

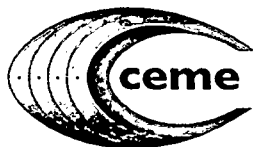
Company Registration Number: 04238862  
Charity Registration Number: 1133396

# **Centre for Engineering and Manufacturing Excellence Limited**

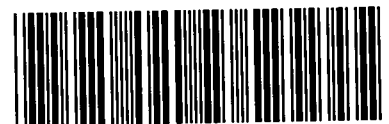
## **Annual Report and Accounts**

**for the year ended**

**31 December 2013**



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## **Centre for Engineering and Manufacturing Excellence Limited**

### **Annual Report and Accounts**

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**Centre for Engineering and Manufacturing Excellence Limited**  
**LEGAL AND ADMINISTRATIVE INFORMATION**

**BOARD OF TRUSTEES**

<u>Name</u>	<u>Date</u>	<u>Organisation Represented</u>
✓ Martin Broadhurst (Chairman)		
✓ Andrew Blake-Herbert		London Borough of Havering
✓ Mark Williams		
✓ Geoffrey Richman (alternate to Stephen Evison)		Ford Motor Company
✓ Judith Armit		
✓ Keyvan Djamarani		
✓ Susan Priest		
Harjeet Sadheura	Appointed 29 November 2013	
Stephen Evison		Ford Motor Company
✓ Vijay Pitumpe	Appointed 4 April 2014	Barking & Dagenham College
✓ Mike Caine	Appointed 4 April 2014	Loughborough University
Maria Thompson	Resigned 1 April 2014	Havering College of Further and Higher Education
Martin Graf Saurma-Jeltsch	Resigned 21 November 2013	
Jennifer Ball	Resigned 28 February 2013	Ford Motor Company
Christopher Backhouse	Resigned 1 January 2014	Loughborough University

**SECRETARY**

✓ Harjeet Sadheura	Appointed 29 November 2013
Martin Graf Saurma-Jeltsch	Resigned 21 November 2013

04238862 (England and Wales)

**CHARITY REGISTRATION NUMBER**

1133396 (England and Wales)

**REGISTERED AND PRINCIPAL OFFICE**

CEME Campus  
Marsh Way  
Rainham, Essex  
RM13 8EU

**AUDITORS**

Crowe Clark Whitehill LLP  
St Bride's House, 10 Salisbury Square  
London  
EC4Y 8EH

**BANKERS**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

**SOLICITORS**

Mills & Reeve  
Fountain House  
130 Fenchurch Street  
London  
EC3M 5DJ

## **Centre for Engineering and Manufacturing Excellence Limited**

### **REPORT OF THE TRUSTEES**

The Trustees of the Centre for Engineering and Manufacturing Excellence Limited are the charity's trustees under charity law and the directors of the charitable company. The Trustees of the Centre for Engineering and Manufacturing Excellence Limited present their Annual Report for the year ended 31 December 2013 under the Charities Act 2011 and the Companies Act 2006, including the Directors' Report together with the audited financial statements for the year.

#### **REVIEW OF STRATEGIC AIMS AND KEY OBJECTIVES**

##### **Our Vision, Purpose and Values**

CEME's vision is to be catalyst in providing a thriving engineering, manufacturing, science and technology sector in the London Thames Gateway.

CEME delivers its vision through the promotion and delivery of science, engineering and manufacturing education, skills development, business growth and investment support through high quality:

- Schools programmes to engage young people, teachers and parents in engineering and manufacturing
- Provision of learning and education for aged 14 – 19 years
- Employer apprenticeships, skills and training
- Innovation Centre space and business support programmes
- Industrial research through the HSSMI institute
- Networking and conference centre

CEME's purpose is to provide an inspirational environment for learning and business growth.

##### **CEME Values**

**Presentation** - CEME is passionate about first impressions. The impact and importance of the CEME environment in cultivating success for our customers is paramount to us. We try hard to be immaculate in the presentation of the CEME campus, our facilities and our staff at all times.

**Exceeding Expectations** - CEME aims to impress all of our customers with the service they receive from our staff. We will always try our best to be clear on what we promise to our customers and try even harder to exceed our customers' expectations of that promise.

**Positive Attitude** - we embrace enthusiasm, a can-do attitude, eagerness for improvement and constructive intent at all times. We strive to employ and work with optimistic colleagues, who use positive language and have a positive outlook.

In 2013 CEME celebrated its 10 year anniversary. As part of one of the largest regeneration projects in Europe, CEME boasts a park hosting a range of public and private organisations delivering:-

##### **Education and Skills**

- A specialist technology education centre for schools
- Education in engineering and technology
- Training and education in business and related studies
- Established a High Speed Sustainable Manufacturing Institute (HSSMI) conducting research into technologies to improve efficiency and effectiveness in a manufacturing business.
- Small business support and development
- Commercial office accommodation
- Commercial business training
- Providing a focus for inward investment missions to the region
- Commercial services
- A world class conference and events centre
- Community Services
- A children's nursery

CEME co-ordinates these activities across the park to deliver relevant skills for businesses and individuals of all ages, increasing employment opportunities and assisting business growth, creating new jobs and economic prosperity in the region.

##### **Public Benefit**

CEME's Board of Trustees regularly monitor and review the success of the organisation in achieving its aim to deliver local skills and local jobs for local people within the Technology sector in London Thames Gateway. The Trustees confirm, in the light of the guidance, that these aims fully meet the public benefit test and that all the activities of the charity, described in this report under five specific aims, are undertaken in pursuit of its aims.

The trustees have complied with Section 4 of the Charities Act, having due regard to the Charity Commission's guidance on public benefit.

## **Centre for Engineering and Manufacturing Excellence Limited**

### **REPORT OF THE TRUSTEES**

#### **What We Do**

CEME has a core focus on supporting the engineering, manufacturing, science and technology sectors and entrepreneurs growing new companies in London. CEME brings together a range of organisations to deliver education, training and skills for students at school and in Further Education and apprenticeships. CEME seeks to provide routes into employment in local businesses where students can then continue their training and development as they progress in their careers.

On the park, CEME hosts a specialist education centre for schools, facilities for delivery of further and higher education, high spec accommodation for training solutions providers and a local authority learning and development centre. This range of world class accommodation is supplemented by workshop staff that run the Engineering workshop and maintain the wide array of specialist teaching equipment. CEME services include a learning resource centre and fully resourced IT provision for students and teaching staff. The effect is to create a "plug and play" learning environment on par with the best in class that enables teaching staff to focus on what they do best: imparting knowledge.

The unique architecture of the CEME park and its buildings provide an inspirational backdrop to learning. CEME can evidence the impact of the campus and surroundings through measures such as its exemplary record in student behaviour and academic results. CEME also operates a business innovation centre on the park, providing high quality office and workshop space to support early stage growth and start-up businesses in the technology sector, commercial office space for larger organisations and a stunning conference and events centre.

CEME hosts the High Speed Sustainable Manufacturing Institute (HSSMI) which conducts industry led research activities such as productivity and supply chain integration. HSSMI is a joint initiative between major industrial companies and leading academic institutions supported by the Department for Communities and Local Government (DCLG).

The CEME campus extends to include the provision of the See Me Grow childrens nursery which caters not only for children of existing tenants but also for the benefit of the wider community.

CEME aims to offer all employers a high quality accessible and affordable business skills, training and science park to help support their business growth and ambitions. CEME offers individual learners an environment that can support their learning and development at every stage of their careers.

This mix of private and public sector activities serves to create an outstanding offer for the local community; local school children are introduced to design technology, apprentices working in local companies study at CEME on both day and block release programmes, a diverse mix of business delegates regularly attend training and seminars in the conference centre, all alongside the excitement of cutting edge manufacturing research and early stage growth technology companies crafting their future growth and prosperity from their base at CEME.

CEME is unique in linking education to business; it delivers education at school and college which will give young people the technical and life skills they need to enter and prosper in the workplace of the future. We deliver programmes of support to business to improve their profits; providing pathways for local employers to develop and support a well trained workforce, generating business growth and ultimately job and wealth creation for the local area.

During 2013 CEME has continued to establish East London UTC (Elutec), a university technical college. This is set to open in September 2014. Elutec is a school for 14 to 19 year olds providing a broad education to GCSE and A level, specialising in technical subjects in addition to core subjects such as English and Mathematics. The school works in partnership with a university and leading employers to shape the curriculum with a strong focus on engineering, manufacturing and product design.

#### **Achievements and Performance**

**Aim 1: Provide education, training and re-training opportunities and work experience**

##### **Education**

The Gateway to Skills Centre provides an introduction to young people to engineering as an education and career pathway. Its purpose is to engage young people in design and technology. It achieves this by providing opportunities for young people to experience engineering and for technology teachers to grow their specialist knowledge.

During the year many students and prospective students for the new University Technical College, Elutec, visited and experienced the Gateway to Skills Centre at CEME. Students participated in fun introductions to Science, Technology, Engineering and Mathematics (STEM) subjects, activities included building iPod amplifiers, automatons and model trebuchets, the medieval ballistic weapon.

The London School of Academics, an award winning provider of teacher training education who moved to CEME during 2012, has enjoyed sustained success and is also a sponsor of outreach programmes from the Gateway to Skills Centre.

##### **Apprenticeships**

CEME is home to the Ford Motor Company apprentice programme which enjoyed another very successful year with 100% completion rates and recruitment of a further twenty-five apprentices. During 2013 Ford re-launched its Higher Apprenticeship programme with the first intake being welcomed to CEME in September.

##### **Technical Training**

## **Centre for Engineering and Manufacturing Excellence Limited**

### **REPORT OF THE TRUSTEES**

CEME hosted a wide range of technical training in its teaching workshop and practical classrooms including Integrated Manufacturing Skills, multiskilling (electrical for mechanical and mechanical for electrical), electronics modules, the use of robots in a production environment, welding, programmable logic control programming and testing and engineering health and safety.

During 2012 CEME added railway track and signalling maintenance training to its portfolio of technical training provided on the campus. Fastline Training Services Ltd, a company that began life in the CEME Innovation Centre in 2011 and has continued to grow its activities and customer base at CEME delivering an increased portfolio of courses. During 2013 the business has enjoyed a high level of success, Fastline was recently awarded an outstanding Ofsted rating following an inspection. CEME continues to be home for AEC Ltd which undertakes training courses for the built environment such as fire marshal, asbestos management, general health and safety and legionella control.

#### **Conference Centre**

CEME Conference Centre is an ultra-modern events and meetings venue offering innovative and flexible solutions for meetings requirements from a high-tech conference auditorium - the POD theatre - to small meeting rooms, conference, exhibition and outdoor space. The Centre delivers hundreds of meetings and events each year with 'state of the art' meeting space and can host product launches, presentations, award ceremonies, training seminars, conferences, weddings, private functions and exhibitions for up to 800 delegates. All 19 conference rooms have the latest AV technology, complimentary Wi-Fi, natural day-light and special inclusive rates. CEME Conference Centre is also a 'Centre for Excellence' reflected in the quality of the events and conference facilities through 'Accredited in Meetings' Gold quality standard with the MIA – the only Gold venue in East London or Essex, and membership of Conference Centres of Excellence. CEME are also signed up for the Fair Pricing Charter making CEME one of the most affordable events and meetings venues anywhere in London or Essex.

The London Borough of Havering Learning & Development Centre during 2013 used the centre to provide extensive training to social workers and carers in subjects including child protection and legislation updates. Executive and management education included management and staff development courses in customer service, human resources and finance. Teachers enjoyed on-going training in the made for purpose maths, English and IT suites and the centre hosted regular networking collaboration meetings between Head Teachers and Heads of Department.

Aim 2: Help unemployed people find employment

CEME continues to host assessment centres for the recruitment of engineering apprentices, newly qualified teachers and medical staff and was the home for AA Technician recruitment and selection.

Aim 3: Provide support to businesses where it leads to training and employment opportunities for unemployed people.

#### **CEME Innovation Centre**

The CEME Innovation Centre provides office and workshop space to SMEs on flexible terms that enable them to take up accommodation without the risk of crippling lease payments should they suffer a financial downturn. In addition a suite of support services is provided to empower business success and growth.

During 2013 the CEME Innovation Centre provided office space and business support for up to 50 small businesses. In keeping with previous years several tenants expanded during the year, effectively outgrowing the Innovation Centre. Some of these customers moved off the CEME campus to larger premises. Occupancy of the Innovation Centre was in excess of 90% for the duration of the year further underlining the opportunity and need to create more capacity to support entrepreneurs at CEME.

CEME continued to develop and deliver its business and innovation support services and launched the Breakthrough Challenge to support early stage entrepreneurs with accommodation at low/zero cost where appropriate. Education and training programmes continued throughout the year covering a range of business subjects including Intellectual Property and Contracts Law, Marketing strategy and PR, Sales, Management and team development/HR, Technical product development planning. CEME succeeded in increasing the ratio of technology businesses versus other types of business by 10% in 2013 up to almost 60%. In 2014, CEME's objective is to achieve a further 10% increase. This is important for the credibility and theme of the centre with its aim of encouraging further clustering of technology businesses in and around CEME.

#### **High Speed Sustainable Manufacturing Institute**

The High Speed Sustainable Manufacturing Institute (HSSMI) enjoyed a very strong first full year of operations in 2013. New customers and members of the Institute include Brompton Cycles in London, Case New Holland Tractors in Basildon, Jaguar Land Rover in the Midlands, University College London (UCL).

## **Centre for Engineering and Manufacturing Excellence Limited**

### **REPORT OF THE TRUSTEES**

HSSMI has the major purpose of conducting leading edge manufacturing research which aims to improve the efficiency of manufacturers and supply chain companies. The Institute aims to deliver a step-change in manufacturing business efficiency and effectiveness. The academic institutions, manufacturers and their supply chain partners are brought together to create a multi-industry collaboration for the modelling, implementation and monitoring of world-class, high-speed manufacturing systems and knowledge.

HSSMI supports manufacturing companies and their supply chain from large multi-nationals to SMEs to quickly progress from an early stage Technology and Manufacturing Readiness Level up to pilot production and then scaling up or introduction of new manufacturing processes, models and concepts. Depending on the nature of the challenge, engineering and manufacturing firms can engage with HSSMI as members contributing to and benefitting from specific research and development themes and related projects. HSSMI manages and contributes to high profile collaborative local and international R&D projects offering its members priority access to become part of a consortium when new projects are setup. HSSMI customers can also procure engineering services, tailored engineering services are offered on the basis of an individual development contract.

HSSMI continues to develop on its core research themes of Virtual Engineering and developing 3D Plant Layout to deliver effective product and Process Automation and Validation for manufacturing and assembly. This includes discrete event simulation and predictive experimentation of Manufacturing Systems and human/machine interface optimisation to optimise productivity and efficiency. Manufacturing Supply Chain Integration, Waste and Energy Systems and High Volume Powerpack Manufacturing (High volume (>500k UPA) ultra-low carbon footprint automotive propulsion and energy production systems). More information on HSSMI can be found at [www.hssmi.org](http://www.hssmi.org).

**Aim 4:** Provide land and buildings on favourable terms to businesses in order to create training and employment opportunities for unemployed people

The CEME Innovation Centre provides a valuable resource to local businesses and entrepreneurs. The centre provides high quality accommodation and support services on a simple 'the price you see is the price you pay' model.

CEME provides a single fee that does not vary with volatile utility and service costs.

This provides start-up businesses with an affordable, low risk accommodation solution. This attractive offering was welcomed by local businesses and the centre enjoyed up to 100% occupancy during the year.

For businesses which are too small to afford an office in a business centre CEME offers a 'virtual tenancy'. This service enables a business to have a postal address at the Innovation Centre, use its meeting rooms and make use of the centre's reception service. The Innovation Centre supports many local micro-businesses with this service throughout the year.

**Aim 5:** Provide public amenities

#### **LOOKING AHEAD**

##### **University Technical College**

Much progress was made during 2013 on the plans to establish Elutec, a new University Technical College (UTC), at CEME which will open to up to 300 students in September 2014.

CEME is the lead sponsor alongside University College London (UCL), Ford and Prospects Learning Foundation. University College London (UCL) a leading UK University with global recognition and standing for its engineering higher education programmes and activities. Ford is the fifth largest manufacturer of motor vehicles in the world and produces diesel engines next door to CEME and operates the UK's largest automotive R&D in Dunton nearby. Prospects Learning Foundation brings superb education expertise with many years' experience in apprenticeships and vocational education delivery.

Elutec is established as an academy and has been set up as a separate company limited by guarantee (East London UTC Ltd). It fits well with CEME aims of providing education and support within a business campus.

A defining feature of a UTC is that it includes a University and Employer sponsor where employers help shape the curriculum with a strong focus on engineering and manufacturing and product design.

As part of their curriculum Elutec students will experience projects based on the sort of real life challenges faced by engineers from partner firms in modern industry.

Also, by partnering with prestigious brands, Elutec addresses head on the negative image associated with a technical education in years gone by and can easily demonstrate to parents and students that an education rich in technical content can lead to a successful career.

The Elutec curriculum will dovetail with engineering degrees offered by UCL and use real life case studies in product design and modern manufacturing from Ford, Network Rail, National Grid, BP and other leading engineering firms.

The sponsors' vision is that Elutec students will stand out from the crowd and will win the technical jobs that local employers desperately need to fill. As importantly Elutec will give them the opportunity to develop the skills and attitude to lead happy and successful lives.

More information on Elutec can be found at [www.elutec.co.uk](http://www.elutec.co.uk).

## **Centre for Engineering and Manufacturing Excellence Limited**

### **REPORT OF THE TRUSTEES**

#### **Gateway to Skills Centre**

Following on from the successful two day summer school delivered in partnership with OPITO, the oil and gas industry sector skills council, and Develop EBP, CEME hosted two further summer schools in 2013. These took place in early August and catered for 40 young people in total, 30% of whom went on to express an interest in Elutec and open discussions around enrolment for September 2014. The activities delivered were centred around robotics and involved the building and programming of small mechanical robots. These were then raced around a track while controlled by the students. It is CEME's aim to look at the potential to deliver further summer schools and taster days this year with OPITO and other partners.

CEME will continue to promote its attractive package of sponsorship opportunities for companies wishing to support the Gateway to Skills Centre. Packages range in size and price and provide businesses with a discrete solution for their Corporate Social Responsibility policies. CEME is aiming to raise £25K in 2014 and the delivery of the classes will most likely commence in partnership with Elutec in 2015.

#### **INNOVATION CENTRE EXPANSION**

CEME continues in its quest to secure the required funding to expand the Innovation Centre footprint to cater for and nurture micro scalable businesses for the benefit of the local economy. This will be achieved by the construction of a second Innovation Centre on the CEME campus called The CEME Micro Business Accelerator which will provide accommodation for up to 175 small businesses. The need for a second Innovation Centre at CEME is evidenced by the fact that the current centre is consistently over 90% occupied and demand outstrips the supply of small offices and associated services.

#### **HOTEL DEVELOPMENT**

With outline planning permission granted, CEME is working hard to secure a development agreement to build an eighty bedroom hotel on the CEME campus. It is envisaged that this will be an additional income stream through CEME Enterprise. The presence of a hotel will provide a resource to local businesses as a purpose built Conference Centre with onsite accommodation and will enable residential training courses to be held. The hotel will also provide CEME's tenants with a significant benefit for attracting clients and visitors to their premises.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (2005).

These financial statements are for Centre for Engineering and Manufacturing Excellence Limited and its wholly owned subsidiary CEME Enterprises Limited.

Centre for Engineering and Manufacturing Excellence Limited is a company limited by guarantee and operates under its Memorandum and Articles of Association. CEME was registered as a charity (registration number 1133396) on 30 December 2009. CEME Enterprise Limited is a registered company number 7115923 which was incorporated on 5 January 2010.

#### **Board of Trustees**

CEME, Centre for Engineering and Manufacturing Excellence Limited (trading as "CEME") is constituted as a company limited by guarantee and is governed by its Memorandum and Articles of Association which were last amended in October 2011. The Board of Trustees, who are also directors of the charity for the purposes of the Companies Act, have overall responsibility for the direction, management and control of the charity. As discussed below, some of these activities are delegated to sub-committees of the Board. Overall operational management of CEME is delegated to the Executive Committee.

The Board is subject to a maximum of 12 and a minimum of 8 directors. Under the articles of association the composition of the board is as follows:

- Three directors appointed by members of CEME:
- One representative director nominated by Ford Motor Company
- One representative director nominated by Havering College of Further and Higher Education and Barking and Dagenham College
- One representative director nominated by the London Borough of Havering
- One director to provide business and commercial expertise
- One director to provide expert advice on the higher education sector
- Additional non-executive directors as required to provide expert advice on subject areas of relevance to CEME such as skills and education, business development, regeneration initiatives, and manufacturing, engineering and technology to the Board
- One director to act as Chairman
- Two executive directors, being the Chief Executive Officer and Finance Director

## **Centre for Engineering and Manufacturing Excellence Limited**

### **REPORT OF THE TRUSTEES**

The directors appointed by members are senior executives in those organisations. Ford is represented by the HR Director for Ford of Britain, the colleges by the College Principal and the London Borough of Havering by their Finance Director.

There is no limit on how long a director may hold that office. Typically, the board meets ten times per year. New directors are inducted through a formal induction process which includes a comprehensive briefing with the Chief Executive Officer and a site visit in addition to a number of other initiatives.

Throughout the year, the Trustees continued to monitor the effectiveness and overall terms of reference for the sub committees, to ensure they are following best practice in the sector.

The Board appoints members of the Audit Committee and the Remuneration Committee. The Audit Committee, which usually meets four times a year, and the Remuneration Committee are made up of Trustees with relevant skills and experience. The Remuneration Committee supports the Board in reviewing and setting the remuneration of the executive directors.

#### **FINANCIAL REVIEW**

##### **Trading Performance**

CEME's principal income is derived from fees charged to users of the facility. CEME provides a fully provisioned teaching environment for providers of education and skills and tailored office space and support services to businesses. This income is augmented by revenues from a trading subsidiary which runs a conference centre at CEME. These revenues are disclosed as "Incoming Resources" on the Consolidated Statement of Financial Activities.

As mentioned above, the conference centre business is run through a wholly owned trading subsidiary named CEME Enterprise Ltd. Good progress was made in the year and revenues of £547K were 30% higher than the prior year and the company made a profit of £44,429 (2012 loss £87,765). It is expected that the company will continue to be profitable in 2014 and make a strong financial contribution to CEME as it grows its client base.

The directors, having considered cash flows, income streams and operations believe that CEME has adequate resources to continue in operational existence for the foreseeable future and the accounts have been prepared on a going concern basis.

##### **Reserves Policy**

Unrestricted Income Funds consist of capital grants made by members of CEME less operating results incurred to date.

Restricted Income Funds consist of grants received for restricted purposes (full list of the grants is contained in note 22 of the accounts). Capital grants are used to fund building works and the acquisition of new teaching equipment.

In recognition of tough trading conditions in the year CEME has worked hard to market the facilities on park to let all available space, good progress has been made in this year, it is projected that we will be full in 2014. During the year there has been a number of successes and the pipeline of tenants is strong. During the year CEME has also operated a strong program of cost control to maximise the working capital while the charity seeks further ways to exploit the CEME campus and meet its charitable objectives. At the balance sheet date the group held unrestricted funds totalling £8,929,824 with net current assets of £401,132. CEME has prepared five year forecast with a detailed operating plans including cashflows and is satisfied that it has appropriate reserves.

##### **Risk Management and Internal Control**

The Trustees have overall responsibility for ensuring that the organisation operates an appropriate system of controls, financial and otherwise, to provide reasonable assurance that:

- The charity is operating efficiently and effectively.
- Proper records are maintained and financial information, used within the charity or for publication, is reliable, and
- The charity complies with relevant laws and regulations.

The Audit Committee is responsible for monitoring the effectiveness of the internal controls and reports to the Board the results of such monitoring. This is achieved through:

- Reviewing CEME's systems of financial control, risk management and compliance
- Reviewing the nature and scope of the external audit, and any matters raised, for the attention of Management. Any significant findings or identified risks are examined so that appropriate action can be taken.
- Reviewing the need for internal audit, considering and approving the areas of the organisation that are subject to review, approving the scope of such reviews, considering any findings that arise.
- Agreeing changes to audit plans to take account of emerging risks and new areas of business as appropriate.

The systems of control operated within CEME are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

- Five year plan and cash flow forecast
- Annual business plan, budget and cash flow forecast
- Regular consideration by the Trustees of actual results compared with budgets, forecasts and trends,
- Cash flow and reserves levels
- Segregation of duties
- Identification of, and management of, risks
- Regular review of financial procedures.

## **Centre for Engineering and Manufacturing Excellence Limited**

### **REPORT OF THE TRUSTEES**

The Trustees, in partnership with the Executive Committee, play a key role in the identification, evaluation and monitoring of major risks to which CEME is exposed. CEME has robust risk management and monitoring processes in place to assist in the strategic and operational management of the organisation.

CEME recognises that effective risk management is reliant on a culture of risk management that permeates all levels and operational functions of the organisation. To encourage this, additional components of the risk management framework include:

- The requirement for all staff and managers to prepare a comprehensive project initiation document for all new initiatives, which mandates an assessment of risk.
- New development opportunities undergo a full feasibility analysis, including an assessment of risk.
- Projects are required to maintain a risk log, which is monitored by project governance boards.
- CEME's Trustees have established a target for the levels of reserves held, to mitigate the impact on the organisation of the risks that do materialise.

CEME is committed to its risk management processes, and Senior Managers and Trustees are continuing to develop and refine risk management and control processes which are both appropriate to the organisation and whose effect can be measured.

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of the Centre for Engineering and Manufacturing Excellence for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 charitable company will continue in business.

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

### Disclosure of Information to Auditors

Insofar as each of the trustees of the charitable company at the date of approval of this report is aware there is no relevant audit information (information needed by the charity's auditor in connection with preparing the audit report) of which the charity's auditor is unaware. Each trustee has taken all of the steps that he/she should have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Signed on behalf of the Board



Harjeet Sadheura  
Trustee

1 Aug 2014

## **Centre for Engineering and Manufacturing Excellence Limited**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CENTRE FOR ENGINEERING AND MANUFACTURING EXCELLENCE LIMITED**

We have audited the financial statements of the Centre for Engineering and Manufacturing Excellence for the year ended 31 December which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes numbered 1 to 23.

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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the charitable company's trustees as a body in accordance with section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's members and trustees 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 charitable company, the charitable company's members as a body and the charitable company's trustees as a body for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 151 of the Charities Act 2011 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report and any other surround information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2013 and of the group's incoming resources and application of resources, including its income and expenditure, 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 and the Charities Act 2011.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees Annual Report.

N. Hashemi

Naziar Hashemi  
Senior Statutory Auditor  
For and on behalf of  
Crowe Clark Whitehill LLP  
Statutory Auditor  
London

5/8 2014

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**Centre for Engineering and Manufacturing Excellence Limited**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
for the Year Ended 31 December 2013 (incorporating income and expenditure accounts)

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2013 £	Total 2012 £
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds</b>					
Activities for generating funds	2	1,020,270	-	1,020,270	898,928
Investment income		1,392	-	1,392	3,293
<b>Incoming resources from charitable activities</b>					
Skills & education and business support accommodation and related services	3	1,601,525	-	1,601,525	1,502,840
Skills delivery and business support	4	5,096	12,314	17,410	80,226
Manufacturing research institute	5	-	1,378,210	1,378,210	72,720
<b>Total incoming resources</b>		<b>2,628,283</b>	<b>1,390,524</b>	<b>4,018,807</b>	<b>2,558,007</b>
<b>RESOURCES EXPENDED</b>					
Cost of generating funds	6	623,304	-	623,304	584,711
Costs on liquidation of subsidiary		-	-	-	7,165
<b>Charitable activities</b>					
Skills & education accommodation and support services	7	2,544,287	648,561	3,192,848	3,499,341
Skills delivery and business support	8	24,503	15,915	40,418	134,176
Manufacturing research institute	5	-	1,161,312	1,161,312	42,698
<b>Total cost of charitable activities</b>		<b>2,568,790</b>	<b>1,825,788</b>	<b>4,394,578</b>	<b>3,676,215</b>
Governance costs	9	62,916	-	62,916	95,844
<b>Total resources expended</b>	<b>10</b>	<b>3,255,010</b>	<b>1,825,788</b>	<b>5,080,798</b>	<b>4,363,935</b>
<b>Net (outgoing) resources</b>		<b>(626,727)</b>	<b>(435,264)</b>	<b>(1,061,991)</b>	<b>(1,805,928)</b>
<b>RECONCILIATION OF FUNDS</b>					
Total funds brought forward at 1 January		9,556,551	19,111,374	28,667,925	30,473,853
Total funds carried forward at 31 December		8,929,824	18,676,110	27,605,934	28,667,925

The above statement of financial activities includes the discontinued operations of The Outsourced Training Company Ltd (TOTC) up to March 2012 when it entered members voluntary liquidation. This is detailed further in note 16. The notes on pages 18 to 30 form part of these accounts and provide detail of the discontinued operation.

**Centre for Engineering and Manufacturing Excellence Limited**  
**CHARITY AND GROUP BALANCE SHEETS**  
as at 31 December 2013

	Notes	Group 2013 £	2012 £	Charity 2013 £	2012 £
<b>FIXED ASSETS</b>		<b>27,299,910</b>	<b>28,152,935</b>	<b>27,281,467</b>	<b>28,133,322</b>
Intangible Assets		-	-	-	-
Tangible Fixed Assets	14	27,299,910	28,152,935	27,280,467	28,132,322
Investments	15	-	-	1,000	1,000
<b>CURRENT ASSETS</b>		<b>1,384,191</b>	<b>1,300,960</b>	<b>1,635,178</b>	<b>1,604,465</b>
Debtors	17	616,651	454,476	997,123	1,025,615
Cash at bank and in hand		751,793	831,716	629,053	569,984
Stock		15,747	14,768	9,002	8,866
<b>CREDITORS: amounts falling due within one year</b>	18	<b>983,059</b>	<b>705,452</b>	<b>975,514</b>	<b>704,826</b>
<b>NET CURRENT ASSETS</b>		<b>401,132</b>	<b>595,508</b>	<b>659,664</b>	<b>899,639</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>27,701,042</b>	<b>28,748,443</b>	<b>27,941,131</b>	<b>29,032,961</b>
<b>CREDITORS: amounts falling due after more than one year</b>	19	<b>95,108</b>	<b>80,518</b>	<b>95,108</b>	<b>80,518</b>
<b>Net Assets</b>		<b>27,605,934</b>	<b>28,667,925</b>	<b>27,846,023</b>	<b>28,952,443</b>
<b>ACCUMULATED FUNDS</b>					
Unrestricted income funds	21	8,929,824	9,556,551	9,169,913	9,841,069
Restricted income funds	22	18,676,110	19,111,374	18,676,110	19,111,374
<b>MEMBERS' FUNDS</b>		<b>27,605,934</b>	<b>28,667,925</b>	<b>27,846,023</b>	<b>28,952,443</b>

The notes on pages 18 to 30 form part of these accounts.

Approved and authorised for issue on behalf of the Board and signed on their behalf by:



**Harjeet Sadheura**  
Trustee  
1 AUG 2014

**Centre for Engineering and Manufacturing Excellence Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
for the Year Ended 31 December 2013

	2013	2012
	£	£
<b>Reconciliation of net out going resources to net cash inflow/(outflow) from operating activities</b>		
Net out going resources	(1,061,991)	(1,805,928)
Depreciation Charges	1,036,129	1,328,079
(Gain)/Loss on disposal of Tangible Fixed Assets	8,593	(586)
Deconsolidation of subsidiary in liquidation	0	20,272
Interest Receivable	(1,392)	(3,293)
Interest Payable	12,226	9,339
(Increase)/Decrease in Debtors	(162,175)	(168,431)
Increase/(Decrease) in Creditors	299,278	355,284
(Increase) in Stocks	(979)	(14,768)
Net cash Inflow/(Outflow) from operating activities	<u>129,689</u>	<u>(280,032)</u>
<b>Cash Flow Statement</b>		
Net cash inflow/(out) from operating activities	129,689	(280,032)
Returns on investments and servicing of finance (note 1)	(10,834)	(6,046)
Deconsolidation of subsidiary in liquidation	-	(225,308)
Reduction in subsidiary company share capital	-	1,000
Capital Expenditure	(191,697)	(263,409)
Cash in/(out)flow before financing	<u>(72,842)</u>	<u>(773,795)</u>
Financing (note 1)	<u>(7,081)</u>	<u>20,748</u>
Increase/ (Decrease) in cash	<u>(79,923)</u>	<u>(753,047)</u>
<b>Reconciliation of net cash flow to movement in net debt (note 2)</b>		
(Decrease) in cash in the period	(79,923)	(753,047)
Increase/(Decrease) in financing	7,081	(20,748)
Change in Debt	<u>(72,842)</u>	<u>(773,795)</u>
Net funds at 1 January	<u>691,605</u>	<u>1,465,400</u>
Net funds at 31 December	<u>618,763</u>	<u>691,605</u>

## Notes to the Cash Flow Statement

2013  
£

2012  
£

### Note 1 - Gross Cash Flows

#### Returns on investments and servicing of finance

Interest received	1,476	3,293
Interest paid	(84)	-
Interest element of finance lease rentals	(12,226)	(9,339)
	<u>(10,834)</u>	<u>(6,046)</u>

#### Capital Expenditure

Payments to acquire tangible fixed assets	(195,217)	(271,198)
Receipts from sales of tangible fixed assets	3,520	7,789
	<u>(191,697)</u>	<u>(263,409)</u>

#### Financing

Receipt of Hire Purchase Loan	61,984	79,528
Capital element of finance lease rental payments	(69,065)	(58,780)
	<u>(7,081)</u>	<u>20,748</u>

### Note 2 - Analysis of changes in Net Debt

	At 1 Jan 2013 £	Cash flows £	At 31 Dec 2013 £
Cash in hand, at bank	831,716	(79,923)	751,793
Debt due within 1 year	(59,593)	21,671	(37,922)
Debt due after 1 year	(80,518)	(14,590)	(95,108)
	<u>691,606</u>	<u>(72,842)</u>	<u>618,763</u>

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2013

**1. ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention and on the going concern basis. The directors, having considered cash flows, income streams and operations believe that the company has adequate resources to continue in operational existence for the foreseeable future and the accounts have been prepared on a going concern basis (see Trustees Report for more details).

The financial statements are prepared in accordance with applicable accounting standards and comply with Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) and the Companies Act 2006. The particular accounting policies adopted are described below.

**GROUP ACCOUNTS**

Group accounts have been prepared for Centre for Engineering and Manufacturing Excellence Limited, and its wholly owned subsidiary company, CEME Enterprise Limited, in accordance with the requirements of SORP 2005. Net Assets of The Outsourced Training Company Limited at year end are not included in the group accounts because the company was under the control of the liquidators at that time. The company was entered into members voluntary liquidation in March 2012 and was therefore not consolidated after that date. The results of The Outsourced Training Company Limited and CEME Enterprise Limited are shown in Note 16. In accordance with section 408 of the Companies Act 2006, no individual statement has been presented for the parent company, Centre for Engineering and Manufacturing Excellence Limited.

**INCOMING RESOURCES**

Income for Skills & Education Accommodation and Support Services represents amounts invoiced, net of Value Added Tax, for the provision of training facilities, business incubation facilities and related supportive activities.

Income from operating leases is recognised at the point at which and to the extent to which the company becomes entitled to the income under a lease agreement.

Where income for goods and services provided is received in advance of the goods or services being provided by the Centre for Engineering and Manufacturing Excellence Ltd the amount prepaid is credited to Deferred Income.

Grant income is included when the related conditions for legal entitlement to the grant have been met.

Income for Grant Funded Activities represents government grants received to run specific programmes.

Amortisation of Capital Grants: Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated in accordance with the stated depreciation policy, with the related grant being released from Restricted Reserves to Unrestricted Reserves over the expected useful life of the related fixed assets.

**RESOURCES EXPENDED**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category.

Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of resources. The majority of overheads have been apportioned on the basis of headcount because that is the main driver of costs in the charity.

## **Centre for Engineering and Manufacturing Excellence Limited**

### **NOTES TO THE FINANCIAL STATEMENTS continued**

Expenditure is stated in line with the SORP 2005. Governance costs, separately identified, relate to the general running of the charity as opposed to the costs of fundraising or charitable activity. Included within this category are costs associated with the strategic as opposed to day to day management of the charity's activities.

Irrecoverable VAT is charged as a cost to the Consolidated Statement of Financial Activities. The majority of costs of irrecoverable VAT arise out of running government funded programmes.

#### **TANGIBLE ASSETS AND DEPRECIATION**

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 £50 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 and improvements thereto over 50 years
- Plant and machinery over 4 to 10 years

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

#### **INVESTMENTS**

Investments in subsidiary companies in the balance sheet of Centre for Engineering and Manufacturing Excellence Limited, are stated at cost.

#### **FUND ACCOUNTING**

Due to the constraints of law and donor imposed restrictions the charity segregates its funds between those that are restricted and those that are unrestricted. Unrestricted funds represent the accumulated surplus on income and expenditure and are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity (see Report of the Trustees). Designated funds are funds that have been set aside out of unrestricted funds by the Board for a specific purpose, with the balance constituting the charity's General Reserves. There are no designated funds at present.

Where funds are received under contracts to run government funded programmes they are classified as restricted. When the service is provided, if any surplus arises this becomes unrestricted with agreement from the fund provider. Restricted funds represent income received where the donor has imposed restrictions as to how the monies shall be used. The nature and purpose of the restricted funds are also set out in Note 22 to the financial statements.

#### **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 Statement of Financial Activities on a straight line basis.

All other leases are 'operating leases' and the annual rentals are charged to the Statement of Financial Activities on a straight line basis over the lease term.

## **Centre for Engineering and Manufacturing Excellence Limited**

### **NOTES TO THE FINANCIAL STATEMENTS continued**

#### **PENSIONS CONTRIBUTIONS**

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

#### **DEFERRED TAX**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between taxable profits and results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Where it is believed that the likelihood of recovering a deferred tax asset in a trading subsidiary is low because a trading subsidiary gift aids its profits to CEME then that deferred tax asset is not recognised.

#### **STOCK**

Stock is valued at the lower of cost and net realisable value.

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

	2013 £	2012 £
<b>2. ACTIVITIES FOR GENERATING FUNDS</b>		
Conference Centre	548,861	471,635
Outsourced Training Management Services	-	(302)
Rent	377,154	335,508
Support Services	88,796	49,113
Parking Fees	5,459	42,974
<b>Total</b>	<b>1,020,270</b>	<b>898,928</b>

All activities for generating funds were from continuing operations except for (£0) (2012: £302).

	2013 £	2012 £
<b>3. SKILLS &amp; EDUCATION AND BUSINESS SUPPORT ACCOMMODATION AND RELATED SERVICES</b>		
Further Education and Apprentices Space and Learning Support	634,551	540,706
Training Centre	228,725	221,840
Business Incubation Centre	571,761	550,469
Cafeteria	166,488	172,382
Children's Nursery Support Services	-	17,443
<b>Total</b>	<b>1,601,525</b>	<b>1,502,840</b>

All skills and education accommodation and support services were from continuing operations.

**4. SKILLS DELIVERY AND BUSINESS SUPPORT**

All income for grant funded activities relate to grants received to support small businesses through training support and business advice services and promote design technology as a career pathway for school children.

**5. MANUFACTURING RESEARCH INSTITUTE**

The High Speed Sustainable Manufacturing Institute (HSSMI) was established with grant funding in October 2012 from DCLG totalling £3.5 million over three years to create and safeguard employment by supporting sustainability and growth in the manufacturing sector.

	2013 £	2012 £
<b>6. COST OF GENERATING FUNDS</b>		
Conference Centre	483,277	526,215
Outsourced Training Management Services	(1,228)	(94,769)
Support Costs	63,188	89,172
Space, IT and Shared Services	63,951	51,369
Telephone and Franking recharges	14,116	12,724
<b>Total</b>	<b>623,304</b>	<b>584,711</b>

The Conference Centre includes £129,400 (2012: £134,972) of apportioned costs for facility and IT. The apportionment has been calculated on the basis of volume of space utilised.

Taxation - CEME is registered as a charity and as such is entitled to the exemptions under sections 466 to 493 Corporation Tax Act 2010. The company can claim all VAT incurred except where incurred on running costs of government funded programmes. These programmes are run on a reimbursement basis and therefore the cost of the unrecoverable VAT is passed on to the funder.

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

**Tax Calculation in Trading Subsidiaries**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Profit/(Loss) on ordinary activities before tax	44,429	(87,314)
Profit/(Loss) on ordinary activities at standard Corporation Tax rate of 23.25% (2012: 24.5%)	(10,330)	(21,392)
Effects of:		
Expenses not deductible for tax purposes	(66)	73
Capital allowances in excess of depreciation	849	807
Movement in short term timing differences	9,547	-
Tax losses not utilised	-	20,512
Total tax charge/(credit) on profit/(loss) on ordinary activities	-	-

CEME Enterprise Ltd has a deferred tax asset of £50,942 which is not raised in the accounts in accordance with the deferred tax policy because it is unlikely that the asset will be realised because it is expected that future profits of the trading subsidiary will be gifted via gift aid to CEME.

**7. SKILLS & EDUCATION ACCOMMODATION AND SUPPORT SERVICES**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Direct costs	884,515	916,547
Depreciation of building and founding asset infrastructure	896,072	1,199,694
Support Costs	1,412,261	1,383,100
Total	3,192,848	3,499,341

**8. SKILLS DELIVERY AND BUSINESS SUPPORT COSTS**

Programmes business development	31	11,239
Programmes running costs	40,387	122,937
Total	40,418	134,176

**9. GOVERNANCE COSTS**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Fees payable to the group's auditors for the audit of the group's annual accounts	25,500	25,000
Fees payable to the group's auditors for other work	450	2,105
Trustee expenses, insurance and recruitment <sup>1</sup>	4,435	30,851
Board and committee support costs <sup>2</sup>	32,534	37,888
Total	62,919	95,844

All governance costs related to continuing operations

1 Travel expenses incurred by Trustees in respect of CEME meetings amounted to £2,779 (2012: £3,904) during the year. The number of Trustees receiving expense reimbursement during the year was 3 (2012: 3). Trustee indemnity insurance cost £1,656 (2012: £1,666)..

2 These costs reflect the pay and non pay costs of the CEO and Finance Director relating to preparation for and attendance at trustee meetings, and the pay and non pay costs of Non Executive Directors. Martin Broadhurst was paid £20,513 for his services as chairman. A non executive director, Dr Keyvan Djamrani, was paid £5,400 for performing that role. Payments to non-executive directors are made under the authority of CEME's memorandum and articles of association.

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

Executive Directors were remunerated for acting in that role under the authority of CEME's memorandum and articles of association.

The Chief Executive, Mark Williams, was remunerated as follows: pay £123,000, pension £6,000 and other benefits £1,207. Reimbursed out of pocket expenses for travel and subsistence were £619.

The Finance Director, Martin Graf Saurma-Jeltsch, was remunerated as follows: pay £67,714, pension £3,078 and other benefits £925. Reimbursed out of pocket expenses for travel and subsistence were £156.

The Finance Director, Harjeet Sadheura, was remunerated as follows: pay £10,028, pension £480. There was no reimbursed out of pocket expenses for travel and subsistence.

**10. TOTAL RESOURCES EXPENDED**

	Direct Cost	Support Costs			Total 2013 £
		Management	Finance	HR	
Cost of generating funds	560,116	27,960	31,758	3,470	623,304
Skills & education accommodation and support services	2,836,540	157,660	179,077	19,571	3,192,848
Skills delivery and business support	40,418	-	-	-	40,418
Manufacturing research institute	1,161,312	-	-	-	1,161,312
Governance costs	62,916	-	-	-	62,916
<b>Total</b>	<b>4,661,302</b>	<b>185,620</b>	<b>210,835</b>	<b>23,041</b>	<b>5,080,798</b>

**2012**

	£
Cost of generating funds	584,711
Costs on liquidation of subsidiary	7,165
Skills & education accommodation and support services	3,499,341
Grant-funded activities	134,176
Governance costs	42,698
<b>Total</b>	<b>95,844</b>
	<b>4,363,935</b>

**11. STAFF NUMBERS AND COSTS**

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	2013 No.	2012 No.
Operations	22	17
Governance	2	2
Support	3	3
	<b>27</b>	<b>22</b>

	2013 £	2012 £
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	1,043,779	815,530
Social security costs	113,852	90,161
Other pension costs	47,798	60,849
	<b>1,205,429</b>	<b>966,540</b>

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

The average full-time equivalent number of employees who received emoluments in the following ranges were:

	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
£70,001–£80,000	2	2
£120,001–£130,000	1	1

Pensions contributions made on behalf of employees earning in excess of £60,000 per annum were £13,137 (2012: £12,979).

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

**12. RELATED PARTY TRANSACTIONS**

In the opinion of the directors the following were related parties of CEME: Ford Motor Company, Havering College of Further and Higher Education, Barking and Dagenham College, London Borough of Havering, and the London Development Agency. CEME transacted with the related parties during the year as follows:

	<b>2013</b>	<b>2012</b>
	<b>Group</b>	<b>Group</b>
	<b>£</b>	<b>£</b>
Regeneration programme funding:		
London Development Agency	12,314	71,344
For facilities rental and provision of core services by the Group:		
Ford Motor Company	332,638	336,443
London Borough of Havering	228,725	221,840
For goods and services provided by the Group:		
Ford Motor Company	39,418	49,682
London Borough of Havering	27,136	24,444
Barking and Dagenham College	-	-
For goods and services provided to the Group:		
Ford Motor Company	-	-
The balances due to the Group at 31 December were as follows:		
Ford Motor Company	4,752	13,428
Barking and Dagenham College	-	0
London Borough of Havering	109,408	5,406
London Development Agency	22,728	55,550

The nature of the relationships with related parties was as follows:

Members of CEME with the right to appoint a director to the CEME board:

Ford Motor Company  
Barking and Dagenham College  
Havering College of Further and Higher Education  
London Borough of Havering

Right of approval to changes in CEME's strategic plan and corporate governance structure:

London Development Agency

Intra-group transactions are not disclosed in accordance with the FRS8 exemption from disclosure of certain intra-group transactions.

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

**13. NET INCOMING RESOURCES**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
The net incoming resources to funds is stated after charging:		
Fees payable to the charity's auditors for the audit of the charity's annual accounts	19,500	19,000
Fees payable to the charity's auditors for the audit of the charity's subsidiaries pursuant to legislation	6,000	6,000
<b>Total audit fees</b>	<b>25,500</b>	<b>25,000</b>
<b>Other services</b>	<b>450</b>	<b>2,105</b>
<b>Total fees payable to the charity's</b>	<b>25,950</b>	<b>27,105</b>

All of the above charges relate to continuing operations .

	<b>Group</b>	<b>Charity</b>	<b>Group</b>	<b>Charity</b>
	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Depreciation of tangible fixed assets	6,323	1,029,806	1,328,079	1,324,333
Rental costs relating to operating leases:				
Photocopy machines	5,807	5,807	4,582	4,582
(Loss)/Profit on disposal of fixed assets	(8,593)	(8,593)	586	586

**14. TANGIBLE FIXED ASSETS**

	<b>Group</b>		
	<b>Long Leasehold Buildings</b>	<b>Plant, Equipment and Motor Vehicles</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
1 January 2013	33,905,511	6,573,273	40,478,784
Additions	40,049	155,168	195,217
Disposals	-	(1,601,651)	(1,601,651)
31 December 2013	33,945,560	5,126,790	39,072,350
<b>Depreciation</b>			
1 January 2013	6,556,831	5,769,018	12,325,849
Charge in the year	722,059	314,070	1,036,129
Disposals	-	(1,589,538)	(1,589,538)
31 December 2013	7,278,890	4,493,550	11,772,440
<b>Net book value</b>			
31 December 2013	26,666,670	633,240	27,299,910
31 December 2012	27,348,680	804,255	28,152,935

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

**14. TANGIBLE FIXED ASSETS continued**

	<b>CHARITY</b>		
	Long Leasehold Buildings £	Plant, Equipment and Motor Vehicles £	Total £
<b>Cost</b>			
1 January 2013	33,905,511	6,546,498	40,452,009
Additions	40,049	150,015	190,064
Disposals	-	(1,601,651)	(1,601,651)
31 December 2013	<u>33,945,560</u>	<u>5,094,862</u>	<u>39,040,422</u>
<b>Depreciation</b>			
1 January 2013	6,556,831	5,762,856	12,319,687
Charge in the year	722,059	307,747	1,029,806
Disposals	-	(1,589,538)	(1,589,538)
31 December 2013	<u>7,278,890</u>	<u>4,481,065</u>	<u>11,759,955</u>
<b>Net book value</b>			
31 December 2013	<u>26,666,670</u>	<u>613,797</u>	<u>27,280,467</u>
31 December 2012	<u>27,348,680</u>	<u>783,642</u>	<u>28,132,322</u>

The net book value of plant and machinery includes £123,393 (2012: £104,369) in respect of assets held under finance leases. The depreciation charge on these assets was £18,158 (2012: £36,905).

The long leasehold buildings are constructed on land leased by the Ford Motor Company Limited to The London Development Agency (see also Note 12) and sub-let by the London Development Agency to the Centre for Engineering and Manufacturing Excellence Ltd (CEME). The lease and the sub-lease expire in the year 2127.

In addition to use by CEME and its subsidiary company to operate activities such as the conference centre, HSSMI and the Gateway to Skills Centre, the property assets are let out under operating lease agreements and short term rentals.

**15. INVESTMENTS**

	<b>Group</b>	<b>Charity</b> Shares in group undertakings and participating interests
	£	£
Investment in subsidiaries	-	1,000

CEME owns 100% of the issued shares of CEME Enterprise Ltd.

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

**16. TRADING SUBSIDIARIES**

Net outgoing resources of CEME before consolidation of trading subsidiaries was £1,106,420 (2012: £1,491,111).

The results for The Outsourced Training Company Limited (TOTC) for the period January to March 2012 during which time TOTC was a subsidiary of CEME are shown below. TOTC provided outsourced training management services to large employers. Net Assets of the company at year end are not included in the group accounts because the company was under the control of the liquidators at that time. The company was entered into members voluntary liquidation in March 2012 and was therefore not consolidated after that date.

<u>The Outsourced Training Company Limited</u>	<b>2013</b>	<b>Jan-Mar 2012</b>
	<b>£</b>	<b>£</b>
Total income	0	(302)
Cost of sales	0	(97,074)
Gross Profit	0	96,772
Administration costs	0	(2,305)
Operating loss	0	94,467
Interest receivable	-	332
Gift aid to CEME	(1,228)	(195,000)
(Loss) on ordinary activities before tax	(1,228)	(100,201)

The results for CEME Enterprise Limited are shown below. CEME Enterprise runs the conference centre at CEME. Net liabilities of the company were £239,089 at year end.

<u>CEME Enterprise Limited</u>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Total income	547,326	421,250
Cost of sales	(393,466)	(410,012)
Gross Profit	153,860	11,238
Administration costs	(109,349)	(99,003)
Operating Profit/(Loss)	44,511	(87,765)
Interest receivable	2	-
Interest payable	(84)	-
Profit/(Loss) on ordinary activities before taxation	44,429	(87,765)

	<b>Group</b>		<b>Charity</b>	
<b>17. DEBTORS</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Due within one year:				
Trade debtors	391,709	237,933	295,922	183,399
Amounts owed by group undertakings	-	-	510,484	625,673
Other debtors	224,942	216,543	190,717	216,543
Total	616,651	454,476	997,123	1,025,615

During the year CEME Ltd. secured an overdraft facility of £100,000 with Barclays bank. This was secured on net debtors.

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

18. CREDITORS: amounts falling due within one year	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Trade creditors	354,781	145,972	354,781	145,972
Deferred Income	197,499	122,714	197,499	122,714
Obligations under finance lease and hire purchase contracts	28,498	50,974	28,498	50,974
Other loans	9,424	8,619	9,424	8,619
Other taxes and social security	98,652	62,105	98,652	62,105
Other creditors	294,205	315,068	286,660	314,442
<b>Total</b>	<b>983,059</b>	<b>705,452</b>	<b>975,514</b>	<b>704,826</b>

Movement on deferred income	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Deferred income brought forward	122,714	142,611	122,714	142,611
Realised during the year	(122,509)	(136,469)	(122,509)	(136,469)
Deferred during the year	197,294	116,572	197,294	116,572
<b>Deferred income carried forward</b>	<b>197,499</b>	<b>122,714</b>	<b>197,499</b>	<b>122,714</b>

Deferred income relates to rental income received in advance of its recognition in the accounts.

19. CREDITORS: amounts falling due after more than one year	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Other loans	7,605	17,029	7,605	17,029
Obligations under finance leases and hire purchase agreements	87,503	63,489	87,503	63,489
<b>Total creditors falling due after more than 1 yr</b>	<b>95,108</b>	<b>80,518</b>	<b>95,108</b>	<b>80,518</b>

20. COMMITMENTS UNDER OPERATING LEASES	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:				
Plant and machinery: expiring in 2 to 5 years	6,969	6,711	6,969	6,711

The London Development Agency rent the land on which the CEME centre of excellence is sited on a 125 year lease to CEME at a peppercorn rent. This lease excludes the Innovation Centre and expires in more than five years.

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

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

**21. STATEMENT OF FUNDS**

	Balance 1 Jan 13	Incoming Resources	Resources Used	Balance 31 Dec 13
Unrestricted Income Funds				
General funds	9,556,551	2,628,283	(3,255,010)	8,929,824
Restricted Income Funds	19,111,374	1,390,524	(1,825,788)	18,676,110
<b>Total</b>	<b>28,667,925</b>	<b>4,018,807</b>	<b>(5,080,798)</b>	<b>27,605,934</b>

**22. STATEMENT OF RESTRICTED FUNDS**

	Balance 31 Dec 12	Incoming Resources	Resources Used	Balance 31 Dec 13
Solar panel array <sup>1</sup>	28,430	0	(28,430)	0
Capital and revenue costs of the Gateway to Skills Centre <sup>2</sup>	89,180	0	(10,316)	78,864
Capital and revenue costs of the Gateway for Business programme <sup>3</sup>	20,069	0	(457)	19,612
SRB 5 Capital - Delivery plan <sup>1</sup>	4,388,865	0	(107,923)	4,280,942
SRB IT Capital <sup>1</sup>	858,032	0	(21,294)	836,738
DTI <sup>1</sup>	3,336,773	0	(81,983)	3,254,790
Innovative Clusters Fund <sup>1</sup>	715,732	0	(17,600)	698,132
LDA grant for erection of campus and acquisition of teaching equipment <sup>1</sup>	5,242,310	0	(242,494)	4,999,816
ERDF Objectives11 <sup>1</sup>	3,000,463	0	(100,196)	2,900,267
LSC Capital <sup>1</sup>	803,294	0	(19,753)	783,541
NTI Capital <sup>1</sup>	598,204	0	(21,719)	576,485
Gateway to Investment <sup>4</sup>	0	12,314	(12,314)	0
Department for Communities and Local Government HSSMI <sup>5</sup>	30,022	1,378,210	(1,161,312)	246,920
<b>Total</b>	<b>19,111,374</b>	<b>1,390,524</b>	<b>(1,825,791)</b>	<b>18,676,110</b>

1 These grants were contributions to the capital building and infrastructure setup costs of the CEME campus.

2 These grants were provided to equip the Gateway to Skills Education centre.

3 This grant was provided to equip the Gateway for Business small business support programme.

4 This grant provided funding for revenue costs of providing assistance with access to financing for small businesses.

5 This grant provides funding for the High Speed Sustainable Manufacturing Institute. HSSMI is a division of CEME with a purpose of conducting leading edge manufacturing research with an aim of improving efficiency of manufacturers and supply chain companies.

Analysis of net assets between funds	Restricted Funds	Unrestricted Funds	Total Funds
Tangible fixed assets	18,519,812	8,780,098	27,299,910
Current assets	283,985	1,100,206	1,384,191
Current liabilities	(127,687)	(855,372)	(983,059)
Creditors falling due after one year	-	(95,108)	(95,108)
<b>Total</b>	<b>18,676,110</b>	<b>8,929,824</b>	<b>27,605,934</b>

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS continued**

**23. CONTROL**

CEME is under the common control of Ford Motor Company, Havering College of Further and Higher Education, Barking and Dagenham College and London Borough of Havering. The company's Articles of Association dated 2 January 2010 state that each of the above is a member of CEME.