

**THE NHS CONFEDERATION
(EMPLOYERS) COMPANY LIMITED**
(Limited by Guarantee)

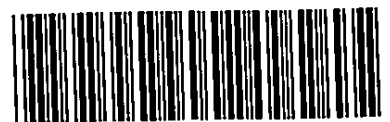
Company number 05252407

Report and Financial Statements

Year Ended

31 March 2010

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THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Annual report and financial statements for the year ended 31 March 2010

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Directors

Sir Keith Pearson (Chair)
Joanne Cubbon
Gerald Coteman
Nigel Edwards
Kevin Geeson
Simon Pleydell
Dean Royles

Contact and registered office

Maggie Evans
29 Bressenden Place, London, SW1E 5DD

Company number

05252407
Limited by guarantee (£1)

Auditor

Grant Thornton UK LLP, Grant Thornton House,
Melton Street, Euston Square, London NW1 2EP

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Report of the directors for the year ended 31 March 2010

The directors present their report together with the audited financial statements for the year ended 31 March 2010

Principal activities and review of the business

We comment below on the financial results and the work of the company

The NHS Confederation (Employers) Company (referred to as NHS Employers) is the arm of the NHS Confederation responsible for workforce and employment issues, working on behalf of NHS organisations in England. Workforce and employment issues are of key importance to the NHS and form an intrinsic part of improving the service. NHS Employers was set up to ensure that the service itself drives the workforce agenda. It represents employers' views and acts on their behalf in the current priority areas of

- pay and contracts
- planning the workforce
- recruitment and retention
- employment policy and practice

This has been a challenging period for NHS Employers and this is reflected in the profit and loss account on page 5. Despite this NHS Employers has again successfully delivered on the requirements in its contract with the Department of Health. Highlights of the work included

Concluding agreement of year three of the three year pay deal, communications to the service on the pension 'Choice' exercise, launch of the 'Open your Mind' campaign regarding support in employment of people with mental health issues, continued support for employers on changes to arrangements for recruiting staff from overseas and employment checks. We also delivered another highly successful annual conference alongside a series of other events. We also produced a range of publications and kept the service informed through effective use of e-bulletins and our website and offered advice on an individual basis to thousands of employer enquiries.

The new contract with the Department of Health, effective from 1 April 2010, was agreed on the 8 July 2010. This provides the basis for the company's main business activities and its ongoing financial security. Delivery of the requirements of the contract remains the main focus of the company for the three years to 31 March 2013. However, the directors anticipate significantly reduced income levels arising under associated activities in the year to 31 March 2012 and thereafter, and accordingly the company is embarking on a significant cost reduction plan.

Going concern

The directors have prepared financial forecasts covering the period to 31 March 2013. For the purposes of their going concern review, the directors have focussed on the period to 31 March 2012.

As highlighted in Accounting Policies on page 7, during 2009/10 the company incurred significant expenditure developing a subscription package for NHS organisations. Late in the financial year it was decided not to proceed with this project due to the predicted lack of underlying future revenues. This one-off expenditure contributed to the loss for the year of £3m. Following the year end, under the terms of the cessation of the old contract, the company was able to recognise £1.8m of deferred income as at 31 March 2010 as income in the year ended 31 March 2011. As a result of this additional income, the company's forecast to 31 March 2011 shows that the company will be able to operate profitably, generating surpluses such that the balance sheet at 31 March 2011 is budgeted to show a return to a net asset position.

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Report of the directors for the year ended 31 March 2010 (continued)

In addition, the forecast from 1 April 2011 to 31 March 2012 shows the company generating a surplus, before gift aid payments to the company's ultimate parent - the NHS Confederation, together with a positive cash balance sufficient to meet the company's forecast needs. The principal risks and uncertainties surrounding this forecast are the successful achievement of the planned cost reduction programme, and the continuation of the contract with the Department of Health.

Based upon their review of these forecasts, the directors are satisfied that these financial statements are properly prepared on a going concern basis. The directors consider that the going concern basis is appropriate because, at the date of approval of the financial statements, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt about the ability of the company to continue as a going concern.

Financial Review

The profit and loss account is set out on page 5 and shows the result for the year.

Governance, internal control and risk management

The directors are responsible for the financial and management arrangements of the company. They are also responsible for ensuring that effective risk management processes are in place. These controls are exercised by means of regular meetings of the directors and senior managers where financial, management and risk issues are discussed and appropriate action taken where necessary. The principal risks and uncertainties facing the company are the continued delivery of the contract with the Department of Health, and hence its annual renewal, together with the achievement of the cost reduction programme. Risks are evaluated, reported and reviewed regularly at all levels within the organisation.

Directors

The directors serving during the year and since the year end were as follows:

| | |
|---------------------------|---------------------------|
| Sir Keith Pearson (Chair) | appointed 30 July 2010 |
| Steve Barnett | resigned 18 June 2010 |
| Joanne Cubbon | appointed 8 July 2010 |
| Gerald Coteman | appointed 8 July 2010 |
| Nigel Edwards | |
| Kevin Geeson | appointed 8 July 2010 |
| Alastair Henderson | resigned 14 January 2010 |
| Simon Pleydell | appointed 8 July 2010 |
| Dean Royles | appointed 1 December 2010 |
| Sian Sefton | resigned 25 April 2010 |

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Report of the independent auditor

Directors' responsibilities (*continued*)

law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

In so far as the directors are aware

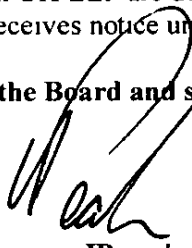
- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditor

Grant Thornton UK LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Approved by the Board and signed on its behalf by



Sir Keith S Pearson JP
Chair

8 February 2011

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Report of the independent auditor

To the members of The NHS Confederation (Employers) Company Limited

We have audited the financial statements of The NHS Confederation (Employers) Company Limited for the year ended 31 March 2010. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

8 February 2011

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Profit and loss account for the year ended 31 March 2010

| | Note | 31 March 2010 £ | 31 March 2009 £ |
|---|------|-----------------------|-----------------------|
| Turnover | 3 | 18,399,069 | 17,641,936 |
| Cost of sales | | (18,351,090) | (14,566,082) |
| Gross profit | | 47,979 | 3,075,854 |
| Administrative expenses | | (3,223,156) | (2,819,377) |
| Operating (loss) / profit for the period | 5 | (3,175,177) | 256,477 |
| Bank interest receivable | | 44,459 | 238,003 |
| Gift aid payable to The NHS Confederation | | - | (494,480) |
| Retained loss for the year | | (3,130,718) | - |
| Retained profit brought forward | | 243,747 | 243,747 |
| Retained (loss) / profit carried forward | | (2,886,971) | 243,747 |

All amounts relate to continuing activities

There were no recognised gains or losses other than the loss for the year

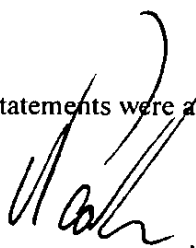
The notes on pages 7 to 10 form part of these financial statements

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Balance sheet at 31 March 2010

| | Note | 31 March 2010 | 31 March 2009 |
|--|------|--------------------|------------------|
| | | £ | £ |
| Investments | 6 | 300 | - |
| Current assets | | | |
| Debtors | 7 | 121,753 | 1,397,864 |
| Cash at bank and in hand | | 3,865,504 | 4,448,565 |
| | | <u>3,987,257</u> | <u>5,846,429</u> |
| Less Creditors: amounts falling due within one year | 8 | (6,874,528) | (5,602,682) |
| Net current (liabilities) / assets | | <u>(2,887,271)</u> | <u>243,747</u> |
| Total assets less current liabilities | | <u>(2,886,971)</u> | <u>243,747</u> |
| Reserves | | | |
| Reserves b/f | | 243,747 | 243,747 |
| Profit and loss account | | (3,130,718) | - |
| | | <u>(2,886,971)</u> | <u>243,747</u> |

The financial statements were approved by the Board of Directors and are signed on its behalf by



Sir Keith S Pearson JP
Chair
8 February 2011

Company number 05252407

The notes on pages 7 to 10 form part of these financial statements

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Notes forming part of the financial statements for the period ended 31 March 2010

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention. There have been no changes in the accounting policies.

The following principal accounting policies have been applied:

Turnover

The company's main source of income arises from its contract with the Department of Health and is recognised on the basis of costs incurred. This contract is operated on a non-profit making basis. Invoiced income not recognised in the period is deferred. The new Department of Health contract effective from April 2010 onwards is profit making, enabling profits to be recognised as part of the forward looking forecasts.

Other turnover represents income receivable in the period from third parties at invoiced amounts net of value added tax.

Deferred income

Income invoiced in advance in respect of the Department of Health contract is accounted for as deferred income in the balance sheet and will be released to the profit and loss account against future costs incurred in the period to which they relate.

Going concern

The directors have prepared financial forecasts covering the period to 31 March 2013. For the purposes of their going concern review, the directors have focussed on the period to 31 March 2012.

During 2009/10 the company incurred significant expenditure developing a subscription package for NHS organisations. Late in the financial year it was decided not to proceed with this project due to the predicted lack of underlying future revenues. This one-off expenditure contributed to the loss for the year of £3m. Following the year end, under the terms of the cessation of the old contract, the company was able to recognise £1.8m of deferred income as at 31 March 2010 as income in the year ended 31 March 2011. As a result of this additional income, the company's forecast to 31 March 2011 shows that the company will be able to operate profitably, generating surpluses such that the balance sheet at 31 March 2011 is budgeted to show a return to a net asset position.

In addition, the forecast from 1 April 2011 to 31 March 2012 shows the company generating a surplus, before gift aid payments to the company's ultimate parent - the NHS Confederation, together with a positive cash balance sufficient to meet the company's forecast needs. The principal risks and uncertainties surrounding this forecast are the successful achievement of the planned cost reduction programme, and the continuation of the contract with the Department of Health.

Based upon their review of these forecasts, the directors are satisfied that these financial statements are properly prepared on a going concern basis. The directors consider that the going concern basis is appropriate because, at the date of approval of the financial statements, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt about the ability of the company to continue as a going concern.

2 Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 "Cash Flow Statements" not to prepare a cash flow statement as it is included in the consolidated financial statements prepared by its ultimate parent entity.

3 Turnover

Turnover is wholly attributable to the principal activities of the company and arises solely within the United Kingdom.

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Notes forming part of the financial statements for the year ended 31 March 2010 (continued)

4 Directors and staff

No directors received any remuneration direct from the company (2009 Nil) The recharge of costs from the holding company as described in Note 5 includes salary costs to directors of this company of £293,759 (2009 £246,232)

| | 31 March 2010 £ | 31 March 2009 £ |
|-----------------------|-----------------------|-----------------------|
| Wages and salaries | 1,172,303 | 1,164,349 |
| Social security costs | 97,256 | 95,706 |
| Other pension costs | 243,615 | 251,209 |
| | <u>1,513,174</u> | <u>1,511,264</u> |

Staff are employed by the company where transferred from the Department of Health under TUPE legislation Other staff working for the company are employed by the ultimate holding company, The NHS Confederation, with their salary costs being recharged

The average weekly number of employees during the year was 31 (2009 33)

The following numbers of employees (including executive directors) received total emoluments in excess of £60,000 in the year in the bands shown

| | 2010 Number | 2009 Number |
|-------------------|----------------|----------------|
| £110,000-£119,999 | 1 | - |
| £100,000-£109,999 | 1 | 1 |
| £90,000-£99,999 | 1 | 1 |
| £80,000-£89,999 | - | - |
| £70,000-£79,999 | 2 | 3 |
| £60,000-£69,999 | - | - |

All staff are employed by the charity, with the exception of those staff that transferred from the Department of Health under TUPE legislation and who are employed directly by The NHS Confederation (Employers) Company Ltd Pension contributions of £80,101 (2009 £91,773) were paid in respect of staff with emoluments exceeding £60,000

5 Operating (loss) / profit

| | 31 March 2010 £ | 31 March 2009 £ |
|--|-----------------------|-----------------------|
| This has been arrived at after charging | | |
| Salaries and wages (including recharges) | 4,222,157 | 3,925,847 |
| Auditor remuneration - audit | 43,186 | 32,585 |
| - other | 12,573 | 2,793 |
| Bad debt provision increase | - | 14,602 |
| | <u></u> | <u></u> |

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Notes forming part of the financial statements for the year ended 31 March 2010 (continued)

5 Operating (loss) / profit (continued)

A substantial element of the company's costs (including salaries, wages and support costs) are recharged from its immediate parent company (The NHS Confederation Group Company Limited) and its ultimate parent company (The NHS Confederation). These recharges to the company totalled £2,864,386 in the year (2009 £2,563,503)

No tax charge is expected to arise on the loss for the year

6 Investments

| | 31 March 2010 £ | 31 March 2009 £ |
|---------------------------|-----------------------|-----------------------|
| Shares in private company | 300 | - |

During the year 30,000 shares were purchased in the company e'Arcu at a value of £45,000. At the year end an impairment review re-valued these shares at £300 based on the agreed sale price. The shares were sold on 7 July 2010.

7 Debtors

| | 31 March 2010 £ | 31 March 2009 £ |
|--------------------------------------|-----------------------|-----------------------|
| Trade debtors | - | 281,037 |
| Other debtors and prepayments | 121,753 | 254,333 |
| VAT | - | 58,416 |
| Amounts owed by related undertakings | - | 804,078 |
| | <u>121,753</u> | <u>1,397,864</u> |

During the year the company's sales ledger was integrated with that of its direct holding company The NHS Confederation Group Co Ltd.

All amounts shown under debtors fall due for payment within one year.

8 Creditors: amounts falling due within one year

| | 31 March 2010 £ | 31 March 2009 £ |
|--------------------------------------|-----------------------|-----------------------|
| Trade creditors | 716,202 | 474,941 |
| Other creditors and accruals | 2,108,188 | 1,645,593 |
| Deferred income | 3,565,127 | 2,699,509 |
| Other taxation and social security | 178,730 | 41,108 |
| Amounts owed to related undertakings | 306,281 | 741,531 |
| | <u>6,874,528</u> | <u>5,602,682</u> |

All amounts shown under creditors fall due for payment within one year.

THE NHS CONFEDERATION (EMPLOYERS) COMPANY LIMITED

Notes forming part of the financial statements for the year ended 31 March 2010 (*continued*)

9 Reconciliation of movement in members' funds

| | Opening balance £ | Net expenditure £ | Closing balance £ |
|-------------------------|-------------------------|-------------------------|-------------------------|
| Profit and loss account | 243,747 | (3,130,718) | (2,886,971) |

10 Related party transactions

The company has taken advantage of the exemption in FRS8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

11 Ultimate parent entity

The immediate parent undertaking and sole legal member is The NHS Confederation Group Company Limited

The ultimate parent undertaking and controlling party is The NHS Confederation, a registered charity, which is the parent undertaking of the smallest and largest group to consolidate these financial statements

Copies of the consolidated financial statements of The NHS Confederation are available from their registered office at 29 Bressenden Place, London, SW1E 5DD

12 Post Balance Sheet Event

The new contract with the Department of Health effective from 1 April 2010 was concluded on the 8 July 2010. This provides the basis for the company's main business activities and its ongoing financial security for the company, and its delivery is the main focus of the company for 2010/11