

Centre for Engineering and
Manufacturing Excellence Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2004



Centre for Engineering and Manufacturing Excellence Limited

DIRECTORS AND OFFICERS

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS

Ray Harris (Chairman)	Appointed 15 October 2004	London Riverside
Michael Harvey	Resigned 22 April 2005	Ford Motor Company
Donya Urwin	Resigned 24 June 2005	Ford Motor Company
Noel Otley		Havering College of Further and Higher Education
Ted Parker	Resigned 24 June 2005	Barking College
John Biggs	Resigned 17 September 2004	London Riverside
Tarsame Singh	Resigned 24 June 2005	Community
Paul Smith	Resigned 24 June 2005	Ford Motor Company
Jon Cruddas	Resigned 24 June 2005	London Riverside
Bob Blenkinsop	Appointed 22 April 2005	Ford Motor Company
Paul McCann	Appointed 22 July 2005	
Ray Rankmore	Appointed 22 July 2005	

The structure of the board was revised in June 2005 in line with the Centre for Engineering and Manufacturing Excellence Limited's Business Plan and revised Memorandum and Articles of Association.

SECRETARY

David Kinzett	Resigned 30 September 2004
Paul McCann	Appointed 30 September 2004

COMPANY NUMBER

04238862 (England and Wales)

REGISTERED OFFICE

CEME Campus
Marsh Way
Rainham
Essex RM13 8EU

AUDITORS

Baker Tilly
Marlborough House
Victoria Road South
Chelmsford
Essex CM1 1LN

BANKERS

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

Centre for Engineering and Manufacturing Excellence Limited

DIRECTORS' REPORT

The directors present their report and financial statements of Centre for Engineering and Manufacturing Excellence Limited for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Centre for Engineering and Manufacturing Excellence Limited is a pathfinder for a new form of vocational based education, training and innovation delivery in London. It offers a seamless range of education based on a high value economy and, due to its intimate links with advanced production technology, drives forward the creation of a new benchmark for skills development in London. This is highly relevant due to its location in the heart of the Thames Gateway.

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

Construction work began on the building in October 2001 and the main building was officially opened on 1 September 2003.

RESULTS FOR THE YEAR

The results for the year and the financial position at the year end were as expected by the directors.

At the year end, an £8m grant was agreed with the London Development Agency and a £1m grant from Ford Motor Company, which has been earmarked for future capital projects and revenue subsidies, in line with CEME's business plan.

MEMORANDUM AND ARTICLES OF ASSOCIATION

On 24 June 2005 the board approved the revised Memorandum and Articles of Association, these changes being effected in line with the Business Plan and Grant Funding Agreements.

DIRECTORS AND THEIR INTERESTS

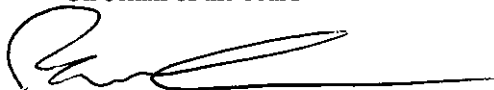
The directors of the company served throughout the year, unless otherwise stated, and have no beneficial interests in the company.

AUDITORS

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

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

On behalf of the board



Paul McCann
Company Secretary

23.9.05...

Centre for Engineering and Manufacturing Excellence Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements on pages 5 to 14.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex CM1 1LN

13.9.05

Centre for Engineering and Manufacturing Excellence Limited

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 December 2004

	Notes	2004 £	2003 £
INCOME		2,303,479	2,166,904
Cost of sales		91,515	109,950
Gross surplus		2,211,964	2,056,954
Other operating expenses	1	3,117,244	2,186,172
OPERATING DEFICIT		(905,280)	(129,218)
Investment income	2	3,089	23,292
		(902,191)	(105,926)
Interest payable	3	55,922	3,095
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(958,113)	(109,021)
Taxation	5	-	(5,000)
DEFICIT FOR THE FINANCIAL YEAR		(958,113)	(104,021)

The operating deficit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Income and Expenditure Account.

Centre for Engineering and Manufacturing Excellence Limited

BALANCE SHEET

31 December 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	6	35,770,155	36,208,738
CURRENT ASSETS			
Debtors	7	281,308	1,105,556
Cash at bank and in hand		1,002,001	152,500
		1,283,309	1,258,056
CREDITORS: Amounts falling due within one year	8	4,747,557	3,603,593
NET CURRENT LIABILITIES		(3,464,248)	(2,345,537)
TOTAL ASSETS LESS CURRENT LIABILITIES		32,305,907	33,863,201
CREDITORS: Amounts falling due after more than one year	9	(378,106)	(375,000)
		31,927,801	33,488,201
DEFERRED CAPITAL GRANTS	10	279,134	-
CAPITAL AND RESERVES			
Capital contributions	12	32,710,801	33,592,222
Accumulated deficit	12	(1,062,134)	(104,021)
NET FUNDS		31,927,801	33,488,201

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

Approved by the board on 23/9/05

Ray Harris



Director

Centre for Engineering and Manufacturing Excellence Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

GOING CONCERN

The company was incorporated on 19 June 2001. Since that date the company has constructed a building to deliver vocational based education and training on land leased by Ford Motor Company Limited to the London Development Agency. *The main building was opened on 1 September 2003.*

When construction work on the building commenced, the total cost of the capital works was estimated to be £26,900,000. This cost was to be met in full by contributions which had been agreed with and approved by funding organisations.

At 31 December 2004 the amount expended on the capital cost of the building and plant and machinery was £37,671,193. Of this amount, capital contributions received to date from funding organisations totalled £34,167,231. The balance sheet at 31 December 2004 shows net current liabilities of £3,429,873 and further creditors falling due after more than one year of £378,106. The company has suffered an operating deficit for the year of £923,738.

On 17 December 2004 the company's board of directors approved to accept a package of financial assistance from London Development Agency and Ford Motor Company Limited and the conditions imposed therein. Under the terms and conditions set out in a grant funding agreement, London Development Agency agreed to contribute additional monies of £8,000,000, subject to the participation of Ford Motor Company and the company's implementation of a five year business plan agreed with London Development Agency.

Of the £8,000,000, approximately £3,400,000 is designated for capital expenditure, £2,500,000 is to settle the outstanding London Development Agency loan shown in creditors falling due within one year and £2,100,000 is to supplement future revenue streams whilst the five year business plan is being implemented.

Since 1 January 2005 the company has received £3,200,000 from London Development Agency under the agreement and £1,000,000 from Ford Motor Company Limited as a contribution towards future capital expenditure.

There is currently no bank borrowing.

The directors believe the five year business plan will be successfully implemented and, on this basis, consider that it is appropriate to prepare financial statements on a going concern basis.

TANGIBLE FIXED ASSETS

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

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:

Leasehold buildings	over 50 years
Plant and machinery	between 3 years and 10 years
Computer equipment	between 2 years and 5 years
Fixtures and fittings	between 2 years and 5 years

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

Centre for Engineering and Manufacturing Excellence Limited

ACCOUNTING POLICIES (CONTINUED)

DEFERRED TAXATION

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 the company's taxable profits and its results as stated 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.

LEASED ASSETS AND OBLIGATIONS

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

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

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

PENSION

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

INCOME

Income derives from the company's principal activities which is the provision of training facilities and related activities. In addition, income includes contributions to operating costs received from funding organisations.

CAPITAL CONTRIBUTIONS

Capital contributions in respect of capital expenditure are credited to the capital reserves. Capital contributions are amortised to the profit and loss account to match the depreciation charge on the assets in service funded by capital contributions.

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

1.	OTHER OPERATING EXPENSES	2004 £	2003 £
	Administrative expenses	<u>3,117,244</u>	<u>2,186,172</u>
2.	INVESTMENT INCOME	2004 £	2003 £
	Bank interest	<u>3,089</u>	<u>23,292</u>
3.	INTEREST PAYABLE	2004 £	2003 £
	Interest payable includes the following:		
	Hire purchase interest	<u>17,202</u>	<u>-</u>
4.	DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004 £	2003 £
	Deficit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation of tangible assets:		
	Charge for the year:		
	owned assets	1,486,846	383,177
	Amortisation of capital contributions	(1,089,921)	(366,510)
	Operating lease rentals:		
	Other	600,903	313,848
	Auditors' remuneration	<u>5,000</u>	<u>5,000</u>

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2004

5. TAXATION	2004 £	2003 £
Domestic current year tax		
Adjustment for prior years	-	(5,000)
	<u>-</u>	<u>(5,000)</u>
Current tax charge	-	(5,000)
	<u>-</u>	<u>(5,000)</u>
Factors affecting the tax charge for the year		
Deficit on ordinary activities before taxation	(958,113)	(109,021)
	<u>(958,113)</u>	<u>(109,021)</u>
Deficit on ordinary activities before taxation multiplied by standard rate of UK corporation tax for small companies of 0.00% (2003: 0.00%)	-	-
Effects of:		
Adjustments to previous periods	-	(5,000)
Other tax adjustments	-	-
	<u>-</u>	<u>-</u>
Current tax charge	-	(5,000)
	<u>-</u>	<u>(5,000)</u>

6. TANGIBLE FIXED ASSETS

	<i>Leasehold buildings</i> £	<i>Plant and machinery</i> £	<i>Total</i> £
Cost			
1 January 2004	31,075,251	5,516,664	36,591,915
Additions	431,960	647,318	1,079,278
	<u>31,507,211</u>	<u>6,163,982</u>	<u>37,671,193</u>
31 December 2004			
Depreciation			
1 January 2004	200,934	182,243	383,177
Charge in the year	629,765	888,096	1,517,861
	<u>830,699</u>	<u>1,070,339</u>	<u>1,901,038</u>
31 December 2004			
Net book value			
31 December 2004	30,676,512	5,093,643	35,770,155
	<u>30,676,512</u>	<u>5,093,643</u>	<u>35,770,155</u>
31 December 2003	30,874,317	5,334,421	36,208,738
	<u>30,874,317</u>	<u>5,334,421</u>	<u>36,208,738</u>

The net book value of plant and machinery includes £277,990 (2003- £-) in respect of assets held under finance leases.

Leasehold property was shown as an asset under construction in 2002. The property was brought into use on September 1 2003, and depreciation has been charged from this date. The leasehold property was constructed on land leased by Ford Motor Company Limited to The London Development Agency. Leasehold property is held under long leases.

Centre for Engineering and Manufacturing Excellence Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2004

7. DEBTORS	2004	2003
	£	£
Due within one year:		
Trade debtors	99,354	834,044
Other debtors	181,954	271,512
	<u>281,308</u>	<u>1,105,556</u>
8. CREDITORS: Amounts falling due within one year	2004	2003
	£	£
Bank overdraft	-	1,009,186
Loan	2,500,000	-
Obligations under finance lease and hire purchase contracts	185,327	-
Trade creditors	392,319	1,603,120
Taxes and social security costs	56,989	-
Other creditors	1,612,922	991,287
	<u>4,747,557</u>	<u>3,603,593</u>

The loan of £2,500,000 is secured by a first priority legal mortgage over the leasehold property. This loan has been repaid since 31 December 2004 from monies received from London Development Agency. (Refer to Accounting Policy note on Going Concern on page 7)

Centre for Engineering and Manufacturing Excellence Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2004

9. CREDITORS: Amounts falling due in more than one year	2004 £	2003 £
Other loans	285,443	375,000
Obligations under finance leases and hire purchase agreements	92,663	-
	<u>378,106</u>	<u>375,000</u>
Loans		
Wholly repayable within five years	2,907,928	500,000
Included in current liabilities	(2,622,485)	(125,000)
	<u>285,443</u>	<u>375,000</u>
Loan maturity analysis:		
In more than one year but not more than two years	129,394	125,000
In more than two years but not more than five years	156,049	250,000
	<u></u>	<u></u>
	2004 £	2003 £
Obligations under finance leases and hire purchase contracts:		
Repayable within one year	185,327	-
Repayable between two and five years	92,663	-
	<u>277,990</u>	<u>-</u>
	277,990	-
Included in current liabilities	(185,327)	-
	<u>92,663</u>	<u>-</u>
10. DEFERRED CAPITAL GRANTS		
		<i>Equipment Grants £</i>
Cash receivable		310,149
Released to income and expenditure account		(31,015)
		<u>279,134</u>

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2004

11. SHARE CAPITAL

The company is limited by guarantee. If the company is wound up while the funding organisation or within one year after that funding organisation ceases to be a member, every member of the company will contribute such amounts as may be required not exceeding £1 to the assets of the company, for the payment of the company's debts and liabilities accrued before the member ceases to be a member, and of the costs and expenses of winding up, and for the adjustment of the rights of the contributions among themselves.

12. STATEMENT OF MOVEMENT ON RESERVES

	<i>Capital contributions (see below)</i>	<i>Accumulated deficit</i>
	£	£
1 January 2004	33,592,222	(104,021)
Deficit for the year	-	(958,113)
Movement during the year	(881,421)	-
31 December 2004	<u>32,710,801</u>	<u>(1,062,134)</u>

	<i>Opening 2003</i>	<i>Contributions</i>	<i>Amortisation</i>	<i>Closing 2004</i>
	£	£	£	£
Capital contributions				
London Development Agency	2,473,018	-	(79,744)	2,393,274
Single Regeneration Budget 5/6 (HOTG)	5,257,636	81,000	(172,147)	5,166,489
Barking College and Havering College of Further and Higher Education	2,693,248	-	(86,844)	2,606,404
Learning and Skills Council	976,996	-	(31,504)	945,492
Department of Trade and Industry	3,956,829	-	(127,590)	3,829,239
Innovations Clusters Fund	870,502	-	(28,070)	842,432
European Regional Development Fund	3,616,344	-	(116,611)	3,499,733
Ford Motor Company	11,534,650	-	(371,940)	11,162,710
NTI	1,135,115	127,500	(40,714)	1,221,901
Single Regeneration Budget IT Capital	1,077,884	-	(34,757)	1,043,127
	<u>33,592,222</u>	<u>208,500</u>	<u>(1,089,921)</u>	<u>32,710,801</u>

13. PENSION COMMITMENTS

DEFINED CONTRIBUTION

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

	2004	2003
	£	£
Contributions payable by the company for the year	<u>21,197</u>	<u>6,436</u>

Centre for Engineering and Manufacturing Excellence Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2004

14. RELATED PARTY TRANSACTIONS

Centre for Engineering and Manufacturing Excellence Limited transacted with the following capital contributors during the year as follows:

In Capital contributions, Ford Motor Company paid £Nil (2003: £3,596,000), Barking College paid £Nil (2003: £108,525) and Havering College of Further and Higher Education paid £Nil (2003: £535,064).;

To cover operating costs Ford Motor Company paid £1,268,500 (2003: £806,375). Barking College paid £256,000 (2003: £215,561), Havering College of Further and Higher Education paid £256,000 (2003: £215,561) and London Riverside paid £20,000 (2003: £15,527).

For goods and services Ford Motor Company paid £Nil (2003: £97,805), Barking College paid £38,244 (2003: £731), Havering College of Further and Higher Education paid £206,119 (2003: £1,187) and London Riverside paid £2,893 (2003: £14,377).

The balances due at 31 December 2004 are as follows: Due from Ford Motor Company £1,181 (2003: £381,476), due to Barking College £190 (2003: due from £86,847), due from Havering College of Further and Higher Education £32,568 (2003: due from £88,407) and due from London Riverside £6,842 (2003: £Nil).