

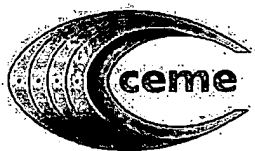
Company Registration Number: 04238862  
Charity Registration Number: 1133396

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

## **Annual Report and Accounts**

**for the year ended**

**31 December 2017**



# **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)		
Mark Williams (Chief Executive Officer)		
Geoffrey Richman		Ford Motor Company
Judith Armitt		
Keyvan Djamarani		
Harjeet Sadheura (Chief Financial Officer)		
Maria Thompson	Resigned on 1 January 2018	Havering College of Further and Higher Education
Ivonne Kelly	Appointed 1st January 2018	Barking and Dagenham College
Michael Caine	Resigned 2nd June 2017	Loughborough University
Rachel Hadley		Ford Motor Company
Steve Moore		

**SECRETARY**

Harjeet Sadheura (Chief Financial Officer)

**COMPANY REGISTRATION NUMBER**

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 2017 under the Charities Act 2011 and the Companies Act 2006, including the Directors' Report together with the audited financial statements for the year.

#### **Charitable Objects**

The objects for which the company is established ("the objects") are the promotion for the public benefit of urban or rural regeneration in selected areas of social and economic deprivation in the Boroughs of Tower Hamlets, Hackney, Newham, Greenwich, Bexley, Barking & Dagenham, Havering, Thurrock, Waltham Forest, Redbridge, Lewisham, Enfield, Haringay and Dartford (together the "boroughs").

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

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

##### **CEME's vision**

CEME's vision is that every area of regeneration in the UK has a centre and/or campus where industry, entrepreneurs, innovators and education and skills providers come together to create inspirational commercial space and facilities that support effective partnerships and relationship growth that have the potential to kick-start the development and sustainable growth of economic activity in the area.

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

CEME's purpose and in particular its focus on delivering an exceptional customer experience is a carefully considered and deliberate strategy to support regeneration through raising aspirations, ambition and belief. This is evidenced through external research and benchmarking is a key factor in CEME delivering growth for individuals and organisations in areas of regeneration.

##### **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** - At CEME 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.

Over the last 10 years or more the Government's agenda has increasingly talked of the need to create a sustainable and prosperous science, engineering, manufacturing and technology sector. This national ambition is perhaps best captured in the current Industrial Strategy (2017). This strategy also talks to the dire skills shortage the sectors face which are addressed through numerous initiatives including the recently introduced apprenticeship levy.

CEME has been serving the UK manufacturing, engineering and technology sectors since its opening in 2003. On its campus CEME brings together employers, educators and skills and training organisations in a unique and effective way – delivering faster business growth in tandem with upskilling and training local residents. The outcome we strive for is companies growing faster, being more ambitious and finding and developing talent locally. Companies grow faster, on and off the campus and local residents participate in this growth, as employees, as business owners and as customers and suppliers of CEME.

## Centre for Engineering and Manufacturing Excellence Limited

### REPORT OF THE TRUSTEES

CEME currently operates from its campus in East London where it hosts a range of public and private organisations delivering: -

- Commercial business training
- Commercial office accommodation
- Small business support and development
- Training and education in business and related studies
- A specialist technology education centre for schools
- Apprenticeships and related education in engineering and technology sectors
- Training for the public sector
- A technology start-up innovation centre
- A world class conference and events centre
- Providing a focus for inward investment missions to the region
- Commercial services

#### Public Benefit

CEME's Board of Trustees regularly monitor and review the success of the organisation in achieving its aim to create faster enterprise growth leading to increased levels of employment in skilled jobs within the Manufacturing, Engineering and Technology sectors in London Thames Gateway. The Trustees confirm, in the light of the guidance, that these aims fully meet the applicable public benefit tests and that the activities of the charity, described in this report under four specific aims, are undertaken in pursuit of those aims.

The trustees review the activities set out within the RR2 activities under the Promotion of Urban and Rural Regeneration for public benefit in areas of social and economic deprivation. The Charity Commission as a charitable purpose recognised this.

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

#### What CEME does

CEME has a core focus on supporting entrepreneurs in the engineering, manufacturing, science and technology sectors by helping and encouraging them to grow faster. In addition to growth and innovation support to business, CEME brings together a range of organisations to deliver education, training and skills for employees and students on its campus, from one day courses to advanced apprenticeships. CEME provides routes into employment in local businesses where students can continue their training and development as they progress in their careers.

On the campus, CEME hosts specialist education activities for schools and provides facilities to support the effective delivery of further and higher education programmes. CEME offers good quality, high specification accommodation for training solutions providers – allowing them to focus on delivery of an exceptional learning experience to their customers. In addition to technical classrooms and facilities CEME provides its customers with full access and use of extensive engineering workshops and equipment. CEME services include a fully resourced IT team and provision for students and teaching staff.

CEME offers 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. This CEME offer attracts and retains training and education organisations to East London, providing them with technical facilities, ready to go on an employer linked campus without the need for substantial capital outlays.

The unique architecture of the CEME campus 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 achievements.

CEME operates a business innovation centre on the campus, providing high quality office and workshop space to support early stage growth and start-up businesses in the technology sector. Customers in the Innovation Centre enjoy the services of an Innovation Director and Centre Manager who provide a range of personalised business growth mentoring and signposting services – tailored to the needs of the business owner. As these companies mature and grow commercial office space for larger organisations can be made available on the CEME campus and on the recently constructed SEGRO enterprise park immediately adjacent to the CEME campus.

## Centre for Engineering and Manufacturing Excellence Limited

### REPORT OF THE TRUSTEES

CEME also provides its customers with a stunning conference and events centre. This service and facilities are carefully "woven into" the CEME offer – bringing local business owners onto the campus and getting local residents to use the space – creating awareness and momentum in the community for the impact CEME is having and plans to have in the future.

In 2017 CEME launched the Launchpad Centre at CEME. Responding to local demand from residents the new centre offers co-working, hot desk, fixed desk and small office spaces to let, for start-ups and early stage ventures in the manufacturing, engineering and technology sector. The focus is to support and incubate early stage companies and do what we can to increase the success rates of local entrepreneurs with a vision and passion for growth. Customers benefit from a fully flexible approach to purchasing space and related IT services – it is about removing barriers where we can to encourage more start-ups to have a go. Launchpad customers also benefit from a tailored business support programme provided by a resident entrepreneur who is based in the Centre. The Centre is a partnership with the GLA and the London Borough of Havering. Since the opening of the Launchpad it has helped 16 businesses to come into an office environment and benefit from the support provided. During this time 24 jobs have moved from "home" to Launchpad, it has also helped to create a further 10 jobs in the area.

CEME, through a partnership with ITM Power Trading Limited recently installed a Hydrogen refuelling station on the campus. This facility has been available to the public since 2017. Furthermore, the installation is a significant technology demonstrator in the East of London drawing interest and visits from a wide range of stakeholders.

CEME provides local employers a high quality accessible and affordable business skills, training and science park operation to help nurture ambitions and accelerate their business growth. Furthermore, CEME offers individuals 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 technology based business innovation activities and early stage growth companies and entrepreneurs growing at CEME.

CEME provided 80,058 learner days in 2017 (2016: 57,956).

CEME is unique in linking education to business; it delivers education at school and college by way of its Gateway to Skills (GTS) programme. In 2017, it provided 467 students with taster days (274 male and 193 female), giving young people and their teachers an appreciation of the amazing breadth of career opportunities that exist in the UK engineering and manufacturing sectors – plus an opportunity to experiment with robotics and control systems engineering projects. CEME delivers programmes to help business clients recruit, retain and develop talent; 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.

CEME in September 2014 launched Elutec, a University Technical College (UTC), as the lead sponsor alongside UCL, Ford and PROCAT has supported Elutec from its inception and continues to provide non-financial support as a member of this new technical institute. This exciting venture is now in its fourth year of student recruitment. CEME continues to support Elutec as a key sponsor with a specific focus on governance, technical education and external industry partnerships and associations.

#### Achievements and Performance

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

##### Education

The London School of Academics (LSA), an award winning provider of teacher training education continues to grow it has expanded the diversity of courses it offers and has increased the space it requires. CEME is proud to have them on site and has been able to support the expansion with additional rooms. With continued success LSA have increased their number of classes and the classroom requirements.

##### Apprenticeships

CEME is home to the Ford Motor Company apprentice programme which enjoyed another very successful year.

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

### **REPORT OF THE TRUSTEES**

#### **Technical Training**

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.

CEME is proud to be the home of Fastline Training who deliver technical skills and training courses for the rail sector. During 2017 the business has continued to grow and this resulted in Fastline recruiting more employees as it has expanded its offer and customer base.

During 2017 CEME has maintained very high levels of occupancy in the main building and is operating a waiting list for qualifying organisations seeking to move onto the campus.

#### **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 CEMEPOD theatre - to small meeting rooms, conference, exhibition and outdoor space.

The Conference 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, 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.

#### **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 continues 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 prohibitive lease payments should they suffer a financial downturn. In addition, a wide range of support services is provided to support accelerated business growth.

During 2017 the CEME Innovation Centre provided office space and business support for up to 55 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 96% for the duration of the year further underlining the opportunity and need to create more capacity to support entrepreneurs at CEME.

As noted above in February 2017 CEME opened the new Launchpad Centre in response to customer demand for a micro business accelerator space and service on the CEME campus. Since opening in February 2017 the centre has welcomed some 15 new clients and is projecting to be full by the 4th quarter of 2018. During 2017, the CEME Patron The Duke of York visited the centre as it hosted a 'Pitch @ Palace' bootcamp – welcoming entrepreneurs from across the South East to develop their business pitch for investment.

CEME continued to develop and deliver its business and innovation support services in the year. The innovation centre team were focussed on increasing the number of technology and manufacturing related businesses in the Innovation Centre during the year achieved a circa 70% technology mix.

## Centre for Engineering and Manufacturing Excellence Limited REPORT OF THE TRUSTEES

### High Speed Sustainable Manufacturing Institute

The High Speed Sustainable Manufacturing Institute (HSSMI) was created by CEME in partnership with Ford and the Department for Communities and Local Government (DCLG) and following its start up and three years of trading HSSMI became a separate entity in 2015. CEME remains a core Strategic Partner in this institute. HSSMI's growth has continued in line with its projections and during 2017 opened offices in Coventry and Glasgow. This manufacturing research institute now employs over 50 engineering staff engaged in commercial and research engineering programmes.

**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.

### LOOKING AHEAD at CEME

CEME's vision is that every area of regeneration in the UK has a centre and/or campus where industry, entrepreneurs, innovators and education and skills providers come together to create inspirational commercial space and facilities that support effective partnerships and relationship growth that have the potential to kick-start the development and sustainable growth of economic activity in the area.

CEME Limited, a charity, is a standalone legal entity responsible for its own sustainability. CEME does not rely on external funding or support to deliver on its vision and charitable aims. In recent years, following a period of losses, CEME has developed a sound financial standing and operating model. The CEME Board were keen to consider how, building on this knowledge and success, CEME could best deliver more outcomes in line with its charitable aims and objectives.

During late 2017 CEME commenced the implementation of a growth strategy of expansion onto new campus partnerships. The goal is to secure investment and create partnerships and collaborations to further the work and impact that CEME can make in local economies. CEME is looking to develop new ventures where it can bring its expertise of developing physical centres that successfully integrate innovation, research and skills activities to drive exceptional growth and prosperity in the local economies and communities with partners who buy into the concept.

The Government's Industrial Strategy sets out a vision for the UK in four "Grand Challenges" of creating prosperity and global leadership in a data driven economy, clean technologies, the future of mobility and meeting the needs of an ageing society. The strategy is about creating growth and prosperity on a regional basis where the underlying arguments are strong for government support. Furthermore the UK government asks for the UK's public and private sectors businesses and universities to join forces and lead the world in seizing these opportunities. CEME is already doing exactly what the vision calls for – and doing it with carefully crafted and developed tactics to create local prosperity that is sustainable – where the community joins in and shares and contributes to the success. We are proud of what we have achieved and are passionate to do more of this with the right partners – creating prosperity on local, regional and ultimately a national scale.

Productivity and skills remain an immense area of opportunity for improvement in the UK economy and this is perhaps more evident in the small to medium sized (SME) organisation than others. The government's reforms to apprenticeships and the introduction of the Apprenticeship Levy is one of the most significant developments the government has made in recent years. The policy is in its infancy and will no doubt develop – it is underpinned however by a fundamental need for improved and effective partnerships between employers and educators – CEME has operated successfully in this space for 15 years and as such is very excited about the possibilities moving forward.

CEME are already engaged in a number of discussions with local authorities and Local Enterprise Partnerships (LEP's) on the possibility of developing new ventures and expanding onto new campus operations. CEME's growth plan recognises that these developments may take years to bring to fruition. CEME is very excited to have started the journey in 2017.



## Centre for Engineering and Manufacturing Excellence Limited REPORT OF THE TRUSTEES

### STRUCTURE, GOVERNANCE AND MANAGEMENT

The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Charities SORP FRS102.

CEME, Centre for Engineering and Manufacturing Excellence Limited (trading as CEME") is constituted as a company limited by guarantee (registration number 04238862) and is governed by its Memorandum and Articles of Association which were last amended in October 2011. CEME was registered as a charity (registration number 1133396) in December 2009.

CEME Enterprise Limited is a registered company number 7115923 incorporated on 5 January 2010 and is a wholly owned subsidiary of CEME.

#### Board of Trustees

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 Officers.

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:
  - o One representative director nominated by Ford Motor Company
  - o One representative director nominated by Havering College of Further and Higher Education and Barking and Dagenham College (BDC)
  - o 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 Chief Financial Officer

The directors appointed by members are senior executives in those organisations. Ford is represented by the Manager - HR Shared Services, Ford of Britain. The colleges by the College Principal & CEO and the London Borough of Havering by its Director of Neighbourhoods.

A director may hold that office for an initial period of three years, this is renewable on a mutually agreed basis. 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.

The Trustees review and monitor the financial performance of the Charity, foreseeable significant events are analysed and their possible financial impact is investigated with corrective action taken as necessary.

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. The remuneration procedure is discharged by the chairman.

CEME's approach to remuneration is designed to ensure we attract and retain the talented and motivated people we need to achieve our vision and deliver our strategic goals. It is applied consistently across the organisation. We aim to pay fair and competitively in the not for profit sector within the context of affordability and considering the complexity of each role. CEME links pay to performance and provides salary progression for those who deliver exceptional performance. The level of remuneration is benchmarked to organisations in the area of similar size type and complexity. The benchmarking is carried out by external independent consultants. The remuneration is then agreed by the Chief Executive and the board as appropriate.

## Centre for Engineering and Manufacturing Excellence Limited

### REPORT OF THE TRUSTEES

#### Related Parties

CEME operates a wholly owned subsidiary CEME Enterprise Limited, this is a commercial organisation which conducts the Conference Centre business and hence is a related party to the charity (CEME Ltd).

CEME is under the common control of Ford Motor Company, Havering College of Further Education, Barking and Dagenham College and London Borough of Havering. The companies Article of Association dated 2<sup>nd</sup> January 2010 state that each of the above is a member of CEME. As a member of CEME they have the right to appoint a director to CEME board which are noted in the section above. The London Development Agency rents to CEME the land on which CEME centre of excellence is sited on a 125-year lease at a peppercorn rent. It also leases the Innovation centre on a 125-year lease at a peppercorn rent.

#### 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 "Income" on the Consolidated Statement of Financial Activities.

CEME operates a number of buildings on its park, the main building that accommodates the providers for skills and education and office space as well as the conference centre. Other buildings include a wholly devoted Innovation centre. CEME's revenue for the year was £3,708,291 and the adjusted loss of £660,287 is in line with expectation. Prior year revenue was £3,633,006 and adjusted loss of £921,976.

As mentioned above, the conference centre business is run through a wholly owned trading subsidiary named CEME Enterprise Ltd. Revenues for the year of £703,807 with a loss of £70,233 were in line with expectations. Prior year revenue £714,582 with a loss of £20,034. The accommodation costs for the conference centre are in line with rates paid by major clients in other parts of the building. During 2017 additional investment has been made in the sales and marketing areas to increase the levels of new business whilst reducing the reliance on few large customers. This has resulted in an increase of pipeline. It is expected that the company will become profitable in 2018 whilst making strong inroads to further diversifying its client base with new customers coming on stream throughout the year.

##### Reserves Policy

Total funds held at 31 December 2017 amounted to £24,749,271.

Unrestricted Income Funds consist of tenant's income 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 21 of the accounts) and amounted to £16,351,777 at 31 December 2017. Capital grants are used to fund building works and the acquisition of new teaching equipment.

The Trustees have reviewed their reserves policy during the course of the year and set the reserves policy which requires:

- Reserves to be maintained at a level which ensures that the organisation's core activity could continue during a period of two months following a time when revenue falls to zero.
- A proportion of reserves be maintained in a readily realisable form.

The calculation of the required level of reserves is an integral part of the organisation's planning, budget and forecast cycle.

## Centre for Engineering and Manufacturing Excellence Limited

### REPORT OF THE TRUSTEES

The Trustees believe it is necessary to hold reserves of two months unrestricted expenditure. The Trustees regularly monitor the cash position and resources available to CEME to achieve its operational goals and are satisfied that current cash flows and the agreed overdraft facility is sufficient to provide adequate working capital. At the balance sheet date, the group held unrestricted funds totalling £8,397,494 with net current liabilities of (£181,754); the cash component is £1,243,052. Free reserves are calculated as unrestricted funds less tangible fixed assets and loans to procure fixed assets and tenants deposits. At the Balance Sheet date, CEME had free reserves of £505k. This equates to approximately 8 weeks unrestricted revenue. Due to the nature of CEME business (long-term leases), it is extremely unlikely for the income of the charity to fall to zero. CEME has determined that it is necessary to hold two months unrestricted revenue, which is £512k. CEME has prepared a five year forecast with detailed operating plans including cashflows and is satisfied that with the cash reserves and its bank overdraft facility that it has appropriate reserves.

#### Going Concern

In recognition of the tough trading sector that CEME trades in it has worked hard to market the facilities on park to let all available space, good progress has been made in this year, CEME has virtually achieved maximum capacity during the year in its classrooms and office space. Work continues to ensure that maximum capacity is achieved in both accommodation and workshop during 2018, through maintaining a solid pipeline and delivering exceptional service that make a tenant's choice difficult in leaving. During the year CEME has maintained 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.

We have set out above a review of financial performance, the charity's reserves position and expansion plans for 2017. We have adequate financial resources and are well placed to manage the business risks. Our planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure.

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. We believe that there are no material uncertainties that call into doubt the charity's ability to continue in operation. The accounts have therefore been prepared on the basis that the charity is a going concern.

Over the last two years CEME has paid particular attention to the building of cash reserves at the year end the cash balance was £1,243k (2016: £1,221k). This provides further assurance of the ability to continue in operations

#### 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:
  - o Reviewing CEME's systems of financial control, risk management and compliance
  - o 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.
  - o 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.
  - o 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:
  - o Five-year plan and cash flow forecast
  - o Annual business plan, budget and cash flow forecast
  - o Regular consideration by the Trustees of actual results compared with budgets, forecasts and trends,
  - o Cash flow and reserves levels
  - o Segregation of duties
  - o Identification of, and management of, risks
  - o 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. The risks are monitored through a risk register that is updated and reviewed on a quarterly basis. The risk register looks at risks and assesses the impact on CEME based on the following criteria: financial, strategic, reputational and operational. It also identifies detection methods, preventative and recovery controls.

CEME recognises the value and importance of effective risk management. CEME practices a culture of risk management that permeates all levels and operational functions of the organisation. To support this, additional components of the risk management framework include:

- The requirement for all staff and managers to prepare comprehensive project related risk assessment and management documentation for all new initiatives, which mandates an assessment of risk.
- New development opportunities requiring investment of the organisations resources including capital investment undergo a feasibility analysis, including an assessment of risk.
- 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. The table below provides key risks and the actions that are undertaken to manage the risks. CEME also maintains a full risk register that identifies the risks, detection controls, prevention controls and recovery controls. This is formally reviewed on a quarterly basis.

Risk	Management
Economic pressures, Competition and Major Client behaviour change	Annual budgeting and ongoing management reporting, plus monitoring of financial performance. Review of existing pipeline plus targeted additional spend on sales and marketing as deemed necessary The ongoing evaluation of longer-term strategy that targets the diversification of income from new and additional clients.
Incidents that may impact/damage reputation or negatively impact operations including cyber security, fraud and major incidents	Proactive detection, monitoring investigating and reporting of adverse incidents or events. Use of risk register is employed, Continued programme to drive IT improvements and strengthen infrastructure and protection of data.
Substantial reduction in key conference centre client business leading to reduced profitability	Monitoring of current conference facility booking levels against monthly forecast and budgets. Review of current pipeline and increased marketing spend as required.
CEME strategy and activities not fully focused to meet Charity Commission RR2 criteria	Monitor and record public benefit activities and keep the level of regeneration activities above any required level.

## Centre for Engineering and Manufacturing Excellence Limited

### 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 (FRS102);
- 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;
- 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

6 April 2018



Harjeet Sadheura  
Trustee

## Centre for Engineering and Manufacturing Excellence Limited

### Independent Auditor's Report to the Members and Trustees of the Centre for Engineering and Manufacturing Excellence Limited

#### Opinion

We have audited the financial statements of the Centre for Engineering and Manufacturing Excellence Limited for the year ended 31 December 2017 which comprise the Group Statement of Financial Activities, Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 to the charitable company's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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.

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 2017 and of the group's incoming resources and application of resources 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit,

the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

## Centre for Engineering and Manufacturing Excellence Limited

### Independent Auditor's Report to the Members and Trustees of the Centre for Engineering and Manufacturing Excellence Limited

#### Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

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

- the parent company has not kept adequate accounting records; or
- the parent 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.

#### Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 13, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's or the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

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 the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). [This description forms part of our auditor's report.]



Michael Hicks  
Senior Statutory Auditor  
For and on behalf of  
Crowe Clark Whitehill LLP  
Statutory Auditor  
London  
Date 19.4.18

Crowe Clark Whitehill LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under 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 2017 (Incorporating income and expenditure accounts)

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
<b>Income from:</b>					
Other trading activities	3	1,810,698	-	1,810,698	1,509,967
Income from investment income		101	-	101	295
<b>Charitable activities:</b>					
Skills & education and business support accommodation and related services	4	1,897,492	-	1,897,492	2,122,744
<b>Total income</b>		<b>3,708,291</b>	<b>-</b>	<b>3,708,291</b>	<b>3,633,006</b>
<b>Expenditure on:</b>					
Raising funds	5	1,016,375	-	1,016,375	980,184
<b>Charitable activities:</b>					
Skills & education accommodation and support services	6	2,888,968	463,235	3,352,203	3,290,260
Manufacturing research institute		-	-	-	284,538
<b>Total expenditure</b>	8	<b>3,905,343</b>	<b>463,235</b>	<b>4,368,578</b>	<b>4,554,982</b>
<b>Net (expenditure)</b>		<b>(197,052)</b>	<b>(463,235)</b>	<b>(660,287)</b>	<b>(921,976)</b>
<b>Net movement in funds</b>		<b>(197,052)</b>	<b>(463,235)</b>	<b>(660,287)</b>	<b>(921,976)</b>
<b>RECONCILIATION OF FUNDS:</b>					
Total funds brought forward at 1 January		8,594,546	16,815,012	25,409,558	26,331,534
Total funds carried forward at 31 December		8,397,494	16,351,777	24,749,271	25,409,558



**Centre for Engineering and Manufacturing Excellence Limited**  
**CHARITY AND GROUP BALANCE SHEETS**  
as at 31 December 2017

	Notes	Group 2017 £	2016 £	Charity 2017 £	2016 £
<b>FIXED ASSETS</b>		<b>25,592,354</b>	<b>25,878,860</b>	<b>25,508,298</b>	<b>25,812,476</b>
Tangible Fixed Assets	12	25,592,354	25,878,860	25,507,298	25,811,476
Investments	13	-	-	1,000	1,000
<b>CURRENT ASSETS</b>		<b>1,626,614</b>	<b>1,748,780</b>	<b>1,770,716</b>	<b>1,797,249</b>
Debtors	15	383,562	527,444	863,172	925,796
Cash at bank and in hand		1,243,052	1,221,336	907,544	871,453
<b>CREDITORS: amounts falling due within one year</b>	16	<b>1,808,368</b>	<b>1,729,910</b>	<b>1,760,592</b>	<b>1,674,406</b>
<b>NET CURRENT (LIABILITIES)/ ASSETS</b>		<b>(181,754)</b>	<b>18,870</b>	<b>10,124</b>	<b>122,843</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>25,410,600</b>	<b>25,897,730</b>	<b>25,518,422</b>	<b>25,935,319</b>
<b>CREDITORS: amounts falling due after more than one year</b>	17	<b>661,329</b>	<b>488,172</b>	<b>661,329</b>	<b>488,172</b>
<b>Net Assets</b>		<b>24,749,271</b>	<b>25,409,558</b>	<b>24,857,093</b>	<b>25,447,147</b>
<b>ACCUMULATED FUNDS</b>					
Unrestricted income funds	20	8,397,494	8,594,546	8,505,316	8,632,135
Restricted income funds	21	16,351,777	16,815,012	16,351,777	16,815,012
<b>MEMBERS' FUNDS</b>		<b>24,749,271</b>	<b>25,409,558</b>	<b>24,857,093</b>	<b>25,447,147</b>

The net movement in funds for the financial year dealt with in the financial statements of the parent Company was £590,054 (2016: £617,404).

Company No 04238862

The notes on pages 19 to 29 form part of these accounts.

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

6 April 2018



Harjeet Sadheura (Chief Financial Officer)  
Trustee

**Centre for Engineering and Manufacturing Excellence Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the Year Ended 31 December 2017**

	Notes	2017 £	2016 £
<b>Cash flow from operating activities:</b>			
Net cash provided by operating activities	1	346,886	277,570
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(569,588)	(481,944)
Proceeds from sale of plant and equipment		10,750	-
Net cash (used in) provided by investing activities		<u>(211,952)</u>	<u>(204,374)</u>
<b>Cash flows from financing activities:</b>			
Repayment of borrowing		(240,759)	(149,868)
Cash inflows from new borrowing		474,427	342,814
Net cash provided by financing activities		<u>233,668</u>	<u>192,946</u>
<b>Change in cash and cash equivalents in reporting period</b>		<b>21,716</b>	<b>(11,428)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>1,221,336</b>	<b>1,232,765</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b><u>1,243,052</u></b>	<b><u>1,221,337</u></b>
		<b>2017 £</b>	<b>2016 £</b>

**Note 1: Reconciliation of net (expenditure) to net cash flow from operating activities**

<b>Net (expenditure) for the reporting period (as per the statement of financial activities)</b>	<b>(660,287)</b>	<b>(921,976)</b>
<b>Adjustments for:</b>		
Depreciation charges	846,500	861,869
Loss/(profit) on the sale of fixed assets	(1,156)	-
(increase)/decrease in debtors	143,882	538,303
increase/(decrease) in creditors	17,947	(200,626)
<b>Net cash provided by operating activities</b>	<b><u>346,886</u></b>	<b><u>277,570</u></b>

**Centre for Engineering and Manufacturing Excellence Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2017

**1. CHARITY INFORMATION**

CEME is a company limited by guarantee (registered number 04238862) which is incorporated and domiciled in England. It is also registered as a charity with the Charity Commission (registered number 1133396). The address of the registered office is CEME Campus, Marsh Way, Rainham, Essex RM13 8EU. CEME Enterprise Ltd is a subsidiary of CEME Ltd registered number 07115923 at CEME Campus, Marsh Way, Rainham, Essex RM13 8EU.

**2. ACCOUNTING POLICIES**

**Basic of accounting**

The accounts (financial statements) have been prepared under the historical cost convention in accordance with the Charities SORP (FRS102) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

CEME LIMITED meets the definition of a public benefit entity under FRS 102. Asset and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The Financial statements of CEME LIMITED and its subsidiary company are consolidated, on a line-by-line basis, to produce the Group financial statements. The consolidated entity is referred to as 'the Group'.

In accordance with section 408 of the Companies Act 2006, no individual statement of financial Activities has been presented for the parent company, Centre for Engineering and Manufacturing Excellence Limited.

**Preparation of Accounts on a Going concern basis**

The trustees, having considered cash flows, income streams and operations believe that CEME has adequate resources to continue in operational existence for the foreseeable future. We believe that there are no material uncertainties that call into doubt CEME's ability to continue in operation. The accounts have therefore been prepared on the basis that CEME is a going concern.

**Functional and Presentation currency**

The functional currency of CEME LIMITED and its subsidiary is considered to be pounds sterling because that is the currency of the primary economic environment in which the charity/group operates. The consolidated financial statements are also presented in pounds sterling.

**Income**

Income for Skills & Education business support, Accommodation and Related 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 in the period to which the rental income and support services relates and to the extent to which the company becomes entitled to the income under a tenancy 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.

On receipt, donated professional services and facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services and facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

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

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

Income from government and other grants received to run specific programmes, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

**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.

#### **Significant Judgements and Estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The areas in the financial statements where estimations have been made include:

- **Tangible Assets** – the useful economic life of assets used in calculating depreciation
- **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.

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

#### **Financial Instruments**

CEME LIMITED has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost. Financial assets held at amortised cost comprise cash and bank and in hand, together with trade and other debtors excluding prepayments. Financial liabilities held at amortised cost comprise trade and other creditors excluding deferred income.

No discounting has been applied to these financial instruments on the basis that the periods over which amounts will be settled over such that any discounting would be immaterial.

#### **Expenditure**

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.

CEME initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between raising funds and the charitable activities undertaken (see note 8) in the year.

Governance costs 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.

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

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

#### **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 £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 and improvements thereto over 50 years
- Plant, Machinery and equipment over 4 to 10 years
- Office Furniture over 4 years

#### **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 21 to the financial statements.

#### **LEASES**

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.

#### **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.

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

	2017 £	2016 £
<b>3: Other Trading Activities</b>		
Conference Centre	703,807	714,582
Rent	895,747	598,148
Support Services	211,144	197,237
<b>Total</b>	<b>1,810,698</b>	<b>1,509,967</b>

<b>CHARITABLE ACTIVITIES</b>	2017 £	2016 £
<b>4. SKILLS &amp; EDUCATION AND BUSINESS SUPPORT ACCOMMODATION AND RELATED</b>		
Further Education and Apprentices Space and Training Centre	839,994	922,564
Business Incubation Centre	59,276	276,641
Cafeteria	656,365	693,264
Lauchpad	265,680	230,275
	76,177	
<b>Total</b>	<b>1,897,492</b>	<b>2,122,744</b>

<b>5: RAISING FUNDS</b>	2017 £	2016 £
Conference Centre	641,042	605,775
Support Costs	161,768	167,471
Space, IT and Shared Services	174,108	171,327
Telephone and Franking recharges	17,124	16,082
Governance costs	22,333	19,529
<b>Total</b>	<b>1,016,375</b>	<b>980,184</b>

The Conference Centre includes £233,178 (2016: £228,427) 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.

<b>6: SKILLS &amp; EDUCATION ACCOMMODATION AND SUPPORT SERVICES</b>	2017 £	2016 £
Direct costs	2,188,001	2,072,927
Depreciation of building and founding asset infrastructure	677,094	722,289
Support Costs	429,679	444,827
Governance costs	57,429	50,217
<b>Total</b>	<b>3,352,203</b>	<b>3,290,260</b>

<b>7: GOVERNANCE COSTS</b>	2017 £	2016 £
Fees payable to the group's auditors for the audit of the group's annual accounts	25,025	24,525
Fees payable to the group's auditors for other work	3,049	13,500
Taxation fee payable in respect of the Subsidiary	2,950	2,950
Trustee expenses and insurance <sup>1</sup>	11,117	1,886
Board and committee support costs <sup>2</sup>	37,621	26,885
<b>Total</b>	<b>79,762</b>	<b>69,746</b>

<sup>1</sup> Travel expenses incurred by Trustees in respect of CEME meetings amounted to £1,133 (2016: £1,037) during the year. The number of Trustees receiving expense reimbursement during the year was 2 (2016: 2). Trustee indemnity insurance cost £985 (2016: £849).

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

**Key Management Personnel**

The key management personnel of the charity comprise the trustees, the Chief Executive and the Chief Financial Officer. Executive Directors were remunerated for acting in that role under the authority of CEME's memorandum and articles of association.

These costs reflect the pay and non-pay costs of the CEO and Chief Financial Officer relating to preparation for and attendance at trustee meetings, and the pay and non-pay costs of Non Executive Directors.

Martin Broadhurst was paid £15,413 for his services as chairman. A non executive director, Dr Keyvan Djamariani, was paid £6,000 for performing that role. Payments to non-executive directors are made under the authority of CEME's memorandum and articles of association.

The Chief Executive, Mark Williams, was remunerated as follows: pay £128,456 (2016: £127,500), pension £6,423 (2016: £6,375), bonus £42,500 (2016: £42,496), employers NI £22,859 (2016: £22,754) and other benefit of £3,000 (2016: £3,000). Reimbursed out of pocket expenses for travel and subsistence were £500 (2016: £831).

The Chief Financial Officer, Harjeet Sadheura, was remunerated as follows: pay £74,555 (2016: £74,000), pension £3,728 (2016: £3,700), bonus £24,666 (2016: £24,664), employers NI £12,982 (2016: £12,910) and other benefits £3,000 (2016: £3,000). Reimbursed out of pocket expenses for travel and subsistence were £1,657 (2016: £578).

**8. TOTAL EXPENDITURE**

	Direct Cost	Support Costs			Governance Cost	Total 2017
		Management	Finance	HR		£
Raising funds	832,274	50,714	105,146	5,908	22,333	1,016,375
Skills & education accommodation and support services	2,885,094	134,705	279,283	15,692	57,429	3,352,203
<b>Total</b>	<b>3,697,368</b>	<b>185,419</b>	<b>384,429</b>	<b>21,600</b>	<b>79,762</b>	<b>4,368,578</b>

**Comparative**

	2016
	£
Raising funds	980,184
Skills & education accommodation and support services	3,290,260
Manufacturing research institute	284,538
<b>Total</b>	<b>4,554,982</b>

**9. STAFF NUMBERS AND COSTS**

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

By activity	2017	2016
	No.	No.
Operations	18	17
Governance	2	2
Support	3	3
	<b>23</b>	<b>22</b>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	944,025	939,569
Social security costs	105,988	105,660
Other pension costs	40,014	38,584
	<b>1,090,027</b>	<b>1,083,813</b>

Those receiving employee benefits (excluding employer pension contribution) in the following ranges were:

	2017	2016
	No.	No.
£60,001-£70,000	2	2
£90,001-£100,000	0	1
£100,001-£110,000	1	1
£170,001-£180,000	1	1

Pensions contributions made on behalf of employees earning in excess of £60,000 per annum were £16,422 (2016: £20,000).

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.

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

**10. 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:

	2017 Group £	2016 Group £
Regeneration programme funding: London Development Agency	-	-
For facilities rental and provision of core services by the Group:		
Ford Motor Company	134,240	135,469
London Borough of Havering	79,570	275,465
Barking and Dagenham College	-	13,490
For goods and services provided by the Group:		
Ford Motor Company	16,257	20,066
London Borough of Havering	91,406	55,572
Barking and Dagenham College	-	2,326
For goods and services provided to the Group:		
Ford Motor Company	-	-
The balances due (by) / to the Group at 31 December were as follows:		
Ford Motor Company	55,917	3,416
Barking and Dagenham College	-	-
London Borough of Havering	(8,719)	(18,547)
Havering College	-	(8,333)

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:

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

During the year CEME Ltd has recharged CEME Enterprise Ltd (Subsidiary) cost of £774,843 (2016 - £762,532) made out of cost paid on behalf of CEME Enterprise totalling £541,665 (2016 - £497,828) plus rent and services provided by CEME Ltd totalling £233,178 (2016 - £228,427) including VAT, at year end the outstanding amount owed to CEME Ltd from CEME Enterprise Ltd was £525,284 (2016 - £479,619).

**11. NET EXPENDITURE**

	2017 £	2016 £
The net expenditure is stated after charging		
Fees payable to the charity's auditors for the audit of the charity's annual accounts	19,025	18,525
Fees payable to the charity's auditors for the audit of the charity's subsidiary pursuant to legislation	6,000	6,000
Total audit fees	25,025	24,525
Taxation fees for the subsidiary	2,950	2,950
Other services	3,049	13,500
Total fees payable	31,024	40,975

	Group	Charity	Group	Charity
	2017 £	2017 £	2016 £	2016 £
Depreciation of tangible fixed assets	846,500	817,036	861,869	838,580
Rental costs relating to operating leases:				
Photocopy machines	1,100	1,100	976	976
Profit/(Loss) on disposal of fixed assets	1,156	1,156	-	-



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

**12. TANGIBLE FIXED ASSETS**

	<b>Group</b>		
	Long Leasehold Buildings	Plant, Equipment and Motor Vehicles	Total
	£	£	£
<b>Cost</b>			
1 January 2017	34,489,321	5,599,151	40,088,472
Additions	427,627	141,961	569,588
Disposals	-	(214,701)	(214,701)
31 December 2017	34,916,948	5,526,411	40,443,359
<b>Depreciation</b>			
1 January 2017	9,311,650	4,897,962	14,209,612
Charge in the year	682,708	163,792	846,500
Disposals	-	(205,107)	(205,107)
31 December 2017	9,994,358	4,856,647	14,851,005
<b>Net book value</b>			
31 December 2017	24,922,590	669,764	25,592,354
31 December 2016	25,177,671	701,189	25,878,860

	<b>CHARITY</b>		
	Long Leasehold Buildings	Plant, Equipment and Motor Vehicles	Total
	£	£	£
<b>Cost</b>			
1 January 2017	34,489,321	5,473,217	39,962,538
Additions	427,627	94,824	522,451
Disposals	-	(211,580)	(211,580)
31 December 2017	34,916,948	5,356,461	40,273,409
<b>Depreciation</b>			
1 January 2017	9,311,650	4,839,412	14,151,062
Charge in the year	682,708	134,328	817,036
Disposals	-	(201,987)	(201,987)
31 December 2017	9,994,358	4,771,753	14,766,111
<b>Net book value</b>			
31 December 2017	24,922,590	584,708	25,507,298
31 December 2016	25,177,671	633,805	25,811,476

The net book value of plant and machinery includes £1,193,995 (2016: £595,981) in respect of assets held under finance leases. The depreciation charge on these assets was £69,629 (2016: £41,610).

The long leasehold buildings are constructed on land leased by the Ford Motor Company Limited to The London Development Agency (see also Note 10) 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, and the Gateway to Skills Centre, the property assets are let out under operating lease agreements and short term rentals.

**13. 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**

**14. TRADING SUBSIDIARIES**

Net expenditure of CEME before consolidation of the trading subsidiaries was £590,056 (2016 : £617,404).

The results for CEME Enterprise Limited are shown below. CEME Enterprise runs the conference centre at CEME. Net liabilities of the company were £106,822 at year end.

<u>CEME Enterprise Limited</u>	2017	2016
	£	£
Total income	703,807	714,582
Cost of sales	(627,722)	(606,411)
Gross Profit	76,085	108,171
Administration costs	(145,566)	(126,852)
Interest receivable	42	129
Interest payable	(794)	(1,482)
Profit before taxation	(70,233)	(20,034)
	2017	2016
	£	£
Fixed Assets		
Tangible Assets	85,056	67,384
Current Assets		
Debtors	35,725	60,316
Prepayment	9,949	20,949
Cash at bank and in hand	335,508	349,884
Creditors: amounts falling due within one year		
Creditors	573,060	535,122
Net Current Liabilities	(191,878)	(103,973)
Total Asset Less Current Liabilities		
Net Liabilities	(106,822)	(36,589)
Capital and Reserves		
Share Capital	1,000	1,000
Retained Earnings	(107,822)	(37,589)
	(106,822)	(36,589)

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
<b>15. DEBTORS:</b>				
Due within one year:				
Trade debtors	285,281	392,509	249,556	560,620
Amounts owed by group undertakings	-	-	525,284	251,192
Other debtors	98,281	134,935	88,332	113,984
Total	383,562	527,444	863,172	925,796

CEME Ltd has secured an overdraft facility of £400,000 with Barclays bank. This is secured on net debtors.

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
<b>16. CREDITORS: amounts falling due within one year</b>				
Trade creditors	398,723	415,083	394,909	411,218
Deferred Income	360,113	326,603	358,233	322,554
Obligations under finance lease and hire purchase contracts	260,818	200,306	260,818	200,306
Other taxes and social security	105,193	115,427	75,936	77,538
Other creditors	683,521	672,491	670,696	662,790
Total	1,808,368	1,729,910	1,760,592	1,674,406

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
<b>Movement on deferred income</b>				
Deferred income brought forward	322,554	469,692	322,554	469,692
Realised during the year	(1,667,984)	(1,509,167)	(1,667,984)	(1,509,167)
Deferred during the year	1,705,543	1,366,078	1,703,663	1,362,029
Deferred income carried forward	360,113	326,603	358,233	322,554

Deferred income relates to rental income received in advance of the period to which it relates.

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

17. CREDITORS: amounts falling due after more than one year	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Obligations under finance leases and hire purchase agreements	661,329	488,172	661,329	488,172
Total creditors falling due after more than 1 yr	661,329	488,172	661,329	488,172

18. COMMITMENTS UNDER OPERATING AND FINANCE LEASES	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Future minimum operating lease payments are as follows:				
Plant and machinery:				
-Within one year	488	976	488	976
-Between one and five years	-	1,464	-	1,464

Future minimum finance lease payments are as follows:	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Building, Furniture, Plant and machinery:				
-Within one year	260,818	200,306	260,818	200,306
-Between one and five years	661,329	488,172	661,329	488,172

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.

19. RENTAL OPERATING LEASES	2017	2016	2017	2016
	£	£	£	£
The future minimum lease rental income due from tenants operating leases are as follows:	Group		Charity	
-not later than one year;	2,397,601	2,157,126	2,397,601	2,157,126
-later than one year and not later than five years	4,367,437	3,685,368	4,367,437	3,685,368
-later than five years;	1,011,539	-	1,011,539	-

**20. STATEMENT OF FUNDS**

	Balance 1 Jan 17	Income	Expenditure	Balance 31 Dec 17
Unrestricted Income Funds				
General funds	8,594,546	3,708,291	(3,905,343)	8,397,494
Restricted Income Funds	16,815,012	-	(463,235)	16,351,777
Total	25,409,558	3,708,291	(4,368,578)	24,749,271

2016 Comparative	Balance 1 Jan 16	Income	Expenditure	Transfer of HSSMI Fund	Balance 31 Dec 1916
Unrestricted Income Funds					
General funds	8,754,586	3,633,006	(3,765,095)	(27,951)	8,594,546
Restricted Income Funds	17,576,948	-	(789,887)	27,951	16,815,012
Total	26,331,534	3,633,006	(4,554,982)	-	25,409,558

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

<b>21. STATEMENT OF RESTRICTED FUNDS</b>	<b>Balance 1 Jan 17</b>	<b>Income</b>	<b>Expenditure</b>	<b>Balance 31 Dec 17</b>
Capital and revenue costs of the Gateway to Skills Centre <sup>2</sup>	50,888	-	(6,133)	44,755
Capital and revenue costs of the Gateway for Business programme <sup>3</sup>	18,193	-	(457)	17,736
SRB 5 Capital - Delivery plan <sup>1</sup>	3,957,171	-	(107,923)	3,849,248
SRB IT Capital <sup>1</sup>	773,532	-	(21,066)	752,466
DTI <sup>1</sup>	3,008,840	-	(81,983)	2,926,857
Innovative Clusters Fund <sup>1</sup>	645,331	-	(17,600)	627,731
LDA grant for erection of campus and acquisition of teaching equipment <sup>1</sup>	4,413,480	-	(120,776)	4,292,704
ERDF Objectives 11 <sup>1</sup>	2,680,918	-	(73,116)	2,607,802
LSC Capital <sup>1</sup>	724,282	-	(19,753)	704,529
NTI Capital <sup>1</sup>	533,019	-	(14,428)	518,591
Department for Communities and Local Government HSSMI <sup>4</sup>	9,358	-	-	9,358
<b>Total</b>	<b>16,815,012</b>	<b>-</b>	<b>(463,235)</b>	<b>16,351,777</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 provides funding for the High Speed Sustainable Manufacturing Institute. HSSMI was 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. The remainder of £9,358 will be paid to HSSMI Ltd during 2018.

<b>Analysis of net assets between funds</b>	<b>Restricted Funds</b>	<b>Unrestricted Funds</b>	<b>Total Funds</b>
Tangible fixed assets	16,342,419	9,249,935	25,592,354
Current assets	9,358	1,617,256	1,626,614
Current liabilities	-	(1,808,368)	(1,808,368)
Creditors falling due after one year	-	(661,329)	(661,329)
<b>Total</b>	<b>16,351,777</b>	<b>8,397,494</b>	<b>24,749,271</b>

**Comparative 2016**

<b>Analysis of net assets between funds</b>	<b>Restricted Funds</b>	<b>Unrestricted Funds</b>	<b>Total Funds</b>
Tangible fixed assets	16,805,654	9,073,206	25,878,860
Current assets	9,358	1,739,422	1,748,780
Current liabilities	-	(1,729,910)	(1,729,910)
Creditors falling due after one year	-	(488,172)	(488,172)
<b>Total</b>	<b>16,815,012</b>	<b>8,594,546</b>	<b>25,409,558</b>

**22. 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.

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

<b>23. COMPARATIVE SOFA BY FUND</b>		<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Total 2016 £</b>
<b>INCOME</b>				
Income from generated funds				
Other trading activities	2	1,509,967	-	1,509,967
Investment income		295	-	295
Income from charitable activities				
Skills & education and business	3	2,122,744	-	2,122,744
support accommodation and related services				
<b>Total income</b>		<b>3,633,006</b>	<b>-</b>	<b>3,633,006</b>
 Expenditure on Raising funds	6	980,184	-	980,184
Charitable Activities				
Skills & education accommodation and support services	7	2,784,911	505,349	3,290,260
Manufacturing research institute	5	-	284,538	284,538
<b>Total expenditure</b>	<b>10</b>	<b>3,765,095</b>	<b>789,887</b>	<b>4,554,982</b>
 Net (expenditure)		<b>(132,089)</b>	<b>(789,887)</b>	<b>(921,976)</b>
Transfer between funds		(27,951)	27,951	-
<b>RECONCILIATION OF FUNDS</b>				
Total funds brought forward at 1 January		8,754,586	17,576,948	26,331,534
Total funds carried forward at 31 December		8,594,546	16,815,012	25,409,558

**24. FINANCIAL INSTRUMENTS**

	<b>2017 £</b>	<b>Group 2016 £</b>	<b>Charity 2017 £</b>	<b>2016 £</b>
<b>Carrying amount of financial assets/liabilities</b>				
<b>Financial assets that are measured at amortised cost</b>				
Cash	1,243,052	1,221,336	907,544	871,453
Trade debtors	285,281	392,509	249,556	560,620
Other debtors	-	-	-	-
 <b>Financial liabilities that are measured at amortised cost</b>				
Trade creditors	398,723	415,083	394,909	411,218
Other creditors and accruals	683,521	672,491	670,696	662,790