

→ Remploy 2007 Accounts



Chairman's Report



During the past twelve months, the Board of Remploy Limited ("the Company" or "Remploy") has focused on two key objectives. The first is

to reach agreement with Government and Trade Unions on a five year plan for the modernisation of the Company. The second key objective has been to utilise the money made available by Government for the year to March 2007 to maximise the number of disabled people supported by the Company.

On the first of these, the modernisation of Remploy, following the publication last year of the National Audit Office report and the PricewaterhouseCoopers report, the Board published its own proposals on 22 May 2007. The proposals meet the three challenges set by the Minister for Disabled People last year and incorporate many of the ideas put by the Trade Unions to the Board in February and April 2007. In essence, over five years, the Board's proposals bring the Company back within the Government's grant in aid budget and quadruple to 20,000 per annum the number of disabled people moving into mainstream work.

To achieve this, sales and margins would grow substantially, there would be significant savings in overhead costs and approximately half of the Company's 83 factory sites would be closed. To mitigate the effect of these closures, the Board's proposals would guarantee meaningful alternative employment, on current

terms and conditions including the final salary pension scheme, for the remaining working lives of those affected disabled employees. The Company is currently consulting with its Trade Unions on these proposals before the Board submits its final plans to Government this autumn.

The second objective for the Board, over the past year, has been to utilise the money made available by Government to maximise the number of disabled people supported by the Company.

Firstly, this has involved ensuring that the Company keeps within the extended grant in aid provided by the Government to the Company's network of product and service businesses. Innovative capture of new sales orders, good organisation to ensure that we deliver what we promise to our customers, and tight cost and working capital control meant that this was achieved.

Secondly, this involved successfully expanding our Employment Services business to help more unemployed disabled people find work. Support from mainstream employers, the opening of more high street branches, and disciplined achievement of individual targets, meant that over 5,000 disabled people (2006: 4,265) moved into mainstream employment via Remploy last year.

On behalf of the Board, I would like to extend my thanks to all of our customers and mainstream employers for their continued support. I would also like to pay tribute to the hard work and dedication of our employees.



Over five years, the Board's proposals quadruple to 20,000 per annum the number of disabled people moving into mainstream work.

In addition, I would like to acknowledge the very considerable contributions made by Alan Pedder, Sally Smedley and Lisa Stone who retired from the board within the last twelve months.

Remploy's heritage is, rightly, a proud one. Over the past 60 years we have created a unique track record of helping disabled people find work. The Board's vision for Remploy is to build on that heritage and to extend that track record, in a 21st Century context, for the benefit of increasingly large numbers of disabled people in the UK.



Ian Russell CBE
Chairman

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Chief Executive's Report



In a year which was inevitably dominated by the continuing discussions and consultations about how Remploy should be modernised, the

Company has continued to make good progress.

Remploy passed a major landmark in 2007. It supported more disabled people into mainstream employment in one year than it employed in its factories. Over 5,000 (2006: 4,265) disabled people were supported into employment with employers such as BT, Christian Salvesen, the Post Office and Asda.

The total number of jobs that we secured for disabled people in mainstream employment was up 25% on the previous year.

During the year we opened high street branches in Birmingham, Plymouth, Leeds and Nottingham. This new concept helps improve our service for our disabled clients, the employers that we work with and Jobcentre Plus who refer disabled people to us.

The branches provide an ideal setting, to help develop and train disabled people for employment, and then provide a base for them to be supported and coached until they find a job. The new branches successfully supported many more disabled people into employment than was achieved in those areas before we opened the branches. As a result of this proven success we intend to open more branches during 2008 and more in following years.

Despite the uncertainty created by modernisation, our factory-based businesses generally maintained their performance at the same level as in 2006. The exception to this was the Textiles business, which had significantly reduced sales of its chemical, biological and nuclear protection suits in 2007 compared with the previous year.

The increased loss in the factory-based businesses compared with 2006 is entirely explained by the shortfall of orders in the Textile business. The loss per disabled person in our businesses was £20,500 in 2007 (2006: £19,700).

The grant in aid from the Department for Work and Pensions was set at £133.8m for 2007 and we succeeded in managing our operations within that total.

Bob Warner
Chief Executive



Remploy passed a major landmark in 2007. It supported more disabled people into mainstream employment in one year than it employed in its factories.





Over 5,000 disabled people were supported into employment with employers such as BT, Christian Salvesen, the Post Office and Asda.

Directors and Advisers

as at 5 September 2007

Ian Russell CBE Chairman (aged 54)



Ian joined the company as Non-Executive Chairman in January 2007. Ian is Chairman, Non-Executive Director or Adviser to a number of PLC, private equity and not for profit organisations. From 2001 until 2006, Ian was Chief Executive of Scottish Power PLC, having previously been the Group Finance Director from 1994 until 2001. A Chartered Accountant by profession, Ian has had a career in finance working for companies such as HSBC, Mars Limited and KPMG.

Bob Warner Chief Executive (aged 56)



Bob joined the company as Finance Director in April 2002. His previous posts have included President of Operations at mmO2, President of Europe Operations, BTwireless and deputy finance director of British Coal. In his last post at BT, he managed the demerger and flotation of mm02. Previous directorships include British Interactive Broadcasting, BT Cellnet Limited and Epeopleserve (Jersey) Limited.

Jill Hill Corporate Development Director (aged 56)



Jill joined the Company in August 2001. Previously Managing Director of Rolls-Royce Materials Handling Limited, Clarke Chapman Limited and Chairman of Caillard SA. Other current directorships include Northern Defence Industries Limited.

Nigel Hopkins

Executive Director, Finance (aged 49)



Nigel joined the Company in May 2004. Formerly Director of Administration with Comau Estil, Nigel has held previous posts with Laporte, United Technologies, Coopers & Lybrand and Ernst & Young.

Anne Jessopp Executive Director, HR (aged 43)



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

Graham Corbett CBE* Non-Executive (aged 72)



Graham was appointed to the Board in June 2004. Previous positions include Chairman of Postcomm and Deputy Chairman of the Competition Commission, Board member and Chief Financial Officer of Eurotunnel and Senior Partner of Peat Marwick's Continental European Firm. He is currently Chairman of Trustees for RICAbility.

Ian Harley** *** Non-Executive (aged 57)



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

Joe Mann MBE* Non-Executive (aged 55)



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

Sally Smedley* (Left the Board July 2007)
Non-Executive (aged 58)



Sally was appointed to the Board in January 2001. She is Chair of the Remunerations and Nominations Committee. Previous positions include

HR Director at British Energy plc, Director of East Midlands Electricity and Non-Executive Director of Cornwell Park plc.

Lisa Stone** (Left the Board July 2007)
Non-Executive (aged 45)



Lisa was appointed to the Board in January 2001. She is Chief Operating Officer of HgCapital, Non-Executive Director of SHL, Addison (Germany) and

Visma (Norway).

Ian Thornley** Non-Executive (aged 48)



Ian was appointed to the Board in May 2006. 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 Managing Director of Staffing Partners, a corporate finance advisory business specialising in the recruitment and staffing sector.

* Member of the Remuneration Committee

** Member of the Audit Committee

*** Senior Independent Non-Executive Director

Guy Phillips Secretary (aged 45)



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

Bankers

The Royal Bank of Scotland Group plc
Corporate & Institutional Banking
135 Bishopsgate
London
EC2M 3UR

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Registered office

Stonecourt
Siskin Drive
Coventry
CV3 4FJ

Telephone 02476 515 800
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Remploy Limited is a private company as defined by the Companies Act 1985, limited by guarantee, without share capital.

Registered number: 394532
(England and Wales)



The Board's proposals guarantee meaningful alternative employment for affected disabled employees.

Directors' Report

The Directors present their 62nd annual report on the affairs of the Company, together with the financial statements and auditors report for the year ended 31 March 2007.

Principal activities

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

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

Business review and future prospects

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

The Company's revenue for the year was £155.7m (2006: £165.6m). The result for the year amounted to a loss of £6.9m (2006: £16.9m).

Further business review and future prospects of the Company is included within the Chairman's and Chief Executive's Reports.

Principal risks and uncertainties

To implement the requirements of the EU Accounts Modernisation Directive, the UK Companies Act 1985 has been amended to require a description of the principal risks and uncertainties facing the Company. The Board has identified the following potential risks and uncertainties that could have a material impact on the Company's performance and has put in place internal processes

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

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 above should not be regarded as a complete and comprehensive

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

Environmental matters

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

Going concern

Based on normal business planning and control procedures the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Secretary of State for the Department for Work and Pensions has committed to funding the Company's activities for the next two years up to 31 March 2009. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The Company's principal financial assets are bank balances, cash and trade and other receivables.

The Company's credit risk is primarily attributable to the markets in which it trades. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk


In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company agrees a funding envelope with the Secretary of State for the Department for Work and Pensions.

There is no significant exposure of the Company to financial risk related to changes in foreign currency exchange rates as majority of its operations are transacted in Sterling.

The Directors also believe that the price risk faced by the Company is minimal.

Dividends

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



We are committed to ensuring that where practical, any adverse impact on the environment from our activities is being minimised.



Directors' Report continued



Involving all people is an important part of how Remploy operates.

Directors

Refer to the Corporate Governance report.

Charitable and political contributions

No donations for political and charitable purposes were made during the year (2006: £nil).

Employees and employment of disabled people

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

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

At the end of the year 5,221 disabled people (2006: 5,798) were employed in Remploy's own businesses. In addition, 5,068 people (2006: 3,873) were supported during the year to 31 March 2007 to pursue a career with other employers.

Progressions

The number of people who progressed to open unsupported employment during the year was 688 (2006: 1,720).

Employee involvement

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

A structured communication plan ensures that two-way communication takes place on key issues at local, business and organisational level.

A variety of methods are used from team and site briefings to newsletters and conference calls. Each business has a communication plan to complement the national plan. Communication is seen as an important part of any manager's role and training is taking place to ensure everyone has the required skills. During the year the enhanced intranet has been used extensively; to which all Remploy employees have access, along with an investment in IT training to ensure that people have the appropriate skills.

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

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

Pension fund

The assets of the pension fund, established for the benefit of the Scheme's members, are held in trust separately from the assets of the Company. The Board of Trustees is independently chaired by Mr Alan Herbert and comprises four Trustees appointed by the Company and four Trustees elected by the members. A Trustee Report was made available to all members during the year.

Funds are managed independently by UBS Global Asset Management (UK) Limited, Schroder Investment Management Limited, Legal and General Investment Management Limited, Gartmore, Alliance Bernstein, Newton and Royal London Asset Management on behalf of the Trustees to whom they formally report each quarter.

The Scheme Actuary confirmed at the last formal actuarial valuation on 31 March 2004 that the Scheme showed a funding level of 77% on an ongoing basis (i.e. a deficit of £76 million with assets of £250 million and liabilities of £326 million).

The Trustees and the Company have agreed to spread the deficit over a fifteen-year period through the payment of an additional annual contribution of £6.4 million plus RPI at the start of each year. The Company made an additional contribution of £6.6 million in April 2006.

The Employer's standard contribution rate required to cover future benefits on an ongoing basis was calculated as 8.6% of pensionable earnings per annum (excluding the cost of providing the death-in-service lump sum benefits).

The Company has agreed to pay, for 15 years commencing 2005, a combined rate of at least 16.3% of pensionable salaries to cover the deficit and the ongoing contribution rate.

The employee contribution rate remains at 7%.

Payment policy

Trade creditor days for the year ended 31 March 2007 were 39 days (2006: 46 days), calculated in accordance with the requirements set down in the Companies Act 1985.

Auditors

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

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

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

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

Approved by the Board and signed on its behalf by:



N Hopkins
Executive Director Finance

5 September 2007



5,068 people were supported during the year to 31 March 2007 to pursue a career with other employers.

Health and Safety



Site accident statistics have improved by **25%** on last year.

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

- Site accident statistics (RIDDORs) have improved by 25% on last year.
- No Health, Safety and Environment prosecutions or prohibitions for the third consecutive year, although we did receive two improvement notices on our Brynamman site.
- 50% reduction in the number of Employer's Liability claims from last year. We have had a year on year reduction for the last four years.

Reportable accidents in our sites have continued to decline year on year. There were 31 reportable accidents this year (2006: 35).

This year we have extended the reporting of accident statistics to include: Managed Services, Employment Services and all office locations, in addition to our factory sites.

Health and Safety performance remains embedded within our performance review processes and where appropriate site Health and Safety reviews are conducted in order to derive focused, corrective action plans.

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

Training has continued throughout the Company with a strong focus on behavioural safety and Health and Safety awareness for all our employees. Last year's work on management education has now resulted in all site managers being qualified to a minimum of IOSH standard in Health and Safety.



Corporate Governance

Compliance

In accordance with Treasury guidelines, the Company is subject to the revised Combined Code on corporate governance and has complied throughout the year with the provisions of the Combined Code, 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 twelve months' notice, to its Chief Executive. The Company feels this departure is appropriate given that the Chief Executive is appointed by the Secretary of State for the Department for Work and Pensions.

Directors

The Board of Directors and their membership of Board Committees is shown overleaf and comprise, the Chairman, the Chief Executive plus three Executive and currently four independent Non-Executive Directors. One of the Non-Executive Directors has been appointed to act as Senior Independent Director.

The Board is responsible for setting Company strategy, acquisition policy 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 Jobcentre Plus in the Annual Performance Agreement. It monitors the progress of the Company towards the achievement of budgets and targets.

Board performance evaluation

A process of performance evaluation of the Board, its Committees and Directors was undertaken in 2007. This process consisted of:

- Discussions between the Chairman and each of the Directors to assess Director performance and to allow any other issues to be raised;
- The Senior Non-Executive Director led an assessment of the Chairman's performance by the Non-Executive Directors and fed back to the Chairman; and
- An assessment of Board performance by all Directors.

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

- Board role and agenda setting;
- Monitoring performance and strategic planning;
- Size, composition and independence of the Board;
- Directors' roles, training and development;
- Board leadership, teamwork and management relations;
- Quality of meetings;
- Director and Board evaluation, compensation and ownership;
- Succession planning;
- Ethics;
- Constituencies; and
- Input from the Executive Directors.



Corporate Governance continued

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 given in the Directors and Advisers section.

Remuneration Committee

The Remuneration Committee is chaired by Mr G Corbett CBE and includes two other Non-Executive Directors. The Committee reviews salaries and targets for performance pay for Executive Directors and senior managers and makes recommendations to the Secretary of State for the Department for Work and Pensions with regard to the Chief Executive. Details of the terms of reference of the Committee are available upon written request from the Company Secretary at the Company's registered office.

Nominations Committee

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

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

Attendance at meetings during the year

	Board meetings	Audit committee meetings	Remuneration/nomination committee meetings
Number of Meetings	11	2	4
A E Pedder CBE (retired December 2006)	8	-	3
Ian Russell CBE (appointed January 2007)	3	-	1
R Warner	11	-	4
J V Hill	10	-	-
N Hopkins	11	2	-
S Knowles (retired July 2006)	2	-	-
A Jessopp	11	-	3
S Smedley (retired July 2007)	10	-	4
L Stone (retired July 2007)	6	2	-
A D Tuffin CBE (retired July 2006)	4	-	1
I Harley	11	2	1
G Corbett CBE	7	-	4
I Thornley (appointed May 2006)	9	-	-
J Mann MBE (appointed May 2006)	7	-	-

Appointments to the Board are advertised. The Chairman and Chief Executive and Non-Executive Directors are appointed by the Secretary of State for Work and Pensions in consultation with the Chairman. Other Executive Directors are appointed by the Chairman.

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



Remploy executive

The management of the business within the Annual Operational Plan and the three-year Strategic Plan is delegated to the Executive Directors.

Accounting officer

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

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

Internal controls

The Directors acknowledge that they have overall responsibility for the Company's system of internal control, including suitable monitoring procedures, and for reviewing its effectiveness. The system of control is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, but any such system can

only provide reasonable, and not absolute, assurance against misstatement or loss.

The Directors make commercial decisions on risk within a managed framework and against a formal procedures and ethics policy.

The Board has implemented in full the Turnbull guidance, 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 a subcommittee of the Board. In addition, the Board and management are keeping under active review the need to enhance continuously the system of control.

The Board can confirm that from 1 April 2006 to the date of approval of the Annual Report and Financial Statements there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This is reviewed regularly by the Board and accords with the Turnbull guidance.

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

- clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;



Corporate Governance continued



- 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 Department which operates to standards defined in the Government Internal Audit Manual. The work of the Internal Audit Department is informed by an analysis of the risk to which the Company is exposed and the annual internal audit plans are based on this analysis. The audit approach is endorsed by the Audit Committee and internal audit plans are approved by the Executive Directors.

An annual report is issued by the Internal Audit Manager on internal audit activity which includes an independent opinion on the adequacy and effectiveness of the system of internal financial control.

The Board has reviewed the effectiveness of the system of internal controls for the period covered by the accounts. This review is informed by the work of the Internal Audit Department and the Executive Directors who have responsibility for the development and maintenance of the control framework. 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 NDPB sponsored by Jobcentre Plus, which in the Directors' opinion is a related party because it is part of the Department for Work and Pensions. During the year Remploy Limited entered into normal arm's length contractor relationships for New Deal for Disabled People and other programmes with Jobcentre Plus and other associated agencies. Information regarding these arrangements has been disclosed in Note 19 of the financial statements.

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

Going concern

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

The Secretary of State has committed to funding Remploy's activities for the next two years up to 31 March 2009. (Refer to Note 1 of the accounts relating to the undertaking in the main agreement.)

By order of the Board:



G J G Phillips
Secretary

5 September 2007



Over the past 60 years we have created a unique track record of helping disabled people find work.

Report of Audit Committee



Summary of the role of the Audit Committee

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

The Audit Committee is responsible for:

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained therein;
- Reviewing the Company's internal financial controls and unless expressly addressed by the board itself, the Company's internal control and risk management systems;
- Monitoring and reviewing the effectiveness of the Company's internal audit function;
- Making recommendations to the Board, for its approval in general meeting

in relation to the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;

- Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm; and
- Reviewing the effectiveness of the Company's whistleblowing procedures, particularly communication processes and follow up procedures.

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

Composition of the Audit Committee

The members of the Audit Committee are:

Name	Date of appointment	Formal accounting qualification
Mr I Harley (Chairman)	2004	Member of Institute of Chartered Accountants of Scotland
Mrs L Stone (left the Board July 2007)	2001	
Mr I Thornley	2007	Member of Institute of Chartered Accountants of Scotland

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

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

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

- The principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
- Key aspects of the Company's operations including corporate policies, Company financing, products and systems 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 twice a year and has an agenda linked to events in the Company's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his or her fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

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

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 2007 reports and accounts. As part of this review the Committee received a report from the external auditors on their audit of the annual reports and accounts;
- Considered the output from the Company-wide process used to identify, evaluate and mitigate risks;



The total number of jobs that we secured for disabled people in mainstream employment was up 25% on the previous year.

Report of Audit Committee continued



- 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 works to be undertaken by the auditors;
- Considered a report from the external auditors on the review of the effectiveness of controls across the Company and received a report on management action taken in response to work undertaken by the auditors in 2006;
- Agreed the fees to be paid to the external auditors for the audit of the 2007 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 evaluation of the performance of the external auditors;
- Received reports from the Internal Audit and Risk Manager on the work undertaken by Internal Audit and management responses to proposals made in the audit reports issued by the function during the year; and
- Reviewed Whistleblowing procedures and actions taken.

External Auditors

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and

compliance with ethical and regulatory requirements to the Audit Committee and day-to-day responsibility to the Company Finance Director. The policy states that the external auditors are jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

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

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

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

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

- the external auditors' fulfilment of the agreed audit plan and variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and

- the content of the external auditor's Internal Control Report.

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

Internal Audit Function

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

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

The Company Whistleblowing Policy contains arrangements for the Company Internal Audit 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 Harley
Chairman of the Audit Committee

5 September 2007




During the year we opened high street branches in Birmingham, Plymouth, Leeds and Nottingham.

Report of Remuneration Committee



Information not subject to audit

Composition

The Company has a Remuneration Committee chaired by Mr G Corbett CBE and includes two Non-Executive Directors, Mr J Mann MBE and a vacancy. Other attendees have been Mr Alan Pedder CBE, Mr Ian Russell CBE as Chairmen of the Company, Mr R Warner, Chief Executive and Mrs A Jessopp, Executive Director Human Resources, Mr Ian Thornley, Non-Executive Director and the former chair until 26 July 2007, Mrs S Smedley.

Remuneration policy

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

Basic salaries

The Chairman, Chief Executive and all Non-Executive Directors are appointments by the Secretary of State for Work and Pensions and their 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.

Bonuses

The Chairman and Non-Executive Directors do not receive a bonus. A performance related bonus is payable to Executive Directors, based on the Performance and Resources

Agreement, whose terms are based on a recommendation from the Committee and agreed with the Secretary of State in consultation with the Chairman.

The Chief Executive's maximum bonus is currently 35% and based on the same criteria as applied to Executive Directors.

Pensions

The Company operates defined benefit and defined contributions pension schemes and the Chief Executive and Executive Directors are ordinary members of the defined benefit scheme. Under 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.

The Company supplements the pensions of past Directors and other past employees on an annual basis as covered in Note 18 to the accounts. The amount payable in the year in respect of past Directors was £20,000 (2006: £58,000).

Service contracts

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

The status of appointments as at 5 September 2007 is as follows:

	Date of service contract	Unexpired term*	Notice period	Compensation if early termination
I Russell CBE	January 2007	25 months	None	None
R Warner	November 2003	14 months	12 months	None
J V Hill	August 2001	None	6 months	None
N Hopkins	May 2004	None	6 months	None
A Jessopp	July 2004	None	6 months	None
I Harley	July 2004	33 months	None	None
G Corbett CBE	July 2004	33 months	None	None
I Thornley	May 2006	20 months	None	None
J Mann MBE	May 2006	20 months	None	None

* The unexpired term is from the date that the service contract was signed or the date of renewal if the first term of service, as discussed below, has been completed.

Audited information

Directors' emoluments

Total emoluments in the year were:

	2007 £'000	2006 £'000
Remuneration excluding costs of pension and life assurance schemes	550	624
Costs of pensions and life assurance scheme contributions	48	57
Total	598	681

The Chairman and Non-Executive Directors are appointed for a period of three years which is terminable by the Secretary of State for Work and Pensions with no notice period and which can be renewed for one further period.

All emoluments paid to present and past Directors are in connection with the management of the affairs of the Company. The bonus payable is that earned in the year although paid in the following year, and is based on performance targets as described.

The accrued pensions benefits disclosed overleaf are based on the number of years of pensionable service and the basic pensionable salary.

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

Report of Remuneration Committee continued

Details of emoluments and pensions are as follows:

	Salary		Bonus		Benefits		Total		Pension contributions		Years of service	Accrued pension	Increase in accrued pension	Transfer value of increase
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000				
A Pedder CBE	29.0	38.6	-	-	3.2	3.9	32.2	42.5	-	-				
R Warner ^f	125.5	127.9	-	-	15.3	15.4	140.8	143.3	11.0	13.1	5.0	10.7	3.5	52.5
J V Hill ^f	89.7	95.5	-	-	7.2	7.3	96.9	102.8	11.1	11.8	6.0	10.8	1.6	25.3
N Hopkins ^f	96.3	93.5	-	-	10.2	10.2	106.5	103.7	11.9	11.6	3.0	5.5	1.9	12.8
S Knowles ^d	26.6	77.8	-	-	3.3	10.4	29.9	88.2	3.3	9.6	22.0	33.7	0.8	4.9
A Jessopp ^f	90.0	86.0	-	-	9.3	10.2	99.3	96.2	11.1	10.7	3.0	4.8	1.8	9.7
P N C Cooke ^a	-	3.8	-	-	-	-	-	3.8	-	-				
S Smedley ^e	7.5	7.5	-	-	-	-	7.5	7.5	-	-				
L Stone ^e	7.5	7.5	-	-	-	-	7.5	7.5	-	-				
A D Tuffin CBE ^c	1.3	7.5	-	-	-	-	1.3	7.5	-	-				
A M Vinton ^b	-	5.6	-	-	-	-	-	5.6	-	-				
I Harley	7.5	7.5	-	-	-	-	7.5	7.5	-	-				
G Corbett CBE	7.5	7.5	-	-	-	-	7.5	7.5	-	-				
J Mann MBE	6.4	-	-	-	-	-	6.4	-	-	-				
I Thornley	6.4	-	-	-	-	-	6.4	-	-	-				
Ian Russell CBE	-	-	-	-	-	-	-	-	-	-				
Total	501.2	566.2	-	-	48.5	57.4	549.7	623.6	48.4	56.8		65.5	9.6	105.2

a Left the Board October 2005

b Left the Board December 2005

c Left the Board May 2006

d Left the Board July 2006

e Left the Board July 2007

f A recommendation regarding the 2007 Executive Directors bonus has been made to the Secretary of State, to which a response is still awaited.

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

Directors' Responsibilities

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

United Kingdom company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for the system of internal control, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



The branches provide an ideal setting, to help develop and train disabled people for employment, and then provide a base for them to be supported and coached until they find a job.

Independent Auditors' Report

to the members of Remploy Limited



We intend to open more branches during 2008 and more in following years.

We have audited the financial statements of Remploy Limited for the year ended 31 March 2007 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement, and the related Notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Report and Chief Executive's Report that is cross referenced from the business review and future prospects section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority in so far as they are appropriate to Remploy under Government objectives for Non-Departmental Public Bodies, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 March 2007 and of its loss for the year then ended;
- the financial statements and the part of Report of the Remuneration Committee described as having been audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte x Touche LLP

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

5 September 2007

Income Statement

year ended 31 March 2007

	Notes	2007 £'000	2006 £'000 (restated note 2)
Continuing operations			
Revenue	5	155,702	165,619
Funding from Secretary of State	4	133,800	119,300
Total revenue		289,502	284,919
Materials		(93,597)	(99,450)
Staff costs	7	(144,837)	(143,855)
Operating charges		(50,031)	(49,428)
Depreciation	6	(5,333)	(6,073)
Profit on sale of fixed assets		5	515
Operating loss	5, 6	(4,291)	(13,372)
Finance income	8	273	116
Finance costs	8	(2,906)	(3,636)
Loss before tax		(6,924)	(16,892)
Income tax expense	9	-	-
Loss for the year		(6,924)	(16,892)

Statement of Recognised Income and Expense

year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Actuarial gains/(losses) on defined benefit pension scheme	18	11,888	(4,903)
Net income/(expense) recognised directly in equity		11,888	(4,903)
Loss for the year		(6,924)	(16,892)
Total recognised income and expense for the period		4,964	(21,795)

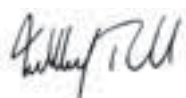


Balance Sheet

31 March 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Property, plant and equipment	10	60,402	62,991
Current assets			
Inventories	11	9,763	10,250
Trade and other receivables	12	27,560	24,659
Cash at bank and in hand	13	1,679	2,535
		39,002	37,444
Total assets		99,404	100,435
Current liabilities			
Trade and other payables	15	(29,030)	(27,131)
Obligations under finance leases	14	(6,644)	(3,759)
Bank overdraft	13	(16,165)	(16,830)
Accruals and deferred income	16	(13,181)	(11,113)
		(65,020)	(58,833)
Net current liabilities		(26,018)	(21,389)
Non-current liabilities			
Retirement benefit obligation	18	(183,769)	(189,305)
Obligations under finance leases	14	(7,835)	(14,481)
		(191,604)	(203,786)
Total liabilities		(256,624)	(262,619)
Net liabilities		(157,220)	(162,184)
Reserves			
Funded by the Secretary of State for the Department for Work and Pensions	4	(157,220)	(162,184)

These financial statements were approved and authorised for issue by the Board of Directors on 5 September 2007.
Signed on behalf of the Board of Directors



I Russell CBE
Chairman



R Warner
Chief Executive
(Accounting Officer)



N Hopkins
Executive Director Finance



Cash Flow Statement

year ended 31 March 2007



	Notes	2007 £'000	2006 £'000
Loss for the year		(6,924)	(16,892)
Adjustments for:			
Depreciation on property, plant and equipment		5,333	6,073
Gain on disposal of property, plant and equipment		(5)	(515)
Interest received		(273)	(116)
Non-cash elements of retirement benefit charge		6,352	4,577
Operating cash flows before movements in working capital		4,483	(6,873)
Decrease in inventories		487	4,262
(Increase)/decrease in trade and other receivables		(2,901)	4,143
Increase/(decrease) in trade and other payables		3,967	(3,024)
Decrease in grant advanced from the Department for Work and Pensions		-	(51,000)
Net cash from/(used in) operating activities		6,036	(52,492)
Investing activities			
Interest received		273	116
Proceeds on disposal of property, plant and equipment		52	576
Purchase of property, plant and equipment		(2,791)	(2,302)
Net cash used in financing activities		(2,466)	(1,610)
Financing activities			
Repayments of obligations under finance leases		(3,761)	(2,931)
Proceeds from sale of leaseback of plant and machinery		-	6,234
Net cash (used in)/from financing activities		(3,761)	3,303
Net decrease in cash and cash equivalents		(191)	(50,799)
Cash and cash equivalents at 1 April	13	(14,295)	36,504
Cash and cash equivalents at 31 March	13	(14,486)	(14,295)

Notes to the Accounts

year ended 31 March 2007

1. General information

Remploy Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given in the Directors and Advisors section. The nature of the Company's operations and its principal activities are set out in Note 5.

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 4.

The main agreement between the Company and the Secretary of State for the Department for Work and Pensions 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. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted for use in the European Union.

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

The 2006 income statement has been restated to show the expected return on the defined benefit scheme assets as part of net finance charges instead of staff costs as shown in the prior year. The Directors consider that this is a more appropriate classification as this credit is not representative of direct staff-related expenditure. This reclassification has the result of increasing staff costs for 2006 by £20,827,000 and a corresponding decrease in net finance charges by the same amount. The loss before tax has not changed.

The principal accounting policies adopted are set out below.

Revenue recognition

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

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

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

Revenue recognised ahead of billings is shown as accrued income.

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

Notes to the Accounts continued

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. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Borrowing costs

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

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

Government grants

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and

it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets are 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 and 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 is 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.

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:

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 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 income.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

Impairment of tangible and intangible assets

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

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



Notes to the Accounts continued

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable,

direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

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

Trade receivables

Trade receivables are measured on initial recognition at fair value. 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.

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.

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, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments and hedge accounting

The Company does not generally make use of derivative financial instruments. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in reserves, and the ineffective portion is recognised immediately in the income statement. Amounts deferred in reserves are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the

obligation at the balance sheet date, and are discounted to present value where the effect is material.

Retirement benefits

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

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

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

Past cost is recognised immediate to the extent that the benefits are already vested.

3. 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 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Impairment review of fixed assets

The Directors have performed an impairment review of the carrying value of fixed assets as required under

IAS 36 'Impairment of Assets'. The land and buildings were revalued to market value at the IFRS transition date and the Directors consider that the book value at 31 March 2007 equates to the net realisable value should these assets be disposed of.

In respect to other tangible fixed assets the Directors have identified a number of cash generating units, all of which have negative cash flows from operations. The Directors however consider that the funding received from the Department of Works and Pensions is provided to support all cash generating units in totality and hence, the Directors have allocated this funding to each of the cash generating units which has resulted in a cash positive/break even position. The continued funding from the Department of Work and Pensions is a key judgement in concluding that no impairment provision is required.

Provision for old and obsolete inventory

The Directors have reviewed the ageing and movements of 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.

Provision for doubtful debts

The Directors have reviewed the trade receivables to assess the need of provision for doubtful debts. In determining whether an impairment loss should be recorded in the profit and

loss account, the Directors have made judgements based on prior experience and the current economic environment.

Accordingly, provision for doubtful debts is made where there is an identified loss event, or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flow. The doubtful debt provision is detailed in Note 12.

Self insurance

The Company has provided for partial self insurance arrangements based on historical number of claims filed, value of each claim filed and settlement amounts. The Company has also included an estimate of claims incurred but not recorded. This has been based on the historical lead time in days between the accident and the claim being reported. The provision for self insurance is included in Note 15 as part of other creditors.

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 18.

Notes to the Accounts continued



4. Financial agreement with the Secretary of State for the Department of Work and Pensions

The Company has entered into agreements with the Secretary of State for the Department of Work and Pensions under which:

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

The Secretary of State has committed to the funding of the Company's activities for the next two years up to 31 March 2009.

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

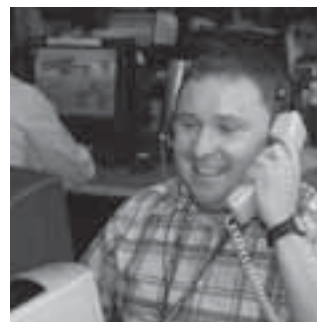
	2007 £'000	2006 £'000
Reserve account		
Balance at 1 April	(162,184)	(140,389)
Grants-in-aid	133,800	119,300
Net results before grant-in-aid received	(140,724)	(136,192)
Transfer from income statement	(6,924)	(16,892)
Transfer from statement of recognised income and expenditure	11,888	(4,903)
Balance at 31 March representing total liabilities	(157,220)	(162,184)

In line with Treasury guidelines, the Company is required to show the notional cost of capital. Calculated in accordance with the Treasury guidelines, the notional interest would have been a charge of £8,995,000 for the year (2006: charge of £9,077,000) at 6% based on an average capital employed.

5. Business segments

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

	2007 £'000		2006 £'000	
	External sales	Inter-segment sales	External sales	Inter-segment sales
Revenue				
Manufacturing	52,712	-	50,649	73
Furniture	18,600	37	20,724	9
Print and packaging	13,858	973	10,953	1,293
Textiles	11,940	4	24,777	4
Workscope	10,346	128	11,456	177
Household and toiletries	9,308	-	11,202	-
Employment services	7,625	12	7,451	8
Managed services	7,152	119	6,098	633
Healthcare	6,191	-	6,397	-
Building products	5,120	-	3,496	4
Ecycle	4,952	2	3,314	-
Electronics	4,545	-	3,769	-
Service contracts	1,738	9	2,528	-
Offiscope	746	80	832	974
Public sector	701	5	1,673	-
Community enterprise	119	38	171	-
Product contracts	36	8	112	-
Corporate and support services	13	-	17	-
	155,702	1,415	165,619	3,175



Notes to the Accounts continued



5. Business segments (continued)

Revenue comprises sales of:

Products £59,933,000 (2006: £74,165,000), Services £77,666,000 (2006: £72,359,000), Contracting £10,465,000 (2006: £11,627,000), Employment services: £7,625,000 (2006: £7,451,000) and Corporate £13,000 (2006: £17,000).

The inter segment sales are internal sales between business segments, which eliminate at an overall company level.

	2007 £'000	2006 £'000
Net assets/(liabilities)		
Manufacturing	1,844	8,083
Furniture	2,091	4,616
Print and packaging	1,241	4,549
Textiles	3,756	1,908
Workscope	463	2,768
Household and toiletries	1,454	2,833
Employment services	(1,032)	(1,254)
Managed services	871	1,042
Healthcare	605	1,410
Building products	1,199	1,477
Ecycle	(2,990)	(327)
Electronics	1,396	1,737
Service contracts	89	712
Offiscope	174	318
Public sector	62	192
Community enterprise	60	(13)
Product contracts	153	48
Corporate and support services	(168,656)	(192,283)
	(157,220)	(162,184)

	2007 £'000	2006 £'000
Operating loss		
Funding from Secretary of State	133,800	119,300
Manufacturing	(7,079)	(8,304)
Furniture	(15,475)	(15,296)
Print and packaging	(5,663)	(5,218)
Textiles	(9,688)	(3,786)
Workscope	(19,435)	(20,331)
Household and toiletries	(7,073)	(7,922)
Employment services	(19,555)	(17,103)
Managed services	(4,440)	(3,828)
Healthcare	(6,834)	(7,054)
Building products	(3,162)	(3,263)
Ecycle	(5,707)	(5,669)
Electronics	(3,924)	(3,709)
Service contracts	(8,473)	(8,176)
Offscope	(2,964)	(2,422)
Public sector	(1,827)	(2,439)
Community enterprise	(536)	(705)
Product contracts	(1,736)	(1,500)
Corporate and support services*	(14,520)	(15,947)
	(4,291)	(13,372)

*Corporate and support costs include £12.4m (2006: £10.0m) of current service costs relating to the defined benefit plan which have not been allocated, refer Note 18.

	2007 £'000	2006 £'000
Capital expenditure		
Manufacturing	54	73
Furniture	188	465
Print and packaging	364	104
Textiles	11	55
Workscope	146	152
Household and toiletries	189	530
Employment services	576	122
Managed services	-	-
Healthcare	6	77
Building products	40	-
Ecycle	-	80
Electronics	107	-
Service contracts	-	-
Offscope	-	69
Public sector	-	-
Community enterprise	-	3
Product contracts	-	-
Corporate and support services	1,110	572
	2,791	2,302



Notes to the Accounts continued



5. Business segments (continued)

	2007 £'000	2006 £'000
Depreciation		
Manufacturing	116	141
Furniture	406	405
Print and packaging	495	495
Textiles	67	142
Workscope	167	291
Household and toiletries	227	252
Employment services	111	105
Managed services	5	6
Healthcare	81	123
Building products	141	156
Ecycle	88	122
Electronics	86	115
Service contracts	46	80
Offscope	73	69
Public sector	22	36
Community enterprise	2	3
Product contracts	59	6
Corporate and support services	3,141	3,526
	5,333	6,073

Geographical segments

Exports included in turnover amounted to £9,027,000 (2006: £7,953,000).
A geographical analysis of turnover by destination is as follows:

	2007 £'000	2006 £'000
Europe	8,224	7,305
USA	579	140
Other	224	508
	9,027	7,953

6. Operating loss

The operating loss has been arrived at after charging the following:

	2007 £'000	2006 £'000
Net foreign exchange losses	122	106
Research and development costs	264	107
Depreciation of property, plant and equipment	5,333	6,073
Cost of inventories recognised as an expense	93,597	99,450
Staff costs (Note 7)	144,837	143,855

The analysis of the auditors' remuneration is as follows:

Fees payable to the Company's auditors for the audit of the Company's annual accounts	134	142
Tax services	76	-
Other services	-	25
Total non-audit fees	76	25



Notes to the Accounts continued



7. Staff costs

The average monthly number of employees (including Executive Directors) was:

From 1 April 2006 a number of the business units have been restructured and the staff numbers for 2007 have been presented on that basis. However, it has not been possible to apportion staff for 2006 on the basis of new structure and staff numbers for 2006 have been presented on the basis of the previous structure.

	2007 Number	2006 Number
Corporate and support services	203	200
Manufacturing	606	624
Furniture	786	803
Print and packaging	347	356
Textiles	628	668
Workscope	1,083	1,591
Household and toiletries	238	232
Employment services	914	554
Managed services	530	840
Healthcare	379	400
Building products	175	-
Ecycle	292	272
Electronics	218	-
Service contracts	450	-
Offiscope	136	288
Public sector	111	-
Community enterprise	32	35
Product contracts	93	-
Contract activities	-	574
	7,221	7,437

In addition Remploy supported 5,068 (2006: 3,873) disabled people into work with other employers.

The aggregate payroll costs of these persons were as follows:

	2007 £'000	2006 £'000
Wages and salaries	116,100	118,364
Pension charge – service costs (Note 18)	20,543	17,459
Social security costs	8,194	8,032
	144,837	143,855

The average monthly number of employees supported under the Workstep programme in our businesses was:

	2007 Number	2006 Number
Manufacturing	509	499
Furniture	686	690
Print and packaging	251	260
Textiles	501	535
Workscope	1,007	1,376
Household and toiletries	156	159
Managed services	317	-
Healthcare	333	344
Building products	131	-
Ecycle	249	233
Electronics	177	-
Service contracts	423	-
Offscope	114	221
Public sector	100	-
Community enterprise	29	29
Product contracts	89	-
Contract activities	-	526
	5,072	4,872

The operating loss per support employee in our businesses was:

	2007 £000's	2006 £000's
Manufacturing	13.9	16.5
Furniture	22.6	22.2
Print and packaging	22.6	20.1
Textiles	19.3	7.1
Workscope	19.3	14.8
Household and toiletries	45.3	49.8
Managed services	14.0	-
Healthcare	20.5	20.5
Building products	24.1	-
Ecycle	22.9	24.3
Electronics	22.2	-
Service contracts	20.0	-
Offscope	26.0	11.0
Public sector	18.3	-
Community enterprise	18.5	24.3
Product contracts	19.5	-
Contract activities	-	18.6
	20.5	19.7

Notes to the Accounts continued

8. Finance income and costs

	2007 £'000	2006 £'000
Interest received	273	116
Net pension scheme interest costs (refer Note 18)	2,154	2,578
Interest on bank overdraft	128	380
Interest on obligations under finance leases	624	678
	2,906	3,636

9. Income taxes

Income tax recognised in income statement

	2007 £'000	2006 £'000
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Adjustment recognised in the current year in relation to the current tax of the prior year	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-

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

	2007 £'000	2006 £'000
Loss from continuing operations	(6,924)	(16,892)
Income tax expense calculated at 30%	(2,077)	(5,068)
Effect of expenses that are not deductible in determining taxable profit	609	385
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	1,468	4,683
Income tax expense recognised in the income statement	-	-

The tax rate used for the 2007 and 2006 reconciliations above is the corporate tax rate of 30%.

	2007 £'000	2006 £'000
Current tax liabilities		
Income tax payable	-	-
Unrecognised deferred tax assets		
Tax losses – revenue	7,568	7,568
Temporary differences	3,668	2,201
	11,236	9,769

The Directors have not recognised any deferred tax assets on the basis that the generation of taxable profit in the foreseeable future is not probable.

The government has publicly stated its intention to reduce the corporation tax rate in the United Kingdom from 30% to 28% from 1 April 2008. Legislation to effect this change was substantively enacted after this balance sheet date on the 26 June 2007. Accordingly, under IAS 12, no adjustment has been made in the financial statements for this change. The carrying value of the company's deferred tax balances will be adjusted in the 2008 financial statements. The carrying values of the unrecognised deferred tax assets will therefore reduce to £7,063,000 in relation to 'Tax losses – revenue' and £3,424,000 in relation to 'temporary differences'. This represents a total of unrecognised deferred tax asset of £10,487,000.



Notes to the Accounts continued

10. Property, plant and equipment

	Land and buildings £000's	Plant and machinery £000's	Other equipment £000's	Assets under construction £000's	Total £000's
Cost					
At 1 April 2005	72,780	43,954	14,593	1,153	132,480
Additions/transfers	752	1,157	696	(303)	2,302
Disposals	(1,021)	(2,610)	(2,959)	-	(6,590)
At 1 April 2006	72,511	42,501	12,330	850	128,192
Additions/transfers	684	535	496	1,076	2,791
Disposals	(10)	(1,441)	(100)	-	(1,551)
At 31 March 2007	73,185	41,595	12,726	1,926	129,432
Accumulated depreciation					
At 1 April 2005	20,697	34,722	10,239	-	65,658
Charge for the year	1,810	2,279	1,984	-	6,073
Eliminated on disposals	(980)	(2,597)	(2,953)	-	(6,530)
At 1 April 2006	21,527	34,404	9,270	-	65,201
Charge for the year	1,803	1,934	1,596	-	5,333
Eliminated on disposals	(8)	(1,417)	(79)	-	(1,504)
At 31 March 2007	23,322	34,921	10,787	-	69,030
Net book value					
At 31 March 2007	49,863	6,674	1,939	1,926	60,402
At 31 March 2006	50,984	8,097	3,060	850	62,991



The carrying value of assets held under finance leases is £4.3 million (2006: £6.3 million) relating to plant and machinery and £6.7 million (2006: £7.1 million) relating to land and buildings and other equipment.

The Directors have assessed the appropriateness of the carrying value of tangible fixed assets in light of the results and have concluded, subject to continuing funding from the Department of Work and Pension, that no impairment provision is required (2006: £nil).

11. Inventories

	2007 £'000	2006 £'000
Raw materials	5,986	5,796
Work-in-progress	654	1,328
Finished goods	3,123	3,126
	9,763	10,250

12. Trade and other receivables

	2007 £'000	2006 £'000
Trade debtors	24,687	23,046
Credit note provision	(394)	(491)
Doubtful debt provision	(350)	(457)
Net trade debtors	23,943	22,098
Other debtors	1,798	408
Prepayments	1,819	2,153
	27,560	24,659

The average credit period taken on sales of goods is 47 days (2006: 51 days).

An allowance has been made for the estimated irrecoverable amounts from the sale of goods of £350,000 (2006: £457,000). This allowance has been determined based on past default experience and the current economic environment. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

13. Cash and cash equivalents

	2007 £'000	2006 £'000
Cash in hand and at bank	1,679	2,535
Bank overdraft	(16,165)	(16,830)
	(14,486)	(14,295)

The borrowings are repayable on demand within one year. The average interest rate on bank overdrafts was 5.82% (2006: 5.59%). The Directors estimate the fair value of the Company's borrowings to approximate the book value. At 31 March 2007, the Company had available £0.5 million (2006: £0.7 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Notes to the Accounts continued



14. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2007 £000's	2006 £000's	2007 £000's	2006 £000's
Amounts payable under finance lease:				
Within one year	7,076	4,411	6,135	4,023
In the second to fifth years inclusive	5,528	13,485	4,499	12,297
After five years	2,985	2,106	2,735	1,920
	15,589	20,002	13,369	18,240
Less: future finance charges	(1,110)	(1,762)		
Present value of lease obligations	14,479	18,240		
Less: amount due for settlement within 12 months (shown under current liabilities)	(6,644)	(3,759)		
Amount due for settlement after 12 months	7,835	14,481		

It is the Company's policy to lease certain of its fixtures and equipment under finance lease for an average lease term of 5 years, 10 months (2006: 5 years, 9 months). For the year ended 31 March 2007 the average effective borrowing rate was 5.92% (2006: 6.64%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

15. Other financial liabilities

	2007 £'000	2006 £'000
Trade and other payables		
Trade creditors	16,012	12,629
Employment creditors	9,238	9,550
Social security payable	2,261	2,444
Other creditors	1,519	2,508
	29,030	27,131

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 days (2006: 46 days). Employment creditors relate to cost of staff including PAYE and salary-related costs.

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

16. Accruals and deferred income

	2007 £'000	2006 £'000
Accruals	10,752	8,652
Deferred income	2,429	2,461
	13,181	11,113

17. Operating leases

	2007 £'000	2006 £'000
Lease payments under operating leases recognised in loss for the year	7,845	8,014
Commitments expiring:		
Within one year	1,690	1,766
Between one and five years	10,494	10,033
More than five years	48,567	50,653
	60,751	62,452

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



Notes to the Accounts continued



18. 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 £847,000 (2006: £514,000) to the defined contribution scheme. There are no amounts owed to this pension scheme by the Company at the year end (2006: £nil).

Defined benefit scheme

The most recent full actuarial valuation of the defined benefit scheme was carried out at 31 March 2004 by Barnett Waddingham LLP.

	2007	2006
Key assumptions		
Discount rate	5.30%	4.90%
Salary increase	4.20%	4.10%
Inflation	3.20%	3.10%
Expected return on scheme assets at start of the year *	6.88%	7.40%
Pre-retirement mortality table – 2006	A55M for males and A55F for females	
Pre-retirement mortality table – 2007	Remploy specific table based in Remploy experience between 2000 and 2006 with allowance for improvements in life expectancy in line with medium cohort projections	
Post-retirement mortality table – 2006	PA(90)M-1 for males and PA(90)F-1 for females	
Post-retirement mortality table – 2007	Remploy specific table based in Remploy experience between 2000 and 2006 with allowance for improvements in life expectancy in line with medium cohort projections	

* The assumptions for the expected return on the Scheme's assets is derived as a weighted average of the expected returns on each asset class, recognising the proportions of the assets invested in each. The expected returns on each class are based on market conditions at the start of the relevant accounting period, allowing for risk premiums expected on assets where appropriate. The long-term rate of return expected at 31 March 2007 is 7.22% (2006: 6.88%).

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

	2007 £'000	2006 £'000
Current service cost	20,543	17,459
Interest cost	26,396	23,405
Expected return on scheme assets	(24,242)	(20,827)
Total pension cost	22,697	20,037

Of the charge for the year, £2,154,000 (2006: £2,578,000) has been included in finance costs and £20,543,000 (2006: £17,459,000) has been included in staff costs. Actuarial gains and losses have been reported in the statement of recognised income and expenditure.

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

	2007 £'000	2006 £'000
Present value of defined benefit obligations	599,145	573,907
Fair value of scheme assets	(415,376)	(384,602)
Retirement benefits obligation	183,769	189,305

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

	2007 £'000	2006 £'000
As at 1 April	573,907	492,059
Service cost	20,543	17,459
Interest cost	26,396	23,405
Actuarial (gains)/losses	(14,549)	46,945
Contributions from scheme members	7,533	7,448
Benefits paid	(14,715)	(13,409)
Age-related rebates	30	-
As at 31 March	599,145	573,907

Notes to the Accounts continued



18. Retirement benefits (continued)

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

	2007 £'000	2006 £'000
As at 1 April	384,602	312,211
Expected return on scheme assets	24,242	20,827
Actuarial (losses)/gains	(2,661)	42,042
Contributions from sponsoring company	16,345	15,483
Contributions from scheme members	7,533	7,448
Benefits paid	(14,715)	(13,409)
Age-related rebates	30	-
As at 31 March	415,376	384,602

Fair value of assets:

	2007 £'000	2006 £'000
Equity instruments	208,921	203,202
Debt instruments	110,219	98,658
Property	55,821	43,514
Other assets	40,415	39,228
	415,376	384,602

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	2007 %	2006 %
Overall expected rate of return	6.88	7.40

The overall expected rate of return has been calculated by Barnett Waddingham LLP, independent actuaries, based on assets held at 31 March 2007. The actual return on scheme assets was £21,581,000 (2006: £62,869,000).

The estimated amounts of contributions expected to be paid to the scheme during the 2007/08 financial year is £16.2 million.

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

During the year the Company made additional contributions of £6.6 million (2006: £6.4 million) to the pension scheme. In addition a further £1.1 million (2006: £1.1 million) was paid in respect of ex-gratia increases to pensions in payment.

19. Related parties

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

Transactions with the Department for Work and Pensions (DWP)

Other than the Grants-in-aid disclosed in Note 4, the Company has the following transactions and balances with DWP:

	2007 £'000	2006 £'000
Revenue	3,180	2,581
Amount owed by DWP	422	232



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 on pages 22 to 24.

	2007 £'000	2006 £'000
Short-term employee benefits	333,253	348,436
Post-retirement benefits	33,454	35,952
Total benefits	366,707	384,388

Notes to the Accounts continued



20. Subsequent events

On 22 May 2007, the Company announced that it has commenced consultation with employee representatives in connection with the closure of 32 sites and the merger of a further 11 sites. The Company is currently participating in this consultation process and it is anticipated that a final plan will be submitted to the Secretary of State for the Department of Work and Pensions in the Autumn. The plan is then subject to the final approval of the Secretary of State. Depending on the nature of the final approval plan there may be an impairment of some fixed assets, write-off of some stock and redundancy costs. However, the Directors are unable to quantify the amounts until such time that as the final plan is approved.

21. Contingent liability

The Company has been required to recall certain lifejackets which did not meet safety requirements.

The Company is adequately provided to cover the costs of this recall and remedial work. The Company has not provided for any potential claim from any one customer on the basis that the Directors consider the possibility of this crystallising to be remote.

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