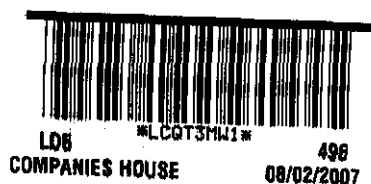


Centre for Engineering and Manufacturing Excellence Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2005



Company Registration No. 04238862

Centre for Engineering and Manufacturing Excellence Limited

DIRECTORS AND OFFICERS

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS

Ray Harris (Chairman)	Resigned 23 September 2005	London Riverside
Michael Harvey	Resigned 18 March 2005	Ford Motor Company
Donya Urwin	Resigned 1 July 2005	Ford Motor Company
	Appointed 1 January 2007	
Noel Otley	Resigned 31 December 2005	Havering College of Further and Higher Education
	Appointed 1 January 2007	
Ted Parker	Resigned 1 July 2005	Barking College
	Appointed 1 January 2006	Barking College
	Resigned 31 December 2006	
Tarsame Singh	Resigned 1 July 2005	Community
Paul Smith	Resigned 1 July 2005	Ford Motor Company
Jon Cruddas	Resigned 1 July 2005	London Riverside
Robert Blenkinsop	Appointed 22 April 2005	Ford Motor Company
	Resigned 1 December 2006	
Paul McCann	Appointed 22 July 2005	Ford Motor Company
	Resigned 16 June 2006	
Ray Rankmore	Appointed 22 July 2005	
	Resigned 17 February 2006	
Stephen Evans	Appointed 23 September 2005	
	Resigned 28 July 2006	
Christopher Backhouse	Appointed 21 October 2005	Loughborough University
Alan Calder (Chairman)	Appointed 1 January 2006	
Martin Saurma Jeltsch	Appointed 16 June 2006	
Michael White	Appointed 22 August 2006	London Borough of Havering
Mark Williams	Appointed 1 January 2007	

The structure of the board was revised on 28 July 2006 in line with the Centre for Engineering and Manufacturing Excellence Limited's Business Plan and revised Memorandum and Articles of Association.

SECRETARY

Martin Saurma Jeltsch

COMPANY NUMBER

04238862 (England and Wales)

REGISTERED OFFICE

CEME Campus
Marsh Way
Rainham
Essex RM13 8EU

Centre for Engineering and Manufacturing Excellence Limited

DIRECTORS AND OFFICERS

AUDITORS

Baker Tilly
Marlborough House
Victoria Road South
Chelmsford
CM1 1LN

BANKERS

National Westminster Bank plc
10, South Street
Romford
Essex
RM1 1RD

Centre for Engineering and Manufacturing Excellence Limited

DIRECTORS' REPORT

The directors present their report and financial statements of the Centre for Engineering and Manufacturing Excellence Limited (CEME) for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The CEME campus is a facility that supports a self-sustaining community of 'best-in-class' organizations, all of whom have an interest in education and training or promoting organizational competence and standards of excellence, particularly in the manufacturing, engineering and technology sectors, all of whom gain from one another's presence on the site, and whose joint activity enables local organizations, start-ups and individuals to seize emerging and employment business opportunities.

CEME initiated a significant re-structuring and re-organization of its board, management and operations in 2005, in order to strengthen CEME's financial position, to shift to a sustainable business model and to improve the range of educational and related facilities on the campus. CEME entered into a Grant Funding Agreement (GFA) with the LDA in June 2005, as a result of which it is to receive a total of a further £8 million in LDA funding; it granted the LDA a debenture on 5 December 2005. Ford provided CEME with a subsidiary, The Outsourced Training Company, on 30 November 2005 and a further general purpose grant of £1 million.

CEME operates from the Centre of Excellence, which is situated alongside the main A13 in state of the art facilities which symbolise the modernisation of manufacturing in the area.

FIXED ASSET REGISTER

Work done by the company on the compilation of a detailed fixed assets register has revealed that £1,885,130 of Plant and Machinery donated in 2003 should not have been capitalised, and that there was donated Plant and Machinery of £1,500,000 that should have been capitalised in that year. There is no impact on the profit and loss account as donated assets are recorded as a capital contribution which has the result that depreciation charged equals capital contribution amortised. £8,475 of computer expenses were found to have been capitalised in error in 2003.

WORKING CAPITAL

Subsequent to the year end, funds provided to CEME by the LDA for capital projects under its GFA may have been used to fund working capital.

RESULTS FOR THE YEAR

The company has an operating profit for the year of £846,312. This includes exceptional income of £1,000,000 from LDA (see also note 1), if this had not been received the loss for the year would have been £78,001.

DIRECTORS AND THEIR INTERESTS

The directors of the company served throughout the year, unless otherwise stated, and have no beneficial interests in the company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Centre for Engineering and Manufacturing Excellence Limited

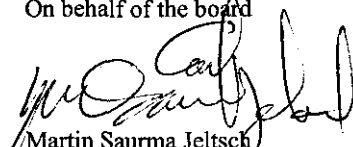
DIRECTORS' REPORT (CONTINUED)

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants will be put to the members at the annual general meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



Martin Saurma Jeltsch
Company Secretary

8/2/07.

Centre for Engineering and Manufacturing Excellence Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRE FOR ENGINEERING AND MANUFACTURING EXCELLENCE LIMITED

We have audited the financial statements on pages 8 to 21.

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 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 the directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

Basis of audit opinion

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

However, the evidence available to us was limited in respect of plant and machinery with a carrying amount of £4,559,649 and the depreciation charge for the year of £1,355,112. The company did not have a comprehensive fixed assets register and has not been able to reconcile the physical items of plant and machinery to the carrying amounts shown in the financial statements. As described in the prior year adjustment note on page 12, in arriving at the value recorded for donated assets, the company has made adjustments to prior years which reduce the value of plant and machinery and capital contributions by £385,130 and impact on the consequential amortisation of the latter. The evidence available to us was limited in respect of these prior year adjustments made by the company as the relevant information was not supplied until shortly before the date on which the financial statements are to be filed.

As described in the going concern accounting policy on page 11 the company entered into a Grant Funding Agreement with the London Development Agency in June 2005. Although the company has recognised £1,000,000 of these contributions as exceptional income (see note 1) it has not been able to provide us with satisfactory evidence regarding the allocation between capital and revenue items of contributions totalling £5,700,000 received in the year under that Agreement or that the contributions have been applied for the purposes intended and accordingly whether some, or all, of the amounts may be repayable.

In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRE FOR
ENGINEERING AND MANUFACTURING EXCELLENCE LIMITED (CONTINUED)

Qualified opinion arising from limitation of scope

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to:

the carrying value of plant and machinery, the depreciation charge for the year, the adjustments made by the company to prior years, the consequential effects on the amounts of capital contributions and the amortisation thereof, and

the allocation of contributions received from the London Development Agency between capital and revenue and that those contributions have been applied for the purposes intended and are not repayable.

In our opinion the financial statements:

Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and

Have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation of our work relating to plant and machinery, capital contributions, depreciation and the application of funds received from the London Development Agency:

We have not received all the information and explanations that we considered necessary for the purposes of our audit; and

We were unable to determine whether proper accounting records had been maintained during the year ended 31 December 2005.



BAKER TILLY
Registered Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex
CMI 1LN

8 February 2007

Centre for Engineering and Manufacturing Excellence Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2005

	Notes	2005 £	2004 Restated £
TURNOVER		3,396,693	2,303,479
Exceptional income	1	1,000,000	-
		<u>4,396,693</u>	<u>2,303,479</u>
Other operating expenses (net)	2	3,550,381	3,266,264
OPERATING PROFIT/(LOSS)		<u>846,312</u>	<u>(962,785)</u>
Investment income	3	95,519	3,089
		<u>941,831</u>	<u>(959,696)</u>
Interest payable	4	19,832	55,922
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>921,999</u>	<u>(1,015,618)</u>
Taxation	7	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u><u>921,999</u></u>	<u><u>(1,015,618)</u></u>

The operating profit/(loss) for the year arises from the company's continuing operations.

Centre for Engineering and Manufacturing Excellence Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2005

	2005 £	2004 £
Profit/(loss) for the financial year	921,999	(1,015,618)
Total recognised gains and losses relating to the year	921,999	(1,015,618)
Prior year adjustment (see page 12)	(7,344)	
Total gains and losses recognised since last financial statements	914,655	(1,015,618)

Centre for Engineering and Manufacturing Excellence Limited

BALANCE SHEET

31 December 2005

	Notes	2005 £	2004 Restated £
FIXED ASSETS			
Tangible assets	8	34,715,584	35,695,844
Investments	9	1	-
		<u>34,715,585</u>	<u>35,695,844</u>
CURRENT ASSETS			
Debtors	10	370,918	222,955
Cash at bank and in hand	11	3,103,892	1,002,001
		<u>3,474,810</u>	<u>1,224,956</u>
CREDITORS: Amounts falling due within one year	12	768,241	4,747,557
NET CURRENT ASSETS/(LIABILITIES)		<u>2,706,569</u>	<u>(3,522,601)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		37,422,154	32,173,243
CREDITORS: Amounts falling due after more than one year	13	(156,049)	(378,106)
		<u>37,266,105</u>	<u>31,795,137</u>
DEFERRED CAPITAL GRANTS	14	248,120	279,134
CAPITAL AND RESERVES			
Capital contributions	16	37,165,464	32,643,834
Profit and loss account	16	(147,479)	(1,127,831)
SHAREHOLDERS' FUNDS		<u>37,266,105</u>	<u>31,795,137</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements on pages 8 to 21 were approved by the board of directors and authorised for issue on 2/4/07 and are signed on its behalf by:

Martin Saurma Jeltsch

Director



Centre for Engineering and Manufacturing Excellence Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and on the going concern basis.

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

GOING CONCERN

The directors have prepared projected cash flow information for twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the company has sufficient funding to continue its operations.

On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

CEME entered into a Grant Funding Agreement (GFA) with the London Development Agency (LDA) in June 2005. The GFA gives the LDA the right to claw back funds if the performance conditions have not been met. At the date of signing these accounts the majority – but not all – of the conditions of the GFA have been met as required. Although it is the directors' opinion that discussions currently under way with the LDA will result in a Deed of Variation that accepts these areas of non-performance and that the LDA will not therefore seek to claw back funds provided under the GFA, they still retain the right to do so.

CASH FLOW STATEMENT

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost or valuation less depreciation.

Donated assets valued at £2,500 or over are recognised at market value as determined by an independent valuation when title is passed to CEME.

Purchased assets with a cost of £2,500 or over are recognised at historical cost when purchased.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Long Leasehold buildings	over 50 years
Plant and machinery	over 2 to 10 years

FIXED ASSET INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value and are accounted for using the acquisition method.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by agreements that give rights approximating to ownership ('finance leases and hire purchase contracts'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum finance payments payable during the finance term. The corresponding finance commitments are shown as obligations to the provider of finance.

Finance payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account on a straight line basis.

All other leases are 'operating leases' and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Centre for Engineering and Manufacturing Excellence Limited

ACCOUNTING POLICIES (CONTINUED)

PENSIONS CONTRIBUTIONS

The company operates a defined contribution scheme. The pension costs charged in the financial statements represent the contributions payable by the company during the year.

GROUP ACCOUNTS

The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts. The information contained in these financial statements is therefore about CEME as an individual undertaking and not about its group.

TURNOVER

Turnover represents amounts invoiced, net of Value Added Tax, for the provision of training facilities and related activities.

CAPITAL CONTRIBUTIONS

Capital contributions received to finance the acquisition of certain fixed assets are recorded within reserves and amortised over the expected useful life of the assets concerned.

REVENUE GRANTS

Where a grant is received to defray operating expenditure, grant income is matched to the expenditure. Where a grant is received as a general contribution towards running costs it is recognised in the period in which it is awarded.

DEFERRED CAPITAL GRANTS

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the stated depreciation policy, with the related grant being credited to a deferred capital grant and released to the Profit and Loss account over the expected useful life of the related equipment.

PRIOR YEAR ADJUSTMENT

Work done by the company to create a detailed fixed asset register has revealed that £1,885,130 of Plant and Machinery donated in 2003 should not have been capitalised, and that there was donated Plant and Machinery of £1,500,000 that should have been capitalised in that year. Correcting these errors has decreased the cost of Plant and machinery by £385,130 but this had no impact on the profit and loss account as donated assets are recorded as a capital contribution which has the result that depreciation charged equals capital contribution amortised. The work on the fixed assets register also resulted in the removal of a £8,475 software support contract from the fixed assets which had the net effect of an increase in the accumulated deficit of £7,344, the difference being due to depreciation already written off against the amount in 2003 and 2004. If these adjustments had not been made the prior year opening reserves would have been £104,021, retained loss for the year would have been £114,133, the net book value of fixed assets would have been £35,770,155, capital contributions would have been £32,710,801, administrative expenses would have been £3,208,759 and closing reserves would have been £1,176,267.

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1. EXCEPTIONAL INCOME

Exceptional income relates to £1,000,000 paid by LDA as an exceptional grant by means of converting to a grant a loan made in 2004 to CEME to fund working capital in 2004.

2. OTHER OPERATING EXPENSES (NET)	2005	2004 Restated
	£	£
Administrative expenses	3,617,674	3,266,264
Other operating income	(67,293)	-
	<u>3,550,381</u>	<u>3,266,264</u>

3. INVESTMENT INCOME	2005	2004
	£	£
Bank interest	<u>95,519</u>	<u>3,089</u>

4. INTEREST PAYABLE	2005	2004
	£	£

Interest payable includes the following:

Hire purchase interest	<u>9,351</u>	<u>17,202</u>
------------------------	--------------	---------------

5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2005	2004 Restated
	£	£
Profit/(Loss) on ordinary activities before taxation is stated after charging/(crediting):		
Loss on disposal of fixed assets	20,399	-
Depreciation of tangible assets:		
Charge for the year:		
owned assets	1,262,375	1,093,064
leased assets	123,752	185,327
Amortisation of capital contributions	(1,282,896)	(851,299)
Turnover		
Rental income from operating agreements	(1,909,897)	(1,870,667)
Operating lease rentals:		
Plant and machinery	228,905	288,905
Auditors' remuneration	7,370	5,000
Remuneration of auditors for non-audit work	<u>6,000</u>	<u>-</u>

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

6. DIRECTORS' REMUNERATION	2005	2004
	£	£
Amounts paid to directors	200,779	-

7. TAXATION

The directors believe this is a charitable company for corporation tax purposes and as such have applied to HM Revenue and Customs to be treated as such. Corporation tax returns have been submitted on the basis that the application will be agreed and the company therefore has no tax liability in the current year or losses carried forward. The directors also believe that if HM Revenue and Customs do not agree to this treatment the company has sufficient tax losses brought forward to cover taxable profits in the period.

8. TANGIBLE FIXED ASSETS

	<i>Long Leasehold buildings</i>	<i>Plant and machinery</i>	<i>Total</i>
	£	£	£
Cost			
1 January 2005 Restated	31,507,211	5,770,377	37,277,588
Additions	113,611	415,406	529,017
Disposals	-	(246,300)	(246,300)
31 December 2005	31,620,822	5,939,483	37,560,305
Depreciation			
1 January 2005 Restated	830,699	751,045	1,581,744
Charge in the year	631,188	754,939	1,386,127
Disposals	-	(123,150)	(123,150)
31 December 2005	1,461,887	1,382,834	2,844,721
Net book value			
31 December 2005	30,158,935	4,556,649	34,715,584
31 December 2004 Restated	30,676,512	5,019,332	35,695,844

The net book value of plant and machinery includes £47,319 (2004: £277,990) in respect of assets held under finance leases.

The long leasehold buildings were constructed on land leased by Ford Motor Company Limited to The London Development Agency (see also Note 20).

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

9. FIXED ASSET INVESTMENTS

	<i>Shares in group undertakings and participating interests</i>	£
Cost or valuation		
1 January 2005		-
Additions		1
		<hr/>
31 December 2005		1
		<hr/> <hr/>

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

On 1 December 2005 the company acquired 100% of the issued share capital of The Outsourced Training Company Limited.

Fair value at acquisition	£
Debtors	749,077
Cash at bank and in hand	230,252
Creditors	(779,329)
	<hr/>
Fair value of balance sheet at acquisition	200,000
Goodwill	(199,999)
	<hr/>
Share capital	1
	<hr/> <hr/>

The fair value of the balance sheet is the same as the book value as there were no fair value adjustments on acquisition.

The acquisition of The Outsourced Training Company Limited has been accounted for using acquisition accounting, in accordance with Financial Reporting Standard 6 'Acquisitions and Mergers'.

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

9 FIXED ASSET INVESTMENTS (continued)

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Class</i>	<i>Shares held</i> <i>%</i>
Subsidiary undertakings			
The Outsourced Training Company Limited	England	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves £	Profit/(loss) for the year £
The Outsourced Training Company Limited	(16,430)	(16,431)

10. DEBTORS

	2005 £	2004 Restated £
Due within one year:		
Trade debtors	142,338	99,354
Other debtors	228,580	123,601
	<u>370,918</u>	<u>222,955</u>

11. CASH AT BANK AND IN HAND

The company's bankers have a charge over cash at bank of up to £152,500 as security for a guarantee given to a third party in respect of a potential liability of the company.

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

12. CREDITORS: Amounts falling due within one year	2005	2004
	£	£
Loan	-	2,500,000
Obligations under finance lease and hire purchase contracts	63,901	185,327
Trade creditors	248,606	392,319
Amounts owed to group undertakings and undertakings in which the company has a participating interest	2,169	-
Taxes and social security costs	38,526	56,989
Other creditors	415,039	1,612,922
	<u>768,241</u>	<u>4,747,557</u>

The loan of £2,500,000 was secured by a first priority legal mortgage over the leasehold property and was repaid from monies received from The London Development Agency.

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

13. CREDITORS: Amounts falling due in more than one year	2005 £	2004 £
Other loans	156,049	285,443
Obligations under finance leases and hire purchase agreements	-	92,663
	<u>156,049</u>	<u>378,106</u>
Loans		
Wholly repayable within five years	285,443	2,907,928
Included in current liabilities	(129,394)	(2,622,485)
	<u>156,049</u>	<u>285,443</u>
Loan maturity analysis:		
In more than one year but not more than two years	136,693	129,394
In more than two years but not more than five years	19,356	156,049

	2005 £	2004 £
Obligations under finance leases and hire purchase contracts:		
Repayable within one year	63,901	185,327
Repayable between two and five years	-	92,663
	<u>63,901</u>	<u>277,990</u>
	63,901	277,990
Included in current liabilities	(63,901)	(185,327)
	<u>-</u>	<u>92,663</u>

14. DEFERRED CAPITAL GRANTS

	<i>Equipment Grants</i> £
Capital grants brought forward	279,135
Released to income and expenditure account	(31,015)
	<u>248,120</u>

15. SHARE CAPITAL

The company is limited by guarantee. The liability of each member is limited to £1.

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

16. STATEMENT OF MOVEMENT ON RESERVES

	<i>Capital contributions (see below)</i>	<i>Accumulated deficit</i>
	Restated	Restated
	£	£
1 January 2005	32,643,834	(1,062,134)
Prior year adjustment	-	(7,344)
1 January 2005 as restated	32,643,834	(1,069,478)
Profit for the year	-	921,999
Movement during the year (see below)	4,521,630	-
31 December 2005	37,165,464	(147,479)

	<i>Opening Restated 2005</i>	<i>Contributions</i>	<i>Amortisation</i>	<i>Closing 2005</i>
	£	£	£	£
Capital contributions				
London Development Agency	2,415,902	4,700,000	(237,434)	6,878,468
Single Regeneration Budget 5/6 (HOTG)	5,215,336	-	(174,019)	5,041,317
Barking College and Havering College of Further and Higher Education	1,981,496	-	(66,116)	1,915,380
Learning and Skills Council	954,432	-	(31,846)	922,586
Department of Trade and Industry	3,865,443	104,526	(132,465)	3,837,504
Innovations Clusters Fund	850,397	-	(28,375)	822,022
European Regional Development Fund	3,532,821	-	(117,879)	3,414,942
Ford Motor Company	10,076,206	1,000,000	(369,577)	10,706,629
NTI	1,233,454	-	(41,156)	1,192,298
Single Regeneration Budget IT Capital	1,052,990	-	(35,135)	1,017,855
MTM Consortium	1,465,357	-	(48,894)	1,416,463
	32,643,834	5,804,526	(1,282,896)	37,165,464

Included within capital contributions at 31 December 2005 is £1,822,959 of ring fenced funds in relation to various projects undertaken by the organisation.

A debenture was granted on 5 December 2005 to the London Development Agency (LDA). The debenture covers all monies, debts and liabilities from time to time due to the LDA. Interest is charged on the debenture at 3% above the base rate of Barclays Bank plc (or such other clearing bank as the LDA may stipulate from time to time). By way of security, the LDA may at its discretion require first rankings over all or any of the assets, property and undertaking of CEME to secure the debenture, whether now or in the future.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

17. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005	2004
	£	£
Plant and machinery expiring in the second to fifth year	228,905	288,905

The London Development Agency rent land on a 125 year lease to CEME at a peppercorn rent. This lease expires in more than five years.

18. PENSION COMMITMENTS

DEFINED CONTRIBUTION

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2005	2004
	£	£
Contributions payable by the company for the year	18,194	21,197

19. CONTROL

CEME is under the common control of Ford Motor Company, Havering College, Barking College and London Borough of Havering. The company's Articles of Association dated 28 July 2006 state that each of the above is a member of CEME.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2005

20. RELATED PARTY TRANSACTIONS

CEME transacted with the following capital contributors. In the opinion of the directors the following were members and/or related parties of CEME:- Ford Motor Company, Havering College of Further and Higher Education, Barking College and London Borough of Havering, London Development Agency and Department of Trade and Industry during the year as follows:

In capital contributions, Ford Motor Company paid £1,000,000 (2004: £Nil), Barking College paid £Nil (2004: £Nil) and Havering College of Further and Higher Education paid £Nil (2004: £Nil), London Development Agency (LDA) paid £4,700,000 (2004: £Nil), Department for Trade and Industry (DTI) paid £104,526 (2004: £215,561) and London Borough of Havering paid £Nil (2004: £24,667). Ford Motor Company also gave a total of £250,000 to CEME which included both fixed assets and cash. LDA paid £1,000,000 (See also note 1) as an exceptional grant by means of converting to a grant a loan made in 2004 to CEME to fund working capital. This grant mitigates the cumulative trading deficit incurred by CEME prior to this date and LDA has also paid a further £200,000 towards the settlement of a computer lease held by CEME. The LDA also rent the land on a 125 year lease to CEME at a peppercorn rent.

For facilities rental and provision of core services at CEME, Ford Motor Company paid £1,102,000 (2004: £1,268,500). Barking College paid £248,000 (2004: £256,000), Havering College of Further and Higher Education paid £248,000 (2004: £256,000) and London Riverside paid £20,000 (2004: £20,000).

For goods and services Ford Motor Company paid £152,500 (2004: £Nil), Barking College paid £Nil (2004: £38,244), Havering College of Further and Higher Education paid £Nil (2004: £206,119) and London Riverside paid £4,804 (2004: £2,893).

The balances due at 31 December 2005 are as follows: due from Ford Motor Company £594 (2004: £1,181), due to Barking College £117 (2004: £190) and due from Havering College of Further and Higher Education £60,303 (2004: £32,568).