Trustee Corporation Limited appointed by the Board of Remploy Limited, and also 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 on behalf of the Scheme to whom they report each quarter and comprised at 31 March 2011 UBS Global Asset Management (UK) Ltd, Schroder Investment Management Limited, Legal and General Investment Management Limited, Pimco Funds plc, Fauchier Partners and Key Asset Management.

The Scheme Actuary confirmed at the last formal actuarial valuation on 31 March 2010 the Scheme showed a deficit of £104.6m. The actuarial valuation on 31 March 2011 performed in accordance with IAS 19 resulted in a deficit of £177.8m (2010 - £215.2m) (note 24). In June 2011, the Trustees and the Company agreed to spread the payments to reduce the deficit over a five year period with the final payment to be made in April 2014. The Company made additional contributions of £7.4m in April 2010, £25.8m in March 2011 and £21.5m in April 2011.

The Employer's standard contribution rate required to cover future benefits on an ongoing basis was calculated as 14.7% 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has 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 and Strategy

20 July 2011

Corporate Governance

Compliance

The Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance 2008 by the Financial Reporting Council ('the Code').

The Company has complied throughout the year ended 31 March 2011 with the provisions as set out in section 1 of the 2008 FRC Combined Code including both main principles and the supporting principles, 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 Department for Work and Pensions (DWP).

Board of Directors

The Board of Directors (the 'Board') and their membership of Board Committees is shown below and comprise a Non-executive Chairman, a Chief Executive plus one Executive and four independent Non-executive Directors. Appointments to the Board are advertised. The Chairman and 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 the case of Board appointments 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, and approval of major capital expenditure, for 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 plans.

Board performance evaluation

A process of performance evaluation of the Board, its Committees and Directors takes place every year. The review process last year included an independent evaluation of Board performance by a firm of specialist consultants and the agreed actions arising from this work continues to be tracked. A further internal review process was undertaken this year which included:

- discussions with all members of the Board to assess Director performance and to allow any other issues to be raised;
- an assessment of the Chairman's performance; and
- a collective assessment of Board performance by all Directors.

The areas for assessment continue to be:

- assessment and performance improvement;
- clarity of purpose;
- tasks, code of practice and decision-making;
- skills, contribution and composition;
- building and management of agendas;
- content, format, relevance of information and presentations; and
- engagement, tone, style to maximise effectiveness.

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 advisors section.

Remuneration and Nominations Committee

The Committee is chaired by Mr Ian Black 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. Further details can be found in the Remuneration Committee report section.

The Committee also undertakes the work of a Nominations Committee. 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 Remuneration & Nominations Committee are available upon written request from the Company Secretary at the Company's registered office.

Attendance at meetings during the year	Board meetings	Audit Committee meetings	Remuneration/ Nomination Committee meetings
Number of meetings	10	4	4
Ian Russell CBE	10	-	4
Tim Matthews	9	-	4*
Nigel Hopkins	10	3*	-
Ian Harley †	1	-	-
Graham Corbett CBE †	1	-	1
Ian Thornley	9	4	-
Joe Mann MBE	8	-	3
Kate Nash OBE	7	-	2
Ian Black	8	2	4
Peter Smith ‡	9	4	-

* Meetings attended on invitation but not a member of the committee.
† Mr Ian Harley and Mr Graham Corbett CBE left the Board in May 2010.
‡ Mr Peter Smith left the Board at the end of April 2011.

Corporate Governance (continued)

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 Matthews, 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. This is reviewed regularly by the Board and accords with the Turnbull guidance. The Board confirms that necessary actions are being taken to remedy any significant weaknesses identified.

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

Remploy has an Internal Audit and Risk 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, with the assistance of the Audit Committee, 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 auditor 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 FND 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 25 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 and the Home Office. 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. Refer to note 2 of the financial statements for further details on the Directors' assessment of the going concern assumption.

By order of the Board.

Guy Phillips
Company Secretary

20 July 2011

Audit Committee Report

Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board from the Non-executive Directors of the Company. The Audit Committee's terms of reference include all matters indicated by the Disclosure and Transparency Rule 7.1 and 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, re-appointment and removal 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 to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- reviewing the effectiveness of the Company's whistleblowing procedures, particularly that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up actions; and
- reviewing and monitoring information security controls and information security incidents.

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 in the year were:

Name	Date of Appointment	Formal Accounting Qualification
Mr I Thornley (Chairman)	2007	Member of Institute of Chartered Accountants of Scotland
Mr I Black	2010	
Mr P Smith	2009	
Ms K Nash	2008	

Composition of the Audit Committee (continued)

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) and has at least one member that has recent and relevant financial experience. Currently, the Audit Committee Chairman fulfils this requirement. All Audit Committee members are expected to be financially literate.

The Company provides an induction programme for new Audit Committee members and ongoing training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members and an overview of the group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Company's staff. Ongoing training includes attendance at formal conferences, internal Company seminars and briefings by external advisors.

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 four times 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, Head of Finance, Internal Audit and Risk Control Manager and senior representatives of the external auditor and senior representatives of the Department for Work and Pensions to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Where members are unable to attend meetings they are advised of the matters to be discussed in advance of the meeting and given the opportunity to provide their views to the Chairman or Senior Independent Director. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Audit Committee Report (continued)

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 2010/11 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;
- reviewed the financial impact of the Remploy modernisation programme on the Company 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;
- reviewed recommendations in the external auditor report relating to the effectiveness of controls across the Company;
- agreed the fees to be paid to the external auditors for the audit of the 2010/11 accounts;
- undertaken an evaluation of the performance of the Internal Audit function;
- agreed a programme of work for the Company's Internal Audit function;
- undertaken an assessment of the qualification, expertise and resources and independence of the external auditors and the effectiveness of the audit process. This included consideration of a report on the audit firm's own quality control procedures and the audit firm's annual transparency report;
- 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;
- reviewed whistle blowing procedures and actions taken; and
- reviewed information security controls and information security incidents.

External Auditor

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 Finance Director. The policy states that the external auditor is 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 auditor 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 external auditors' plan for the current year, noting the role of the senior statutory audit partner, who signs the audit report and any changes in the key external audit;
- 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 arrangements for ensuring the external auditors' independence and objectivity;
- 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 auditors' observations on internal control.

The Committee has considered the likelihood of a withdrawal of the auditors from the market and noted that there are no contractual obligations to restrict the choice of external auditors.

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

- the arrangements for ensuring the external auditors' independence and objectivity;
- the external auditors' fulfilment of the agreed audit plan and any 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 auditors' reporting 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, Deloitte LLP are reappointed.

Internal Audit and Risk 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 Whistle Blowing Policy contains arrangements for the Company Internal Audit Manager 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 Thornley

Chairman of the Audit Committee

20 July 2011

Remuneration Committee Report

Composition

The Company has a Remuneration Committee which, from 1 April 2010 to 31 March 2011 was chaired by Mr Ian Black. The Committee also includes the Non-executive Directors, Mr Joe Mann MBE, Miss Kate Nash OBE and Mr Ian Russell CBE, Chairman of the Company. Other attendees included Mr Tim Matthews, Chief Executive and Mrs Susan Butcher, Director Human Resources.

Remuneration policy

The Committee aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate Executive Directors and Senior Managers. The Committee works within its Terms of Reference, the Government policy guidelines and business performance. The main components of remuneration are:

Basic salaries

The Chairman, Chief Executive and all Non-executive Directors are appointed 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 and the Company and also Government guidance. The Chairman has elected not to receive a salary. As prescribed by Treasury Pay Remit Guidance the Directors of the business did not receive a salary increase in 2010/11.

Performance Incentive Payments

The Chairman and Non-executive Directors do not participate in a performance-related incentive scheme and as such do not receive a performance payment. A performance- related incentive payment is payable to Executive Directors, based on the Performance and Resources Agreement. The terms are based on a recommendation from the Committee and agreed with the Secretary of State in consultation with the Chairman of the Company. The Chief Executive's payment can currently range from 0% to a maximum of 35% of salary and is based on the same criteria as applied to Executive Directors. All performance incentive payments are now subject to maximum caps in line with the Government's policy on public sector pay.

Pensions

The Company operates defined benefit and defined contributions pension schemes. 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 6 months' notice by the Secretary of State for Work and Pensions. This contract can be renewed subject to the agreement of the Secretary of State. Executive Directors are appointed by the Chairman of the Company. Their contracts have no fixed period and are terminable on six months' notice by the Company. The Chairman's term of office is two years and Non-executive Directors are appointed for a period of three years. These contracts are terminable by the Secretary of State with no notice period and can be renewed for one further period.

Service contracts (continued)

The status of Director appointments as at 31 March 2011 is as follows:

	Date of service contract	Unexpired term	Notice period	Compensation if early termination
I Russell CBE	January 2007	9 months	None	None
T Matthews	September 2008	29 months	6 months	None*
N Hopkins	May 2004	None	6 months	None*
I Thornley	May 2009	14 months	None	None
J Mann MBE	May 2009	14 months	None	None
K Nash OBE	November 2010	31 months	None	None
I Black	November 2010	31 months	None	None
P Smith	June 2008	3 months	None	None

* excluding usual contract payments.

Mr G Corbett's and Mr I Harley's terms of office ended on 31 July 2010.
Mr P Smith left the Board on 30 April 2011.

Audited information

Directors' emoluments

Total emoluments in the year were:

	2011 £'000	2010 £'000
Remuneration excluding costs of pension and life assurance schemes	406	389
Costs of pensions and life assurance scheme contributions	29	23
Supplementation of pensions paid to former Directors in the year	86	92

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

Remuneration Committee Report (continued)

Directors' emoluments (continued)

Details of emoluments and pensions are as follows:

	Salary		Performance Incentive Payment		Benefits		Total		Pension		Years of service	Accrued pension	Increase in accrued pension	Transfer value of increase
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	**2011 £000**	**2010 £000**	2011 £000	2010 £000	No.	2011 £000	2011 £000	2011 £000
I Russell CBE	-	-	-	-	-	-	**-**	**-**	-	-	-	-	-	-
T Matthews	150.0	150.0	35.7	12.5*	19.3	18.1	**205.0**	**180.6**	14.6	12.5	2.6	6.5	2.3	31.8
R Warner CBE	-	-	-	10.9*	-	-	**-**	**10.9**	-	-	-	-	-	-
N Hopkins	113.8	113.8	30.8	15.0	-	11.8	**157.4**	**140.6**	14.8	14.8	6.9	15.6	1.6	16.8
A Jessopp	-	-	-	3.5*	-	-	**-**	**3.5**	-	-	-	-	-	-
I Harley	2.6*	7.7	-	-	-	-	**2.6**	**7.7**	-	-	-	-	-	-
G Corbett CBE	2.6*	7.7	-	-	-	-	**2.6**	**7.7**	-	-	-	-	-	-
J Mann MBE	7.7	7.7	-	-	-	-	**7.7**	**7.7**	-	-	-	-	-	-
I Thornley	7.7	7.7	-	-	-	-	**7.7**	**7.7**	-	-	-	-	-	-
K Nash OBE	7.7	7.7	-	-	-	-	**7.7**	**7.7**	-	-	-	-	-	-
I Black	7.7	7.7	-	-	-	-	**7.7**	**7.7**	-	-	-	-	-	-
P Smith	7.7	7.7	-	-	-	-	**7.7**	**7.7**	-	-	-	-	-	-
Total	307.5	317.7	66.5	41.9	32.1	29.9	**406.1**	**389.5**	29.4	27.3	9.5	22.1	3.9	48.6

* These salary figures represent part year payments.

Performance Incentive Payments paid in 2009-2010 to directors that left the Company in the previous year relate to the period before they left the Company. The Performance Incentive Payment made to Mr Matthews in 2011 reflects a voluntary reduction of 30%. The 2010/11 bonus payments relate to performance in the 2009/10 operational year.

The accrued pension 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 £86,000 (2010: £92,000).

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.

Approval

This report was approved by the Board of Directors on 20 July 2011 and signed on its behalf by:

Ian Black

Non-executive Director

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

Tim Matthews
Chief Executive Officer
20 July 2011

By Order of the Board

- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Nigel Hopkins,
Executive Director Finance and Strategy
20 July 2011

Independent Auditors' Report to the members of Remploy Limited

We have audited the financial statements of Remploy Limited for the year ended 31 March 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditor.

Scope of an audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statement. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matters

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provision of the Companies Act 2006 that would have applied were the Company a quoted company.

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the June 2008 Combined code. We reviewed:

- the Directors' Report in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified in our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Alexander Butterworth (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

London, United Kingdom

20 July 2011

Income Statement
Year ended 31 March 2011

	Notes	2011 Ongoing operations £'000	2011 Impact of modernisation £'000	2011 Total £'000	2010 Ongoing operations £'000	2010 Impact of modernisation £'000	2010 Total £'000
Continuing operations							
Revenue	6	130,332	-	130,332	135,223	-	135,223
Funding from DWP: pension fund contribution		25,800	-	25,800	-	-	-
Funding from DWP: Grant-in-aid	5	116,800	-	116,800	122,430	7,520	129,950
Total revenue		272,932	-	272,932	257,653	7,520	265,173
Materials		(79,711)	-	(79,711)	(86,120)	-	(86,120)
Staff costs	10	(113,703)	-	(113,703)	(100,512)	-	(100,512)
Operating charges		(54,062)	-	(54,062)	(53,588)	-	(53,588)
Depreciation	13	(5,211)	-	(5,211)	(4,503)	-	(4,503)
Modernisation expenses	9	-	(7,656)	(7,656)	-	(7,406)	(7,406)
Profit/(loss) on sale of property, plant and equipment		(79)	-	(79)	87	-	87
Operating profit/ (loss)	7	20,167	(7,656)	12,511	13,017	114	13,131
Finance income	11	98	-	98	61	-	61
Finance costs	11	(6,479)	-	(6,479)	(9,121)	-	(9,121)
Profit/(loss) before tax		13,786	(7,656)	6,130	3,957	114	4,071
Income tax expense	12	(2,368)	-	(2,368)	(1,185)	-	(1,185)
Profit/(loss) for the year		11,418	(7,656)	3,762	2,772	114	2,886

The notes on pages 34 to 66 are an integral part of these financial statements.

Statement of comprehensive income
Year ended 31 March 2011

	2011 £'000	2010 £'000
Actuarial gain/(loss) on defined benefit pension scheme	15,205	(61,451)
Net loss recognised directly in reserves	15,205	(61,451)
Profit for year	3,762	2,886
Total comprehensive income/(loss) for the year	18,967	(58,565)

The notes on pages 34 to 66 are an integral part of these financial statements.

Balance Sheet
As at 31 March 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Property, plant and equipment	13	35,725	42,817
Current assets			
Inventory	14	4,880	5,738
Trade and other receivables	15	27,518	30,496
Cash and cash equivalents	17	57,206	28,222
Assets held for sale	16	100	1,975
		89,704	66,431
Total assets		125,429	109,248
Current liabilities			
Trade and other payables	19	(64,311)	(60,403)
Bank overdraft	17	(12,630)	(9,195)
Provisions	23	(28,883)	(1,545)
		(105,824)	(71,143)
Net current assets /(liabilities)		(16,119)	(4,712)
Non-current liabilities			
Retirement benefit obligation	24	(177,777)	(215,244)
Total liabilities		(283,601)	(286,387)
Net liabilities		(158,172)	(177,139)
Reserves			
Funded by the Secretary of State for the Department for Work and Pensions	5	(158,172)	(177,139)

The notes on pages 34 to 66 are an integral part of these financial statements.

These financial statements of Remploy Ltd, registered number 394532 were approved by the Board of Directors on 20 July 2011.

Signed on behalf of the Board of Directors

Ian Russell CBE
Chairman

Tim Matthews
Chief Executive
(Accounting Officer)

Nigel Hopkins
Executive Director,
Finance and Strategy

Cash Flow Statement
Year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Profit/(loss) for the year		3,762	2,886
Adjustments for:			
Depreciation on property, plant and equipment	13	5,211	4,503
Loss/(gain) on disposals		(265)	(557)
Impairment of property, plant and equipment	13	5,099	6,050
Reversal of Impairment on reclassification of non-current assets		(1,142)	(196)
Retirement benefit scheme adjustment		(22,261)	(2,106)
Operating cash flows before movements in working capital		(9,066)	10,519
Decrease in inventories		857	304
Decrease/(Increase) in trade and other receivables		2,978	(5,079)
(Decrease)/Increase in trade and other payables		3,909	822
(Decrease)/Increase in provisions for other liabilities and charges		27,338	1,269
Net cash from operating activities		26,016	7,835
Investing activities			
Proceeds on disposal		2,930	1,967
Purchase of property, plant and equipment	13	(3,396)	(9,831)
Net cash used in investing activities		(466)	(7,803)
Financing activities			
Repayments of obligations under finance leases		-	(222)
Net cash used in financing activities		-	(222)
Net increase/(decrease) in cash and cash equivalents		25,550	(190)
Cash and cash equivalents at 1 April	17	19,027	19,217
Cash and cash equivalents at 31 March	17	44,577	19,027

Retirement benefit scheme adjustment includes cash contributions from the sponsoring company of £46,000,000 made during the year (note 24).

The notes on pages 34 to 66 are an integral part of these financial statements.

Notes to the financial statements

Year ended 31 March 2011

1. General information

Remploy Limited ("the Company") is a Company incorporated in Great Britain under the Companies Act 2006. The address of the registered office is given in the Directors and Advisors section. The nature of the Company's operations and its principal activities are set out in note 6.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

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

The accounting policies adopted are consistent with those of the previous financial year.

Standards and interpretations in issue, not yet adopted

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 have not yet come into effect:

- Amendments to IFRS 1 *Removal of fixed dates for First-time Adopters*
- Amendments to IAS12 *Deferred tax: recovery of underlying assets*
- IIAS24 *Related Party Transactions (revised)*
- IFRS 9 *Financial Instruments*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IFRIC 14 *Prepayments of a Minimum funding Requirement*
- Amendments to IAS 32 *Classification of rights issues*
- Amendments to IFRS 7 *Transfers of financial assets*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*

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 IFRS 9 which is a new standard which enhances the ability of users of financial information to understand the accounting of financial assets and reduces complexity. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. This standard is effective for accounting periods commencing on or after 1 January 2013 and therefore the Company has not commenced its evaluation of the impact on the Company's reported profit or net assets.

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. The principal accounting policies adopted are set out below.

Going concern

The DWP, as a part of the approval of the Modernisation plan, approved that the Company will receive £555 million over five years from 1 April 2008 to cover the future trading deficits and capital requirements. The Directors have received a letter from the DWP reconfirming this support.

In addition, the Company has an overdraft facility of £15 million which is on a rolling basis and guaranteed by the DWP.

The Directors have prepared cash flow forecasts for the foreseeable future to assess the going concern assumption. Although the cash flow forecasts are within the approved funding from the DWP (approved as a part of the Modernisation Plan) certain scenarios after taking into account the current economic environment and reduced demand indicate a shortfall in the funding available under the Modernisation Plan. The Directors recognise these uncertainties and have identified a number of actions including working capital improvement measures to mitigate these scenarios.

Nevertheless, the DWP has confirmed that it will provide certain additional support for funding should any shortfalls arise.

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

3. Significant accounting policies

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.

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

Sales of services rendered in relation to recruitment services are accrued to delivery of service, except where part of the contract is paid on the basis of a service fee which is accounted for on a straight-line basis.

Revenue in respect of funding is recognised when the service has been performed and meets the criteria for collection as set out in the funding arrangement.

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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.

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.

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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using a Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in the statement of recognised income and expense.

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

The retirement benefit obligation recognised 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 scheme assets. Any assets resulting from this calculation are limited to past service cost plus the present value of available refunds and reductions in future contributions to the scheme.

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

3. Significant accounting policies (continued)

recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable 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. Grants received to fund acquisition of property, plant and equipment are offset against the cost of the asset and amortised over the life of the asset.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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:

Freehold buildings
50 years

Leasehold land and buildings
Period of lease or 50 years whichever shorter

Fixtures and equipment
Between 2 and 10 years

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.

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible 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.

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. 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.

3. Significant accounting policies (continued)

Financial assets

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.

Impairment of financial assets

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 assets, 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 a 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 and 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.

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, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Impairment 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 which was updated at the end of the current year. The Directors consider that the book value at 31 March 2011 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 sites with high capitalisation and low forecast gross margins and assessed for impairment.

In addition, 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.

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.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 income statement, 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 and the current economic environment, is evidence of a reduction in the recoverability of the cash flow. The provision for the impairment of receivables is detailed in note 15.

Self insurance

The Company has provided for partial self insurance arrangements based on estimates received from independent claims administrators. 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.

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, 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 24.

Impairment of assets held for sale

The Directors have performed an analysis of the fair value less cost to sell of land and buildings 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 on sales of fixed assets; and
   - (b) changes in working capital
   - (c) pension scheme deficit

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

Reserve account	2011 £'000	2010 £'000
Balance b/f	(177,139)	(118,574)
- Ongoing operations		
Funding received - Grant-in-aid	112,980	117,930
Funding received - pensions	25,800	-
Movement in deferred income	3,820	4,500
- Modernisation		
Funding received	-	6,000
Movement in accrued income	-	1,520
Net results before Grant-in-aid received	(138,838)	(127,064)
Transfer from income statement	3,762	2,886
Transfer from statement of comprehensive loss	15,205	(61,451)
Balance at 31 March	(158,172)	(177,139)

In line with Treasury guidelines, the Company is required to disclose the notional cost of capital. The notional interest would have been a charge of £ 5.74 million for the year (2010: £5.15 million) at 3.5 % (2010: 3.5%) based on an average capital employed.

Notes to the financial statements
Year ended 31 March 2011

6. Business segments

Adoption of IFRS 8 *Operating Segments*

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance.

Products and services from which reportable segments derive their revenue

Information regarding the Group's operating segments is reported below.

Revenue	2011 £'000s External sales	2011 £'000s Inter-segment sales	2010 £'000s External sales	2010 £'000s Inter-segment sales
Enterprise Businesses	103,667	3,838	121,233	10,932
Employment Services	26,665	-	13,962	1
Corporate and support services	-	-	28	-
	130,332	3,838	135,223	10,933

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.

Operating profit	2011 £'000s	2010 £'000s
Revenue from Secretary of State - Grant-in-aid	116,800	129,950
Revenue from Secretary of State - pension	25,800	-
Enterprise Business	(68,263)	(63,286)
Employment Services	(39,180)	(36,015)
Central and support services	(14,990)	(17,632)
Modernisation	(7,656)	114
	12,511	13,131

Reconciliation of operating profit/(loss) to profit/(loss) before tax for the year	Operating profit/(loss) £'000s	Finance costs £'000s	Finance income £'000s	Profit/(loss) for the year £'000s
Revenue from Secretary of State - Grant-in-aid	116,800	-	-	116,800
Revenue from Secretary of State - pension	25,800	-	-	25,800
Enterprise Business	(68,263)	-	-	(68,263)
Employment Services	(39,180)	-	-	(39,180)
Central and support services	(14,990)	(6,479)	98	(21,371)
Modernisation	(7,656)	-	-	(7,656)
	12,511	(6,479)	98	6,130

Assets	2011 £'000s	2010 £'000s
Enterprise Business	19,332	26,659
Employment Services	8,837	14,685
Central and support services	97,260	67,904
	125,429	109,248

Liabilities	2011 £'000s	2010 £'000s
Enterprise Business	(17,310)	(17,718)
Employment Services	(21,735)	(15,545)
Central and support services (including Modernisation)	(244,556)	(253,124)
	(283,601)	(286,387)

Capital expenditure	2011 £'000s	2010 £'000s
Enterprise Business	391	953
Employment Services	2,117	5,996
Central and support services	888	2,882
	3,396	9,831

Depreciation	2011 £'000s	2010 £'000s
Enterprise Business	1,193	1,255
Employment Services	1,856	1,319
Central and support services	2,163	1,929
	5,211	4,503

Impairment on non-current assets	2011 £'000s	2010 £'000s
Central and support services	(1,142)	(197)
	(1,142)	(197)

Impairment on Property, Plant and Equipment	2011 £'000s	2010 £'000s
Enterprise Business	195	(21)
Employment Services	4,904	-
Central and support services	-	6,071
	5,099	6,050

Notes to the financial statements

Year ended 31 March 2011

7. Operating profit

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

	2011 £'000s	2010 £'000s
Net foreign exchange losses	314	138
Research and development costs	163	72
Depreciation of property, plant and equipment	5,211	4,503
Impairment of property, plant and equipment	195	6,050
Impairment provision for FND termination	4,904	-
Gain/(loss) of disposal of property, plant and equipment	(79)	(557)

Included in operating profit is a charge of £24,379,000 relating to the voluntary redundancy programme. A corresponding credit has been made reflecting the matched income provided by the Department for Work and Pensions. This results in an overall nil charge to operating profit.

Notification was received in the year of the termination of the Employment Services Flexible New Deal contract. This has resulted in an impairment of the case management software of £2,871,000 and of certain leased properties of £2,033,000. In addition other costs of £2,795,000 have been provided in connection with the termination of this contract.

8. Auditors' remuneration

Audit services	2011 £'000s	2010 £'000s
Fees payable to the Company's auditors for the audit of the Company's annual accounts	180	180
Other Audits services	5	8

Non-audit services	2011 £'000s	2010 £'000s
Tax services	65	77
Accounting advice	-	-
Consulting services	-	11
	250	276

9. Impact of modernisation

The Modernisation Plan of the Company was approved by the DWP on 29 November 2007. The Modernisation Plan resulted in the closure of 18 sites and the merger of a further 11 sites. The results included in the 'Impact of Modernisation' column in the income statement represent 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.

The Company has received cumulative Modernisation funding of £96 million up to 31 March 2011 (2010: £90 million) of the total committed funding of £111 million. Grant income of nil for the year ended 31 March 2011 (2010: £1.0 million) and accrued income of £ 0.1 million as at 31 March 2011 (2010: £6.5 million) have been recognised in the financial statements.

A summary of the significant non-recurring costs incurred are as follows:

	2011 £'000s	2010 £'000s
Redundancy and other payments to employees	310	1,276
Placement costs relating to employment services	5,915	5,712
Site closure related expenses	44	405
Impairment of non-current assets held for sale	-	(196)
Reversal of impairment of land and buildings	(1,142)	70
Business transformation costs	1,019	487
Profit on sale of property, plant and equipment and non-current assets held for sale	186	(470)
Pension and legal advice	125	-
Pension loss on curtailment and past service costs	-	22
Onerous contracts and leases	1,199	100
	7,656	7,406

Notes to the financial statements

Year ended 31 March 2011

10. Staff costs

The average monthly number of employees (including Executive Directors) was as set out in table below:

Average Staff Numbers	2011	2010
Enterprise Business	3,490	3,445
Employment Services	1,571	1,381
Corporate and support services	156	146
	5,217	4,972

In addition the Company found 20,079 (2010: 10,661) jobs in mainstream employment for disabled people and those experiencing complex barriers to work. The aggregate payroll costs were as follows:

	2011 £'000s	2010 £'000s
Wages and salaries	89,910	87,056
Pension charge	17,769	17,447
Social security costs	6,023	6,009
	113,703	100,512

In addition to the above included in modernisation expenses are one-off redundancy and other payments to employees of £ 988,000 (2010: £6,166,000), and a pension charge – loss on curtailment and past service cost of £ nil (2010: £22,000) (see note 9). The increase in staff costs over 2010 is due to an increase in pension scheme current service costs to £12,069,000 (2010: £7,447,000) a £2,700,000 charge (2010: £0) relating to a scheme amendment, a £3,000,000 (2010: £0) curtailment charge relating to voluntary redundancy, and an increase in staff numbers in the Employment Services business.

11. Finance income and costs

	2011 £'000s	2010 £'000s
Finance income		
Bank interest receivable on cash and cash equivalents	98	61
Finance costs		
Interest costs on pension scheme	34,490	29,845
Expected return on pension scheme assets	(28,427)	(20,728)
Net pension scheme costs	6,063	9,117
Interest paid	416	4
Interest on obligations under finance leases	-	-
Total finance costs	6,479	9,121

12. Income taxes

	2011 £'000s	2010 £'000s
Current tax expense	2,364	1,185
Prior year adjustment to current tax	4	-
	2,368	1,185

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

	£'000s	£'000s
Profit from continuing operations	6,130	4,071
Income tax expense calculated at 28% (2010: 28%)	1,717	1,140
Prior year adjustment	4	-
Effect of expenses that are not deductible in determining taxable profit	1,051	210
Timing differences on which no deferred tax is recognised	(498)	(970)
Accelerated capital allowances on which no deferred tax is recognised	95	1,281
Losses utilised in period	-	(476)
Income tax expense recognised in the income statement	2,368	1,185

The tax rate used for the 2011 reconciliation is the corporate tax rate of 28% (2010: 28%).

Unrecognised deferred tax assets	2011 £000's	2010 £000's
Pension deficit	46,222	60,268
Tax losses – revenue	-	-
Tax losses – capital	1,025	1,307
Temporary differences	391	65
Fixed assets timing differences	4,030	3,622
	51,667	65,262

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.

Notes to the financial statements

Year ended 31 March 2011

13. Property, plant and equipment

	Land and buildings £'000's	Plant and machinery £'000's	Other £'000's	Assets under construction £'000's	Total £'000's
Cost					
As at 1 April 2009	48,818	29,763	14,022	4,030	96,633
Transfers from WIP	3,445	281	304	(4,030)	0
Additions	2,286	629	1,241	5,,675	9,831
Disposals	(277)	(1,256)	(54)	-	(1,587)
Reclassified as held for sale	-	-	-	-	-
As at 31 March 2010	54,272	29,417	15,513	5,675	104,877
Transfers from WIP	2,130	120	3,125	(5,375)	0
Additions	546	205	2,644	-	3,396
Disposals	(397)	(2,602)	(183)	-	(3,182)
Reclassified as held for sale	-	-	-	-	-
As at 31 March 2011	56,551	27,140	21,100	300	105,091
Accumulated depreciation and impairment					
As at 1 April 2009	(16,470)	(25,440)	(11,145)	-	(53,055)
Charge for the year (note 7)	(2,224)	(1,111)	(1,168)	-	(4,503)
Impairment loss (note 7)	(6,071)	21	-	-	(6,050)
Elimination on disposals	259	1,235	54	-	1,548
Assets reclassified as held for sale	-	-	-	-	-
As at 31 March 2010	(24,506)	(25,295)	(12,259)	-	(62,060)
Charge for the year (note 7)	(2,688)	(990)	(1,534)	-	(5,211)
Impairment loss (note 7)	(2,035)	(404)	(2,660)	-	(5,099)
Elimination on disposals	262	2,560	182	-	3,005
Assets reclassified as held for sale	-	-	-	-	-
As at 31 March 2011	(28,967)	(24,128)	(16,270)	-	(69,366)
Net book value					
As at 31 March 2011	27,584	3,012	4,829	300	35,725
As at 31 March 2010	29,766	4,122	3,254	5,675	42,817

The Directors assessed the appropriateness of the carrying value of the property plant and equipment, at 31 March 2011. Included within the above net book values are impairment provisions of £678,000 for plant and equipment, £8,104,000 for land and buildings and £2,871,000 for other assets.

The carrying value of assets held under finance leases is £nil (2010: £nil) for plant and machinery.

At 31 March 2011, the Company has entered into contractual commitments for the acquisition of property, plant and equipment amounting to £26,609 (2010: £41,697).

14. Inventories

	2011 £'000	2010 £'000
Raw materials	2,882	3,335
Work-in-progress	358	339
Finished goods	1,640	2,064
	4,880	5,738

15. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	20,867	21,984
Provision for impairment of trade receivables	(842)	(829)
Provision for credit notes	(287)	(574)
Net trade receivables	19,738	20,581
Other receivables	1,218	1,113
Accrued grant-in-aid income	2,063	6,454
Prepayments	4,500	2,348
	27,518	30,496

The average credit period taken on sales of goods is 50 days (2010: 49 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. In addition, management have taken into account the current economic environment and performed a detailed analysis of the recoverability of trade receivables and made further provisions as considered appropriate.

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 Audit Committee approval for all accounts with a credit limit of £1,000,000 and above.

There are no customers who represent more than 11.14% (2010: 10.3%) of the total balance of trade receivables.

15. Trade and other receivables (continued)

Ageing of past due but not impaired receivables	2011 £'000	2010 £'000
Up to 6 months	2,494	2,075
6-12 months	24	128
Over 12 months	4	63
Total	2,522	2,266

The Company has not provided for the above trade receivables 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 120 days (2010: 115 days).

Provision for impairment of receivables	2011 £'000	2010 £'000
As at 1 April	829	1,362
Impairment losses recognised	329	(217)
Amounts written off as uncollectible	(316)	(316)
As at 31 March	842	829

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 £692,000 (2010: £666,000) which represents any accounts currently in legal dispute or receivership. A 100% provision is held for any such accounts liquidation.

Ageing of impaired receivables	2011 £'000	2010 £'000
Up to 6 months	137	2,075
6-12 months	91	128
Over 12 months	636	63
Total	864	2,266

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.

16. Assets classified as held for sale

The assets held for sale represents land and buildings which the Company expects to sell within the next twelve months.

	Net book value £'000	Impairment £'000	Net carrying value £'000
At 1 April 2010	3,236	(1,262)	1,975
Disposed during the year	(3,017)	1,142	(1,875)
At 31 March 2010	220	(120)	100

17. 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.

	2011 £'000	2010 £'000
Cash in hand and at bank	57,206	28,222
Bank overdraft	(12,630)	(9,195)
Cash and cash equivalents	44,577	19,027

18. Obligations under finance leases

The Company did not lease any fixtures or equipment under finance leases for the year ended 31 March 2011.

Notes to the financial statements

Year ended 31 March 2011

19. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	16,614	9,299
Accrued expenses	6,532	14,872
Employment payables	8,216	7,160
Social security and other taxes	233	2,330
Deferred income	27,566	20,717
Corporation tax	2,506	1,185
Other payables	2,645	4,840
	64,311	60,403

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 49 days (2010: 49 days). Employment payables relate to cost of staff including salary-related costs.

The Company generally does not 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.

20. Bank overdraft

The average effective interest rate on bank overdraft approximates to 1.5% (2010: 1.5%) per annum.

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

At 31 March 2011, the Company had available £13.7 million (2010: £13.7million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

21. 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 ad hoc 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 grants-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 2006, limited by guarantee, without share capital and therefore meets its capital requirements by way of funding from the DWP. The details of grants-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 presented in note 20, cash and cash equivalents presented in note 17 and reserves which are funded by the DWP presented 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.

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.

21. Financial instruments (continued)

(b) Categories of financial instruments (continued)

	Note	2011 £'000	2010 £'000
Financial assets			
Trade and other receivables			
Trade receivables	15	19,738	20,581
Accrued income	15	2,063	6,454
Other receivables	15	5,717	3,461
Cash and cash equivalents	17	57,206	28,222
		84,724	58,718

	Note	2011 £'000	2010 £'000
Financial liabilities			
Trade and other payables			
Trade payables	19	16,614	9,299
Employment payables	19	8,216	7,160
Social security and other taxes	19	233	2,330
Accrued expenses	19	6,532	14,872
Corporation tax	19	2,506	1,185
Other payables	19	2,645	4,839
Obligations under finance leases	18	-	-
Bank overdraft	17	12,630	9,195
		49,375	48,881

(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.

(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 received confirmation from the DWP on 29 November 2007 of a funding envelope of £555 million for five years from 1 April 2008. The Company continues to operate within the agreed funding envelope.

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 20 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.

21. Financial instruments (continued)

	Carrying amount £'000's	Contractual cash flow £'000's	Due less than one year £'000's	Between 1 and 2 years £'000's
As at 31 March 2011				
Finance assets				
Trade receivables	19,738	19,738	19,738	-
Accrued income	2,063	2,063	2,063	-
Other receivables	5,717	5,717	5,717	-
Cash and cash equivalents	57,206	57,206	57,206	-
	84,724	84,724	84,724	-
Financial liabilities				
Trade payables	16,614	16,614	16,614	-
Employment payables	8,216	8,216	8,216	-
Social security and other taxes	233	233	233	-
Accrued expenses	6,532	6,532	6,532	-
Corporation Tax	2,506	2,506	2,506	-
Other payables	2,645	2,645	2,645	
Obligation under finance leases	-	-	-	-
Bank overdraft	12,630	12,630	12,630	
	49,375	49,375	49,375	-
As at 31 March 2010				
Finance assets				
Trade receivables	20,581	20,581	20,581	-
Accrued income	6,454	6,454	6,454	-
Other receivables	3,461	3,461	3,461	-
Cash and cash equivalents	28,222	28,222	28,222	-
	58,718	58,718	58,718	-
Financial liabilities				
Trade payables	9,299	9,299	9,299	-
Employment payables	7,160	7,160	7,160	-
Social security and other taxes	2,330	2,330	2,330	-
Accrued expenses	14,872	14,872	14,872	-
Corporation Tax	1,185	1,185	1,185	
Other payables	4,840	4,840	4,840	-
Obligation under finance leases	-	-	-	-
Bank overdraft	9,195	9,195	9,195	-
	48,881	48,881	48,881	-

(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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Euro	3,322	4,978	-	-
US dollar	109	16	146	-
	3,432	4,994	146	-

Foreign currency sensitivity analysis

The Company is mainly exposed to the Euro and US Dollars. The Directors consider the Company's sensitivity to a 10% increase and decrease in the sterling pound to be immaterial.

(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 values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

21. Financial instruments (continued)

(g) Fair value of financial instruments (continued)

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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.

22. Operating leases

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

	2011 £'000	2010 £'000
Lease expenses under operating leases recognised in profit for the year:		
Plant and machinery	519	593
Other	6,227	6,222
	6,746	6,815
Total of future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Within one year	7,333	6,373
Between two and five years	21,517	18,413
More than five years	25,850	39,084
	54,700	63,870

23. Provisions

	Redundancy and other payments to employees £'000	Onerous contracts and contract cancellation £'000	Total £'000
As at 1 April 2010	1,435	110	1,545
Additional provision	24,379	4,304	28,683
Utilised	(1,235)	(110)	(1,345)
As at 31 March 2011	24,579	4,304	28,883

Onerous contracts and contract cancellation relates to contractual rental obligations on operating leases affected by the modernisation programme (note 9). The expected timing of outflows for this provision is within the next twelve months. Included in the above is a provision of £24,379,000 for redundancy costs relating to the Company's voluntary redundancy programme. These costs will be paid in 2011/12. Further provisions of £2,795,000 have been made for onerous leases resulting from the termination of the Flexible New Deal contract.

24. 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 £1,139,000 (2010: £1,234,000) to the defined contribution scheme. There are no amounts owed to this pension scheme by the Company at the year end (2010: £nil).

Defined benefit scheme

The most recent full actuarial valuation of the defined benefit scheme was carried out at 31 March 2010 by Barnett Waddingham LLP.

24. Retirement benefits (continued)

	2011	2010	2009
Key assumptions			
Discount rate *	5.60%	5.60%	6.70%
Salary increase	4.40%	4.50%	4.00%
Inflation (RPI)	3.50%	3.60%	3.00%
Inflation (CPI)	2.70%	n/a	n/a
Expected return on scheme assets at start of the year †	6.88%	6.88%	6.88%
Expected long term return on scheme assets	-	6.90%	5.90%

Pre-retirement mortality table – 2010	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
Pre-retirement mortality table – 2011	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 1.5% per annum
Post-retirement mortality table – 2010	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 – 2011	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 1.5% per annum

* The discount rate used above is based with reference to AA-rated corporate bonds at year end.

† The assumption 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 2011 is 6.8% (2010: 6.9%).

Amounts recognised in the income statement in respect of the defined benefit scheme are as follows:	2011 £'000	2010 £'000
Current service cost	12,069	7,447
Interest cost	34,490	29,845
Expected return on scheme assets	(28,427)	(20,728)
Loss on curtailment	3,000	-
Past service cost	2,700	164
Total pension cost	23,832	16,728

Of the charge for the year, £6,063,000 (2010: £9,117,000) has been included in finance costs, £17,769,000 (2010: £7,447,000) has been included in staff costs and £ nil (2010: £164,000) has been included under modernisation expenses. Actuarial gains amounting to £15,205,000 (2010 losses: £61,452,000) have been reported in the statement of comprehensive loss. The cumulative recognised losses are £27,992,000.

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

	2011 £'000	2010 £'000
Present value of funded obligations	586,728	560,755
Present value of unfunded obligations	60,055	73,794
Fair value of scheme assets	(469,006)	(419,305)
Retirement benefits obligation	177,777	215,244

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

	2011 £'000	2010 £'000
As at 1 April	615,964	456,751
Service cost	12,069	7,447
Interest cost	34,490	29,845
Scheme amendments	2,700	164
Curtailment	3,000	-
Actuarial losses /(gains)	(21,454)	(139,377)
Contributions from scheme members	5,297	5,202
Benefits paid	(23,221)	(22,970)
Age-related rebates	307	148
As at 31 March	629,152	615,964
Money purchase – deferred members	3,504	4,471
Additional Voluntary Contributions	14,127	14,113
As at 31 March	646,783	634,548

Notes to the financial statements

Year ended 31 March 2011

24. Retirement benefits (continued)

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

Experience adjustments on scheme assets	(6,249)	77,925

Movement in the fair value of scheme assets	2011 £'000	2010 £'000
As at 1 April	400,721	300,854
Expected return on scheme assets	28,427	20,728
Actuarial gains /(losses)	(6,249)	77,925
Contributions from sponsoring Company	46,093	18,834
Contributions from scheme members	5,297	5,202
Benefits paid	(23,221)	(22,970)
Age-related rebates	307	148
As at 31 March	451,375	400,721
Money purchase – deferred members	3,504	4,471
Additional Voluntary Contributions	14,127	14,113
As at 31 March	469,006	419,305
Fair value of assets		
Equity instruments	186,107	210,921
Debt instruments	104,487	121,567
Property	43,026	40,123
Other assets	135,386	46,694

The overall expected rate of return has been calculated by Barnett Waddingham LLP, independent actuaries, based on assets held at 31 March 2011.

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 contributions of £34,184,000 (2010: £7,176,000) to the pension scheme included within contributions from sponsoring Company in the above table. In addition a further £1,466,000 (2010: £1,555,000) 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:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligations	634,548	472,765	503,789	599,145	573,907
Fair value of scheme assets	(419,305)	(316,868)	(390,001)	(415,376)	(384,602)
Retirement benefit obligation	215,243	155,897	113,788	183,769	189,305
Experience gains and (losses) on scheme liabilities	5,002	6,774	9,910	12,975	1,997
Changes in asumptions used to value scheme liabilities	16,452	(146,151)	38,631	114,704	32,113
Experience adjustments on scheme assets	(6,249)	77,925	(102,840)	(53,401)	(2,661)

Expected contributions

The estimated amounts of contributions expected to be paid to the scheme during the year beginning 1 April 2011 is £35.8 million of which £4.2 million will be met by employee contributions. This amount consists of £11.1 million to meet the cost of providing future benefits in the final salary section, £21.5 million towards eliminating the deficit, £1.8 million to cover the cost of the supplementation to pensions in payment and £1.4 million to the money purchase section.

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Year ended 31 March 2011

25. Related parties

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

Transactions with the Department for Works 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

	2011 £'000	2010 £'000
Revenue	11,157	4,479

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

	2011 £'000	2010 £'000
Amount owed by DWP	457	2,317

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.

	2011 £'000	2010 £'000
Short-term employee benefits	267	230
Post-retirement benefits	24	21
Total benefits	290	251

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