

ENGINEERING AND MARINE TRAINING AUTHORITY

REPORT AND FINANCIAL STATEMENTS

31 MARCH 1998



**Registered in England and Wales - Company Number 2324869
- Charity Number 1000328**

ENGINEERING AND MARINE TRAINING AUTHORITY

REPORT AND FINANCIAL STATEMENTS 31 MARCH 1998

Auditors and Financial Advisers

Moores Rowland
Clifford's Inn
Fetter Lane
London EC4 1AS

Investment Managers

Barclays Private Bank Limited
43, Brook Street
London W1Y 2PB

Property Managers

Fletcher King
Stratton House
Stratton Street
London W1X 5FE

Bankers

Barclays Bank plc
32 Clarendon Road
Watford WD1 1LD

Solicitors

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

Davenport Lyons
1 Old Burlington Street
London W1X 1LA

Charles Russell
8-10 New Fetter Lane
London EC4A 1RS

Registered Office

Vector House
41 Clarendon Road
Watford WD1 1HS

Chief Executive

Dr Michael Sanderson

Deputy Chief Executive

Charles Moody OBE

Finance Director and Company Secretary

Philip Whiteman

ENGINEERING AND MARINE TRAINING AUTHORITY

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CHAIRMAN'S STATEMENT

The highlight of the year (upon which we are now reporting) was undoubtedly the awarding of our status as a National Training Organisation in July 1997. We then committed to separate the activities of the Awarding Body from our NTO activities and on October 1st 1997 a wholly owned subsidiary company, EMTA Awards Ltd, became responsible for the Awarding Body role. On that same date, the product range was substantially revised and qualifications were introduced based on the standards developed as part of the Engineering Reformation Project. This deadline date resulted in a surge of registrations for old style qualifications in August and September. The volumes were far higher than expected and a backlog of work built up which affected performance through to early 1998. However, the work needed to resolve this problem gave us the opportunity to review and improve systems and procedures. The problem is now largely solved and the process is now highly automated. All external verifiers can now communicate directly with Watford by means of the portable computer facilities which we have provided.

The trading subsidiaries, which produce the lion's share of income, all performed well. Meanwhile, we were able to increase our influence on training policy as the new government spent their first year in office dealing with education and training issues. They are now turning their attention to vocational training and 1998 promises to be an eventful year. Indeed, EMTA are already playing a full part in New Deal and University for Industry initiatives.

As part of improving our NTO services, we set up a European Department to ensure that the UK engineering sector, particularly smaller employers, secure their fair share of European funding to assist in providing training for the engineering workforce.

A major effort has been made to modernise the ITB Pension Fund in which we participate with a number of other training organisations. This task has generated considerable controversy but there are signs of some light at end of the tunnel.

REVIEW OF ACTIVITIES

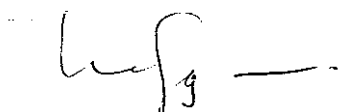
A full review is given in the Trustees' Report.

THE COUNCIL

I am indebted to all my fellow council members who have given me their valuable support at meetings of council and its committees and at various promotional events held over the last 12 months. Without the time they freely and willingly give, it would be nigh on impossible to meet the objectives we set ourselves.

EMPLOYEES

The staff have worked through another and busy year with enthusiasm and commitment. Our accreditation as an Investor in People, achieved in January 1998, is a considerable testimony to our various systems already in place. I warmly thank all staff for their splendid efforts.



Rt. Hon. Lord Trefgarne PC

22 September 1998

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TRUSTEES' REPORT

The Council members are directors of the charitable company and trustees of the Charity.

OBJECTIVES

The objects of the Engineering and Marine Training Authority, the National Training Organisation for engineering employers, are to promote and advance the training of persons employed or intending to be employed as engineers.

The key policies adopted in order to achieve these objects are :

- Development and promotion of sector targets.
- Development and promotion of occupational standards.
- Development and promotion of National Vocational Qualifications (NVQs) and Scottish Vocational Qualifications (SVQs).
- Working with employers and Training and Enterprise Councils (TECs) to develop programmes of initial training.
- Encouraging life long learning and commitment to the liP standard.
- Identifying and monitoring the skills and training needs of engineers.
- Providing information to employers about training.
- Encouraging young people to choose an engineering career.

REVIEW OF ACTIVITIES

The activities of the charity are funded from investment income and from profits covenanted to it by trading subsidiaries. Each of the trading activities is managed for maximum return. The portfolio of investments generating income includes direct investment in property which comprises about 4% of the portfolio by value.

PROGRESS DURING THE YEAR

Progress during the year is presented fully in the Chief Executive's Report. The results for the year are on Page 7. The council recommend that the surplus is transferred to reserves.

REVIEW OF FINANCIAL POSITION

The trading subsidiaries produced profits of £1,423,000 much of which was covenanted to the charity to further charitable objectives.

The change in the performance objectives of the investment portfolio has enabled the investment managers to keep pace with the benchmark - the WM Charity Universe for funds which are constrained by asset mix - since the restructuring of the portfolio in July 1997. This performance has resulted in enough income to fund current expenditures and to make up some of the deterioration in real capital values in the current year.

The gradual disposal of investment properties continued and a further downgrading of values has been written off through the profit and loss account. However, with investment properties now standing at a value of only £1,490,000, future value fluctuations are unlikely to be material.

The balance sheet net assets achieved growth of 15% over the year and, in real terms the net assets now represent 99 % of the assets inherited from the Engineering Industry Training Board in 1991.

YEAR 2000 ISSUES

EMTA has a Year 2000 compliance committee which addresses issues arising from the millennium date change. The committee is chaired by the Finance Director and is supported by a group of technical staff. The objective of the committee is to ensure all software and hardware and other systems are Year 2000 compliant and the work is progressing well. The estimated total cost of ensuring compliance is £10,000.

RESERVES POLICY

In 1991 the Secretary of State for the Department of Employment, empowered by S3A of the Industrial Training Act 1982, made a direction that assets of the Engineering Industry Training Board be transferred on trust to the Engineering Training Authority, now the Engineering and Marine Training Authority (EMTA).

Since EMTA carries out no fundraising activities, the income generated from these assets is needed to fund its charitable work. The trustees policy is to maintain the income generating capacity of these assets in real terms and a Designated Reserve has been established to enable the inherited reserves to grow with inflation, as measured by the Retail Price Index.

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TRUSTEES' REPORT (continued)

It is expected that over the long term, the performance of the investment portfolio will be better than inflation and, therefore, it will be unnecessary to adjust the policy to counter short term downward fluctuations in investment markets.

The revaluation reserve and the general reserve are considered to be free reserves, expendable at the discretion of the trustees.

The policy is reviewed every five years.

COUNCIL MEMBERS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Council members 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 safe-guarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE GOVERNANCE

The key internal financial control procedures are summarised as follows :

Control environment :

There is a clear organisational structure with well defined lines of responsibility and delegation of appropriate levels of authority.

Risk management :

Business strategy, business plans and treasury and property operations are reviewed by the Finance and General Purposes Committee who make policy recommendations to the full Council. Detailed appraisals are undertaken and financial implications evaluated prior to all capital expenditure and projects.

Financial reporting :

A comprehensive system of budgets and forecasts is in place, with quarterly monitoring and reporting of actual results against targets to the Finance and General Purposes Committee of the Council.

Control procedures and monitoring systems :

Authority levels and procedures and other systems of internal financial control are documented, applied and regularly reviewed by the Audit Committee. In addition, the Audit Committee meets twice yearly with the external auditors to discuss audit planning and the results of their audit work. The auditors meet the Audit Committee in private session as part of this process.

Remuneration :

Senior manager's remuneration is governed by the Appointments and Remuneration Committee.

Policy :

Policy matters are reviewed by a Joint Education and Training Policy Committee which is made up of representatives nominated by EMTA Council and the EEF Council.

Appointment of Council members :

The appointment of Council members is made by members on the recommendation of an Appointing Committee made up of EMTA's chairman, EEF's President, a representative of a large non-federated company and a representative of the Confederation of Group Schemes.

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TRUSTEES' REPORT (continued)

FIXED ASSETS

At the 31st March 1998, the market value of occupied properties is approximately £614,000 less than their carrying value in the balance sheet. The directors believe that this shortfall is temporary and the market value will recover by the date of the next professional valuation.

COUNCIL MEMBERS

As directors of the company, the Council members are responsible for overseeing the company's business in a manner consistent with its charitable objectives. They are also guarantors to the company.

The members of Council who held office during the year were :

Lord Trefgarne	Chairman	D Jewell	
D'ATN Payne	Deputy Chairman	Mrs K Levine	
RJG Davies	Deputy Chairman	D Lorraine	
J S Allanby	(retired 24 September 1997)	R I Meakin	(resigned 24 September 1997)
J M Barnes		R A Mitchell	
A A Brewster *		R S Pritchard	(resigned 6 March 1998)
J F Briffitt *		M W Regan	
M P Chapman		A Robson	
C D Clark		D N Scahill	(resigned 24 September 1997)
M G Davies		T A Slater	
D Hall	(resigned 24 September 1997)	N Stockbridge *	
A D McCarthy	(appointed 24 September 1997)	I R Young *	
J Allen	(appointed 15 May 1998)		
PJF Horton *			
B D Insch *			

* Member of the Audit Committee

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

As permitted under the Companies Act 1989 and under the company's articles of association, the company has maintained insurance in respect of directors' and officers' liabilities incurred in connection with the discharge of their duties

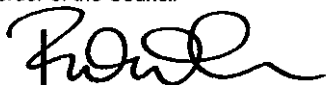
CHARITABLE STATUS

The company is limited by guarantee and is a registered charity - No. 1000328

AUDITORS

Moore Rowland have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution proposing the appointment of auditors of the company will be put to the Annual General Meeting.

By order of the Council



P W WHITEMAN
Secretary

Vector House
41 Clarendon Road
Watford, WD1 1HS
22nd September 1998

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CHIEF EXECUTIVE'S REPORT

The achievement of NTO status has led to an increase in the number of organisations which can now be considered as business partners. The charity continues to work very closely with the Engineering Employers Federation (EEF) and has strategic alliances with RSA, Aviation Training Association, Jewellery and Allied Industry Lead Body, British Marine Industry Federation and Cranfield University and the Virtual College.

Implementation of the key policies set out in the trustee's report has resulted in the following achievements :

- Introduction of a full range of reformed NVQ's from 1 October 1997.
- Increase of 50% in registration for N/SVQs.
- Completion of a self assessment toolkit for SME's developed via the ADAPT initiative
- Further development of EMTA's corporate website.
- Highly successful reception for past Insight participants held at the Science Museum.
- Successful piloting of framework for National Traineeships.
- Setting up a European Department to assist the sector in accessing European funding.
- Development of a New Deal video.
- Achievement of IIP accreditation.
- Introduction of a "Learning Is For Everyone" initiative within the company.
- Setting up of the "Awarding Body Forum".
- Increasing volumes of NVQ Level 3 registrations.
- Nearly 16,000 registered engineering modern apprentices.
- Introduction of portable computers for field staff.
- Development of People Skills Scoreboard.

The charity is once again deeply indebted to the employers in the sector who have freely given their support and assistance in achieving many of the above goals.



Dr M D Sanderson
22 September 1998

ENGINEERING AND MARINE TRAINING AUTHORITY

AUDITORS' REPORT TO THE MEMBERS OF ENGINEERING AND MARINE TRAINING AUTHORITY

We have audited the financial statements on pages 7 to 23 which have been prepared under the historical cost convention, as modified by the revaluation of properties, and the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 3 the charitable company's Council members are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 Council members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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 mis-statement, 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 affairs of the charitable company and of the group as at 31 March 1998 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Moares Rowland
Chartered Accountants and Registered Auditors
London
22 September 1998

ENGINEERING AND MARINE TRAINING AUTHORITY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 1998

INCOME AND EXPENDITURE


	<u>Note</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Incoming Resources			
Investment Income	6	1,792	1,614
Net Income Awarding Body Activity		897	283
Net Income Other Trading Subsidiaries	3	385	400
Net Income From Property Transactions		-	877
NTO Trading Income		710	558
		<hr/>	<hr/>
Total Incoming Resources		3,784	3,732
Resources Expended			
Direct Charitable Expenditure			
Promotion and PR		696	599
Research and Development		1,418	1,324
Other NTO Expenditure		465	464
NTO Trading Costs		804	798
Support Costs		320	320
		<hr/>	<hr/>
Sub-Total		3,703	3,505
Other Expenditure			
Administration and Management		56	56
		<hr/>	<hr/>
Total Resources Expended		3,759	3,561
Net Incoming Resources Before Transfers			
	5	25	171
Unrealised Gain On Investments		5,858	1,928
Revaluation Of Investment Property		136	9
		<hr/>	<hr/>
		6,019	2,108
Transfer To Designated Reserve	16	(1,491)	(1,070)
		<hr/>	<hr/>
Net Movement In Funds		4,528	1,038
Fund Balance At Start Of Financial Year		(4,696)	(5,734)
		<hr/>	<hr/>
Fund Balance At End Of Financial Year		(168)	(4,696)
Revaluation Reserve	16	10,666	5,392
General reserve	16	(10,834)	(10,088)
		<hr/>	<hr/>
		(168)	(4,696)

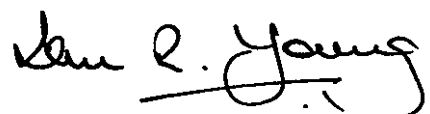
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GROUP BALANCE SHEET - 31 MARCH 1998

	<u>Note</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
FIXED ASSETS			
Tangible assets	8	4,617	4,216
Investment properties	9	1,490	1,469
Investments	10	38,265	31,944
		<u>44,372</u>	<u>37,629</u>
CURRENT ASSETS			
Stocks	12	193	122
Debtors	13	2,754	4,509
Bank Balances		184	733
		<u>3,131</u>	<u>5,364</u>
CREDITORS			
Amounts falling due within one year	14	(2,862)	(2,958)
NET CURRENT ASSETS		<u>269</u>	<u>2,406</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>44,641</u>	<u>40,035</u>
CREDITORS			
Amounts falling due after more than one year	14	(247)	(203)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(140)	(1,597)
NET ASSETS		<u>44,254</u>	<u>38,235</u>
RESERVES			
Designated Reserve	16	44,422	42,931
Revaluation reserve	16	10,666	5,392
General Reserve	16	(10,834)	(10,088)
		<u>44,254</u>	<u>38,235</u>

The financial statements were approved by the Council on 22 September 1998 and are signed on its behalf by:


Rt Hon Lord Trefgarne PC
Chairman


I R Young
Council member

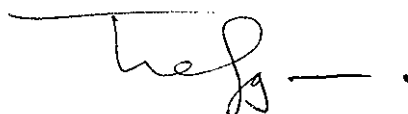
The notes on pages 12 - 23 form part of these accounts.

ENGINEERING AND MARINE TRAINING AUTHORITY

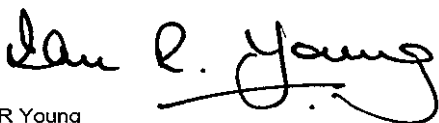
COMPANY BALANCE SHEET - 31 MARCH 1998

	<u>Note</u>	<u>1998</u> £'000	<u>1997</u> £'000
FIXED ASSETS			
Tangible assets	8	492	633
Investments	10	38,265	31,944
Investment in subsidiaries	11	1,935	1,350
		<u>40,692</u>	<u>33,927</u>
CURRENT ASSETS			
Debtors	13	686	3,093
Bank Balances		-	438
		<u>686</u>	<u>3,531</u>
CREDITORS			
Amounts falling due within one year	14	(4,311)	(4,883)
NET CURRENT LIABILITIES		<u>(3,625)</u>	<u>(1,352)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		37,067	32,575
CREDITORS			
Amounts falling due after more than one year	14	(125)	(109)
PROVISIONS FOR LIABILITIES AND CHARGES	15	-	(1,346)
NET ASSETS		<u>36,942</u>	<u>31,120</u>
RESERVES			
Designated reserve	16	44,422	42,931
Revaluation reserve	16	9,134	3,948
General Reserve	16	(16,614)	(15,759)
		<u>36,942</u>	<u>31,120</u>

The financial statements were approved by the Council on 22 September 1998 and are signed on its behalf by:



Rt Hon Lord Trefgarne PC
Chairman



I R Young
Council member

The notes on pages 12 - 23 form part of these accounts.

ENGINEERING AND MARINE TRAINING AUTHORITY

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1998

	<u>Note</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Operating Activities			
Cash received from customers		7,943	6,598
Cash payments to employees		(4,132)	(3,781)
Cash payments to suppliers		(3,703)	(3,568)
Cash payments to Customs and Excise		(854)	(433)
Net cash outflow from operating activities	a)	(746)	(1,184)
Returns on investments and servicing of finance			
Investment income received		1,547	1,518
Interest element of finance lease repayment		(21)	(10)
Net cash inflow from returns on investments and servicing of finance		1,526	1,508
Taxation		-	35
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(957)	(1,126)
Receipts from the sale of tangible fixed assets		16	32
Receipts from the sale of investment properties		35	4,170
Payments to acquire fixed asset investments		(254)	(3,800)
Net cash outflow from capital expenditure and financial investment		(1,160)	(724)
Acquisitions			
Purchase of business		-	370
Net cash (outflow) / inflow before financing		(380)	5
Financing			
Capital element of Finance lease rental payments		(169)	(74)
Net cash outflow from financing		(169)	(74)
NET DECREASE IN CASH	c)	(549)	(69)

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NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR
ENDED 31 MARCH 1998

	1998 £'000	1997 £'000		
a) Reconciliation of net incoming resources to net cash outflow from operating activities				
Net Incoming Resources Before Transfers	25	171		
Investment Income	(1,792)	(1,614)		
Depreciation	541	428		
Amortisation of deferred grant	(17)	(5)		
(Decrease) / Increase in provisions	(1,457)	290		
Profit on sale of fixed assets	(37)	(20)		
Increase / (decrease) in creditors	(33)	293		
Decrease / (increase) in debtors	2,095	(707)		
Increase in stocks	(71)	(20)		
Net cash outflow from operating activities	(746)	(1,184)		
b) Analysis of net funds				
	At 1 April 1997 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 March 1998 £'000
Cash at bank and in hand	733	(549)	-	184
	733	(549)	-	184
Finance leases	(164)	169	(189)	(184)
	569	(380)	(189)	0
c) Reconciliation of net cash flow to movement in net funds				
				£'000
Decrease in cash in the period				(549)
Continuing activities				(549)
Cash outflow from finance leases				169
Change in net funds resulting from cash flows				(380)
New finance leases				(189)
Movement in net funds in the period				(569)
Net funds at 1 April 1997				569
Net funds at 31 March 1998				0

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and have been prepared under the historical cost convention as modified by the revaluation of properties. Compliance with SSAP 19 "Accounting for Investment Properties" requires departures from the requirements of the Companies Act 1985 relating to depreciation and amortisation.

The financial statements have also been prepared in accordance with the Statement of Recommended Practice "Accounting by Charities". All of the expenditure incurred by EMTA is for charitable purposes.

Financial Statements

The financial statements consolidate the results of the Engineering and Marine Training Authority and its subsidiaries from 1 April 1997.

Turnover

Turnover represents the amount receivable for goods and services supplied to customers but excludes inter-company transactions and value added tax. A proportion of candidate registration income is deferred and brought into account at the point of certification.

Sale of properties

Sales of properties are recognised upon legal completion of the contract.

Tangible fixed assets

(a) Group occupied Properties

Freehold properties and properties on leases with twenty years and over to run at the balance sheet date, which are occupied by group companies for the purpose of trading, are revalued at least every five years and the resultant valuation is included in the balance sheet unless the surplus or deficit is immaterial.

(b) Depreciation

Depreciation is provided to write down the value of assets to their estimated residual value in equal annual instalments over the estimated lives of each class of asset, from the date on which the assets are brought into use. The annual useful lives are as follows:

	Years
Leasehold Property occupied by group companies	Life of lease
Freehold Buildings occupied by group companies	40
Office Furniture	10
Plant	10
Machinery and Equipment	5
Motor Vehicles	4
Computer Equipment	3

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NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

ACCOUNTING POLICIES (continued)

Investment Properties

In accordance with SSAP 19, investment properties are revalued annually. The aggregate surplus or deficit on revaluation is taken to the revaluation reserve, regardless of whether this results in a temporary deficit. If a deficit on an individual investment property is expected to be permanent, then it is charged in the Consolidated Statement of Financial Activities of the period.

No provision is made for depreciation of freehold investment properties or for amortisation of leasehold properties held on leases having more than 20 years unexpired.

This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

Property costs

Refurbishment costs and repairs are written off in the year they are incurred. Where a leased property becomes vacant, and assignment without loss is unlikely, the future obligations relating to the lease, less the estimated future income stream, are provided for in full. Ongoing expenses are also taken into account.

Fixed asset investments

Listed investments are stated at market value as at 31 March 1998. This departure from the requirements of the Companies Act 1985, which requires all fixed assets to be stated at cost, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

The aggregate unrealised surplus or deficit is transferred to a revaluation reserve.

The investment in subsidiaries is stated at the lower of cost and net asset value.

Stocks

Stocks are valued at the lower of production cost and net realisable value.

Grants

Grants in respect of capital expenditure are treated as deferred income which is credited to the Consolidated Statement of Financial Activities by instalments over the expected useful economic life of the related assets on a basis consistent with the depreciation policy.

Leased Assets

Assets acquired under finance leases and the related liability of future rental obligations are included in the balance sheet. The interest element is charged against profit in proportion to the reducing capital element outstanding. The assets are depreciated over the shorter of the lease terms and their useful economic life. Operating lease rentals are charged to the Consolidated Statement of Financial Activities on a straight line basis over the lease period.

Pensions

EMTA is a participating employer in the ITB Pension Funds, which are constituted as defined benefit schemes. Pension contributions are charged to the profit and loss account so as to spread the regular cost of pensions and related benefits over employees' working lives.

2 CONTINGENT LIABILITY

Following the transfer of assets from EITB, Engineering Construction Industry Training Board have security for present and future debts and liabilities relating to the Board's engineering manufacturing sector activities and the Board's land and buildings, by way of an insurance policy.

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

3 TURNOVER AND PROFITS

a) Analysis of turnover

The group has only one class of business. All group business is conducted in the United Kingdom.

b) Net income from trading activities

The Charity has four wholly-owned trading subsidiaries which are incorporated in the UK. EMTA Awards Ltd is the awarding body for vocational qualifications primarily in the engineering sector and began trading on 1 October 1997. EMTA Cleveland Training Centre Limited operates a direct training centre and Training Publications Limited publishes and markets training and other publications. Training Properties Limited manages the Charity's portfolio of investment properties. All the companies covenant their taxable profits to the Engineering & Marine Training Authority. A summary of their trading results is shown below alongside those of the Awarding Body. Audited accounts have been filed with the Registrar of Companies.

	EMTA Awards Limited (6 mths only) £'000	EMTA Cleveland Training Centre Ltd £'000	Training Publications Limited £'000	Training Properties Limited £'000	Total £'000
Turnover	2,655	1,065	1,608	-	5,328
Change in stocks of finished goods	-	-	71	-	71
Other operating income	-	-	-	386	386
	2,655	1,065	1,679	386	5,785
Materials and external charges	280	150	450	226	1,106
Staff costs	421	531	399	-	1,351
Depreciation	32	47	68	81	228
Other operating charges	884	267	449	77	1,677
	1,617	995	1,366	384	4,362
Operating surplus	1,038	70	313	2	1,423
Interest payable to parent company	-	-	-	(441)	(441)
Net surplus / (deficit)	1,038	70	313	(439)	982
Covenanted to EMTA	1,019	63	78	-	1,160
	19	7	235	(439)	(178)

The operating surplus of EMTA Cleveland Training Centre Ltd, Training Publications Ltd and Training Properties Ltd totaling £385,000 are shown on the face of the Consolidated Statement of Financial Activities.

c) Note of historical cost surplus/(deficit)

	<u>1998</u> £'000	<u>1997</u> £'000
Net incoming resources before transfers	25	171
Realisation of property revaluation gains/(losses) of previous years	38	(2,080)
Permanent reductions in property values	77	55
Differences between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	52	52
Historical cost surplus / (deficit) on ordinary activities	192	(1,802)

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

4 STAFF COSTS

	<u>1998</u> £'000	<u>1997</u> £'000
Wages and salaries	3,728	3,206
Social security costs	298	266
Other pension costs	157	136
	<u>4,183</u>	<u>3,608</u>

The average number of persons employed during the year was as follows:

	<u>1998</u>	<u>1997</u>
Training services	143	136
Administration	25	23
	<u>168</u>	<u>159</u>

Chairman's Remuneration

The remuneration paid to the Chairman during the year was £45,000 (1997 £40,000). No other Council member received any remuneration during the year in respect of their services to the company. The total amount of expenditure reimbursed to Council members in respect of expenses incurred on the company's business was £11,000 (1997 £10,000).

Emoluments of employees

The number of employees whose emoluments for the year fell within each band of £10,000 were as follows :

	<u>1998</u>	<u>1997</u>
40,000 - 50,000	4	4
60,000 - 70,000	2	2
80,000 - 90,000	-	1
90,000 - 100,000	1	-

5 Net Incoming Resources Before Transfers

The net incoming resources before transfers is arrived at after charging/(crediting) the following:

	<u>1998</u> £'000	<u>1997</u> £'000
Hire of equipment	-	5
Auditors' remuneration	25	26
Profit on sale of fixed assets	(37)	(20)
Amortisation of deferred grant	(17)	(5)
Provisions for future losses on leasehold properties	-	512
Depreciation - owned assets	488	345
- leased assets	53	43
Rental Income	(386)	(623)

Auditors remuneration includes £18,000 in respect of the audit of the parent company (1997: £16,000). The auditors also received £NIL (1997 £27,000) in respect of non-audit services provided during the year.

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

6 INVESTMENT INCOME	<u>1998</u> £'000	<u>1997</u> £'000
Income from fixed asset investments	1,742	1,601
Other interest receivable	50	13
	<u>1,792</u>	<u>1,614</u>

7 TAXATION

The company is a registered charity and therefore bears no tax on its income and gains.

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

8 TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and machinery £'000	Office furniture & equipment £'000	Total £'000
GROUP				
Cost or valuation				
At 1 April 1997	3,780	1,017	659	5,456
Additions	-	696	262	958
Disposals	-	(197)	(49)	(246)
At 31 March 1998	3,780	1,516	872	6,168
Depreciation				
At 1 April 1997	512	470	258	1,240
Charge for year	105	250	186	541
Disposals	-	(182)	(48)	(230)
At 31 March 1998	617	538	396	1,551
NET BOOK AMOUNT				
At 31 March 1998	3,163	978	476	4,617
At 31 March 1997	3,268	547	401	4,216

Fixed assets with a cost of £853,000 (1997: £778,000) and accumulated depreciation of £362,000 (1997: £298,000) are held for charitable purposes.

Fixed assets with a cost of £353,021 (1997: £219,765) and accumulated depreciation of £169,039 (1997: £44,824) are held under finance leases.

The net book amount of land and buildings comprises :

	<u>1998</u> £'000	<u>1997</u> £'000
Freehold	2,531	2,662
Long leasehold	632	606
	<u>3,163</u>	<u>3,268</u>

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

8 TANGIBLE FIXED ASSETS (continued)

	Plant and machinery £'000	Office furniture & equipment £'000	Total £'000
<u>COMPANY</u>			
Cost or valuation			
At 1 April 1997	617	426	1,043
Additions	138	181	319
Disposals	(369)	(139)	(508)
At 31 March 1998	386	468	854
Depreciation			
At 1 April 1997	243	167	410
Charge for the year	169	125	294
Disposals	(261)	(81)	(342)
At 31 March 1998	151	211	362
NET BOOK AMOUNT			
At 31 March 1998	235	257	492
At 31 March 1997	374	259	633

Fixed assets with a cost of £273,635 (1997: £219,765) and accumulated depreciation of £134,796 (1997: £44,824) are held under finance leases.

The cost and accumulated depreciation at 31 March 1998 includes fully depreciated assets at historical cost of £192,959 (1997: £93,000).

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

9 INVESTMENT PROPERTIES

	<u>Freehold</u> £'000	<u>Long Leasehold</u> £'000	<u>Total</u> £'000
GROUP			
Valuation			
At 1 April 1997	1,104	365	1,469
Disposals	(38)	-	(38)
Permanent diminution in value	(50)	(27)	(77)
Revaluation	69	67	136
At 31 March 1998	<u>1,085</u>	<u>405</u>	<u>1,490</u>
Comparable amounts under historical cost convention	<u>360</u>	<u>173</u>	<u>533</u>

Land and buildings were valued as at 31 March 1998 by Fletcher King, Chartered Surveyors at open market value. The surplus arising from the revaluation has been taken to the revaluation reserve in accordance with Statement of Standard Accounting Practice 19.

Deficits considered to be permanent have been written off through the Consolidated Statement Of Financial Activities.

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

10 FIXED ASSET INVESTMENTS

Group and company

£'000

At 1 April 1997	31,944
Invested in year	473
Loan repayments	(10)
Unrealised surplus on the revaluation of investments	5,858

At 31 March 1998 38,265

Historical Cost At 31 March 1998 29,021

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Valuation:		
Investments	38,155	31,822
Loans	110	122
	<u>38,265</u>	<u>31,944</u>

The loans are secured against property occupied by the borrowers.

The investments are independently managed by Barclays Private Bank Limited and traded within a portfolio which is being held for the long term. All investments are listed on the United Kingdom Stock Exchange. The amount of cash in the portfolio on 31 March was £1,011,000 (1997: £2,069,000). The portfolio is regulated by the Trustee Investment Act 1961

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Wider range	29,585	24,330
Narrower range	8,570	7,492

11 INVESTMENT IN SUBSIDIARIES

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Company only		
Shares at cost	6,365	5,780
Long term loan	5,453	6,280
	<u>11,818</u>	<u>12,060</u>
Provision	(9,883)	(10,710)
	<u>1,935</u>	<u>1,350</u>

Balance at 1 April 1997 £'000
1,350

Investment in subsidiaries	
EMTA Awards Limited	50
Training Publications Limited	535
Repayment of long term loan	827
Release of provision against long term loan	(827)

Balance at 31 March 1998 1,935

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

11 INVESTMENT IN SUBSIDIARIES (continued)

The provision is to write down EMTA's investment in its subsidiary, Training Properties Limited.

The company owns 100% of the allotted ordinary share capital of the following subsidiaries :

Training Properties Limited.

A company registered in England and Wales which operates as property managers and investors within Great Britain.

Training Publications Limited.

A company registered in England and Wales which operates a publishing and printing operation within Great Britain.

EMTA Cleveland Training Centre Limited.

A company registered in England and Wales which provides training to it's local engineering community.

EMTA Awards Limited.

A company registered in England and Wales which provides the assessment systems for awarding vocational qualifications primarily in the engineering sector and acts as the awarding body for those qualifications.

12 STOCKS

This amount consists solely of stocks of resaleable publications.

13 DEBTORS

	Group		Company	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£'000	£'000	£'000	£'000
Trade debtors	1,851	1,591	92	1,411
Other debtors	418	2,021	225	838
Taxation recoverable on covenant	266	274	266	274
Prepayments and accrued income	219	623	103	570
	<u>2,754</u>	<u>4,509</u>	<u>686</u>	<u>3,093</u>

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR.

	Group		Company	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£'000	£'000	£'000	£'000
Trade creditors	645	538	479	456
Amounts owed to subsidiary undertakings	-	-	2,020	2,213
Taxation and social security	161	429	120	111
Other creditors	1,478	1,224	4	1,531
Obligations under Finance lease	14	55	14	55
Bank Balances	-	-	1,617	-
Accruals	564	712	57	517
	<u>2,862</u>	<u>2,958</u>	<u>4,311</u>	<u>4,883</u>

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR.

Deferred income	77	94	-	-
Obligations under Finance lease	170	109	125	109
	<u>247</u>	<u>203</u>	<u>125</u>	<u>109</u>

OBLIGATIONS UNDER FINANCE LEASES

	<u>1998</u>	<u>1997</u>
	£'000	£'000
Falling due within one year	14	55
Falling due after more than one year but within five years	170	109
	<u>184</u>	<u>164</u>

Represented by :

Gross obligations under finance leases	207	182
Less : interest not yet incurred	(23)	(18)
	<u>184</u>	<u>164</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
	£'000	£'000	£'000	£'000
Deferred grant	108	103	-	-
Other provisions	32	1,494	-	1,346
	<u>140</u>	<u>1,597</u>	<u>0</u>	<u>1,346</u>

Other provisions for 1997 are in respect of future costs anticipated on vacant leasehold property.

ENGINEERING AND MARINE TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1998 (continued)

16 RESERVES

Group	Designated Reserve £'000	General Reserve £'000	Revaluation reserve		Total £'000
			Investments £'000	Property £'000	
At 1 April 1997	42,931	(10,088)	3,948	1,444	5,392
Surplus on revaluation	-	-	5,858	136	5,994
Transfer to designated reserve	1,491	(1,491)	-	-	-
Transfers	-	720	(672)	(48)	(720)
Surplus for the year	-	25	-	-	-
At 31 March 1998	44,422	(10,834)	9,134	1,532	10,666
Company					
At 1 April 1997	42,931	(15,759)	3,948	-	3,948
Surplus on revaluation	-	-	5,858	-	5,858
Prior Year Covenant Overpayment	-	(241)	-	-	-
Transfer to designated reserve	1,491	(1,491)	-	-	-
Transfers	-	672	(672)	-	(672)
Surplus for the year	-	205	-	-	-
At 31 March 1998	44,422	(16,614)	9,134	0	9,134

As permitted by Section 230 of the Companies Act 1985, the Consolidated Statement of Financial Activities of the parent company, whose result is shown above, is not presented as part of these accounts. The parent company's profit for the year amounted to £205,000 (1997: loss £799,000).

The designated reserve at 31 March 1998 represents the net assets transferred to the Engineering Training Authority. The figures have been restated to take account of amounts that were not transferred from the general reserve in previous years in line with the policy on reserves set out in the trustees report.

17 CAPITAL COMMITMENTS

There was no material expenditure contracted but not provided for, nor any expenditure approved by Council members but not yet contracted.

18 PENSION COMMITMENTS

The company contributes to a defined benefit final salary scheme managed by the ITB Pension Funds, along with other former Industry Training Boards. The scheme's fund is financed by contributions from the company and from employees and is managed by legally appointed trustees.

The cost to the group for the year was £155,000 (1997: £207,000). Included in this cost was an amount of £Nil relating to the early retirement of members of staff (1997: £86,000).

Contributions by the company were determined on the advice of the Government Actuary using the prospective benefits method. The most recent valuation was at 31 March 1995. The major assumption used in the valuation was that investment returns would exceed earnings increases by 1.5 % per annum.

The valuation showed the market value of the scheme's assets was £312 million. The actuarial value of these assets represented 110% of the benefits which had accrued to members.

The contributions payable by the company have been fixed at 5% of pensionable pay until 31 March 1999.

19 POST BALANCE SHEET EVENTS

There were no material post balance sheet events.