

The Sector Skills Council for  
Chemicals, Nuclear, Oil and Gas,  
Petroleum and Polymers



## Cogent Annual Report and Financial Statements

2005

Cogent SSC Limited  
Unit 5, Mandarin Court  
Centre Park  
Warrington  
WA1 1GG

[www.cogent-ssc.com](http://www.cogent-ssc.com)  
Tel. 01925 515200

Improving business performance through skills development

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## Foreword

### Skills underpin all business success whether in performance or growth, and thus they are vital to the Cogent sector.

Central to any strategy on skills is creating an environment where individuals can be personally developed, equipped and empowered to contribute to achieve business goals.

Training and qualifications are the fundamentals, and without them organisations will continue to lag and underperform. It is certain that UK companies need to upskill on a number of fronts and Cogent research shows a number of pressing shortages and gaps particularly around technical skills, skills relating to health and safety and in business and people management.

However, companies cannot simply add such skills, through training programmes or qualifications uptake, and then expect to raise their game. Organisations need inspirational leadership at the top as well as good leadership at every level in the organisation, to truly benefit. Cogent's work also shows that there is a management and leadership skills shortfall – and part of its important work going forward is aimed at upskilling managers.

It is only through leadership that organisations can tap into the talent lying latent in their organisations. Talent which often sits unexploited and underutilised. Training people does not mean that you automatically unleash this hidden capability – it is part of the equation but it is not the full story.

Leadership means getting ordinary people to do extraordinary things. Many organisations continue to struggle to engage their people and to nurture them. But the best ones work on this continuously to create the right conditions for innovation and success.

Of course skills are central to product, service and business process innovation. It is skills which enable the successful exploitation of good ideas – which is what innovation is all about. Creating good ideas is not enough. Companies must be able to develop these, get them to market and sell them. It is skilled, professionally led people who are central to this process.

What we need are more technically and commercially trained people coming into our industries – young people who see a fulfilling career and a long term, successful future.

This means working with and influencing today's teachers. Teachers play a vital role in steering young people. We need to show them that roles in industry are interesting, important and challenging – and that they pay well. It is up to industry to promote their societal significance and the fulfilling roles within them and hence to attract young people. Some companies recognise this and support initiatives aimed at doing just this – both with money and time and effort, but we need more.

Cogent has a critical brokerage role. We need to ensure that important shifts take place – at school, in further and higher education, in the way funding is channelled and by employers. Cogent can provide the national leadership needed and provide a unified voice from employers, to affect a real and lasting change in the system.

For too long Government has had to second-guess what employers want. SSCs like Cogent can now change this and work on behalf of employers to ensure a sustainable skills future for their sectors.

**Dr John Beacham**  
Chairman



**Dr John Beacham**  
Chairman, Cogent  
Sector Skills Council



## Developing a sectoral skills strategy

The Cogent industries form a strategically important sector. Our footprint covers 19,000 employers and 850,000 people. Combined these represent a total GVA of £46bn. The Cogent industries produce the energy for our industry, for our transport systems and for our homes. They produce hundreds of essentials for our daily lives from petroleum and plastics, through to rubber, synthetic fibres for clothing and crucial chemical additives and pharmaceuticals.

These industries face many and considerable challenges: competition from companies all over the globe, the requirement to be safe, clean and sustainable and ever increasing public expectations for new and better products. Technology, science and engineering underpin the success of Cogent employers but they have an ongoing demand for thousands of highly skilled and flexible scientists, engineers, production operatives, managers and leaders. With an ageing workforce and a decline in the number of technically trained people coming through the system, meeting this demand has become an imperative.

Cogent is planning and implementing a sectoral skills strategy which aims to ensure that employers of all sizes across its footprint have the skilled and qualified people they need to survive and prosper – now and in the future. We are working to support young people and individuals in making career choices and ensuring that they possess the skills and qualifications that they need to be employable and that our employers need to survive and innovate.

As part of this overall, long-term strategy, Cogent is working with the employers in its footprint to ensure that education and training provision and the qualifications on offer from school through to higher education and beyond are current, relevant and reflect the reality of the demands of the workplace today.

Our Sector Skills Agreement (SSA) forms the delivery plan for much of this. We believe that it is of major significance to the employers across our footprint. It is providing a much needed, evidence-based framework which employers and stakeholders can use as the basis of a skills delivery programme.

The plan will bring economies of scale, new approaches and in some areas consolidation of what is a fragmented and often poorly understood skills landscape. Employers are telling us they face a variety of skills shortfalls and shortages. They are also telling us that the skills challenges they face are often just too big for them to handle on their own.

Over the past year we also undertook work to address current skills needs and shortages, to collect industry intelligence and to deliver standards and to promote best practice – across the nations and the English regions.

Consultation was a major feature of 2005. We asked employers to tell us about key business, management, and people development challenges; we worked with our advisory bodies to build scenarios looking at potential future states of each of the Cogent industries. We undertook a detailed employment, skills and training needs analysis and conducted interviews with sector employers seeking more detailed information on short-to-medium term demand for employment by occupations, skills required, and impacts upon training needs.

Partnerships are at the heart of everything that we do. We work within our key networks, through our Industry Advisory Councils, through our regional representatives and through ongoing and direct contact with employers and stakeholders.

I would like to thank all those who have been involved in forging this partnership approach, it has taken much hard work and effort at a national and regional level. Thanks go to everyone within Cogent for their contribution, to our Board who have reviewed, debated and approved our Sector Skills Agreement and offered ongoing guidance and to all those employers and stakeholders who have given time and energy in support of our work.

Our message to employers is that Cogent is acting as their voice, under their direction and input, to ensure that the UK skills supply meets their current and future needs. We look forward to launching our plan, which will set out, in key project areas, our work going forward. It is this work that will move our SSA from a planning and consultation exercise to an action-orientated set of ambitious targets aimed at boosting industry competitiveness and sustainability.

**Joanna Woolf**  
Chief Executive



**Joanna Woolf**  
Chief Executive,  
Cogent Sector Skills  
Council



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## The Cogent sector business and economic environment

### Market demand for energy continues to rise while old nuclear power stations move into decommissioning phase via the Nuclear Decommissioning Authority (NDA).

In parallel to this, tensions in the Caucasus and the Middle East raises concern over security of energy supply from the international market – particularly over a period where the UK is also becoming reliant upon energy imports.

Reflecting these concerns, the Government's Energy Review included the option for new nuclear build: but no decision has been taken as yet. If the nuclear option is adopted it would increase the demand for young people coming into the industry and have a significant impact on industry skills supply and demand in the longer term.

The Cogent industries are also dependent upon a sustainable energy policy, one which is aimed at containing global warming but which does not unnecessarily further damage the UK's declining manufacturing base, which has worked to reduce its carbon emissions. Associated with this is the issue of rising energy costs, which remain a concern for the sector.

Chemical and polymer companies in the Cogent Sector are working continually to improve efficiency, reduce waste and cut costs in order to remain competitive in an aggressive global market place, where bulk manufacturing can be undertaken at lower cost in the developing world. However, we have identified a skills gap in business improvement techniques and this is therefore a Cogent sector imperative to boost productivity.

There is a growing realisation that the Cogent sector's dependence on contractors hides a potential future skills supply shortage: an ageing population and lack of development training will exacerbate this unless action is taken. Emerging anecdotal evidence indicates that within five years there will be a shortage of contractors for site shut downs, turnarounds, major maintenance and so on across the Cogent sector.

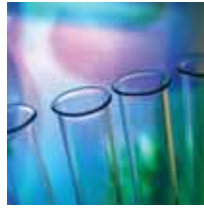
Despite the maturity of the UK Continental Shelf (UKCS) there is still tremendous potential for further activity and exploration continues apace. Co-operation between Government and industry will continue to ensure exploration and production continues on the UKCS. The main forum for this is via PILOT which is pursuing a programme of work aimed at securing improvements in the international competitiveness of the UK oil and gas industry and continued exploration and development activity on the UKCS.

Against this backdrop of maximising oil and gas production, skill shortages are impacting the off-shore oil and gas industry – both within the operating companies and right across the supply chain.

The Government's pre-budget announcement in December 2005, of a Supplementary Corporation Tax for oil and gas producers, will have a potential negative impact upon future exploration investment – which is likely to take effect in 2007 and beyond.

The downstream petroleum industry is undergoing a paradigm shift: essentially moving from consumable products towards lower carbon fuels such as bio diesel and bioethanol. This will mean large scale investments in process improvement technologies and new ways of working, with a subsequent impact on the development of new skills.





## 2005 saw much progress on Stage 1 of our Sector Skills Agreement process, the Skills Needs Assessment (SNA) which provides an overview of the Cogent SSC sector in relation to workforce size and shape and current skills needs both now and in the future.

Activities in 2005 on the Sector Skills Agreement were focussed upon the Research phases of the Skills Needs Assessment and the Assessment of Current Provision. In addition to an extensive review of existing research in the area Cogent undertook four strands of primary research to inform both elements of the SSA:

- Answers on a postcard to four key questions – flyer distribution to employers providing detail about the SSA and an opportunity to engage in process by answering questions about key business, management, people development challenges and measures of productivity.
- Detailed employment, skills and training needs analysis – consultation interviews with employers in chemicals, petroleum and polymers across the UK seeking more detailed information on short – medium term demand for employment by occupations, skills required and impacts upon training needs.

- Supporting employment, skills and training needs analysis – online consultation to support employer engagement and enable wider sector input to the detailed analysis of employer skill and training needs.
- Employer skills surveys – these research projects, requested by industry to be undertaken by Cogent, have fed into the process – specifically the Nuclear Employer Survey.

The Skills Needs Assessment and the Assessment of Current Provision are available on the Cogent website along with specific summaries for each industry. A separate process is progressing with the oil and gas industry in 2006, and it will be incorporated into the final SSA.

The employment, skills and training needs analysis was boosted in the East Midlands in order to provide a report and input to a regionally focused Skill Needs Assessment.

Stand alone reports have also been produced from the Nuclear Employer Survey and the Employment Skills and Training Needs Analysis.

In partnership with employers, the Government and others, Cogent will use the Sector Skills Agreement as a framework for delivery of the skilled workforce which employers in the sector want. The Agreement will:

- Lead to better planned and more integrated delivery of skills training;
- Help to produce credible, cost effective, quality assured and better-tailored training provision;
- Help to target public funding more efficiently;
- Encourage employers to invest more in developing their workforce.

The Cogent research and policy team were primarily focussed upon the delivery of the research elements of the Sector Skills Agreement during 2005 with the decision to retain this work in-house.

Core activities also had to be continued to maintain the annual research commitments. These included:

**Upstream oil and gas industry technician review** – the annual survey of operators and contractors relating to the core population of production and maintenance technicians. The outputs of this research were used by the industry to agree investment in the Upstream Oil and Gas Industry Technician Training Programme. The presentation made to the Industry Technician Review Steering Group is available on the Cogent website.

**Refineries salary review** – annual (moving to bi-annual in 2006) survey of UK refineries' HR managers to provide a benchmarking tool for core operational job roles.

**Humber side salary review** – similar to the refineries review this is a survey of a cluster of Cogent (and wider manufacturing sector) employers in the Humber region.



## Setting the standard



During 2005 Cogent developed National Occupational Standards, apprenticeship frameworks and was a member of the 14-19 Diploma Development Team for the Engineering Diploma.

As part of the 14-19 Engineering Diploma Development Team Cogent has ensured the Diploma is relevant to the interests of the Cogent Industries. The Government's White Paper outlined a system of diplomas to cover vocational areas in what has been regarded as the biggest change to 14-19 education in two decades. The Government and Qualifications and Curriculum Authority (QCA) have set out a timetable for development which will lead to a 'national entitlement' to diplomas for young people by 2015.

Cogent gathered feedback from proposals, particularly on the size and structure of the Diploma. The general consensus was that employers want the Diploma to offer a solid foundation in broad, cross-cutting engineering principles and to give them confidence in the functional (literacy, numeracy, IT) skills of the individual.

National Occupational Standards have been developed, with employers, for Nuclear Decommissioning, Radiation Protection, Safety Case Preparation and Chemical Process Operations. Related qualifications will be developed through awarding bodies with Cogent support.

Cogent is involved in cross sector National Occupational Standards projects including Management and Leadership. Apprenticeship Framework Development and Review has taken place with employers for Chemicals, Pharmaceutical, Petro-Chemical Manufacturing and Refining industries; Polymer Processing and Signmaking and Oil-Fired Technical Services.



# Working with our industries



## Oil and Gas

In 2005, OPITO, part of the Cogent Group, carried out in-depth research for the Industry Leadership Team (ILT). OPITO exists to deliver innovative skills solutions that assist the oil and gas extraction industry in developing a safe workforce of the appropriate size and ability to meet business demands and sustain the industry in the long term.

The study, which surveyed over 200 companies and industry trade associations, revealed immediate shortages in certain key areas of offshore work, including technicians, riggers, scaffolders and drilling floormen.

In collaboration with industry employers, and as a collective response, OPITO has created seven programmes under the "Accelerate" brand. Accelerate "Oilandgas4u" is a dedicated website (<http://www.oilandgas4u.com>) which gives information about current oil and gas activities and the career opportunities these bring, highlighting specific areas where jobs are available. Accelerate "Check In" is a computer-based skills screening tool used by employers to evaluate the underpinning knowledge of current and potential employees against industry job profiles. Accelerate "New Start" training programmes for riggers, scaffolders and drilling floormen aim to increase the number of qualified personnel for jobs offshore.

Accelerate "Technician Transfer" will address the immediate requirements for maintenance, instrumentation, process and electrical technicians, by managing the transition of people with technical experience from other sectors into jobs in the oil and gas industry.

Finally, Accelerate "Understanding" is the process the industry is using to investigate reported skills shortages and evaluate the level of response required. Shortages of geoscientists, subsurface and subsea engineers are currently being explored.

Participants in the programmes are employed from day one and the training leads to guaranteed jobs on completion. This is because the programmes are based on real recruitment needs, and their content responds to the industry's specific skills requirements.

## Chemicals

Cogent is leading a Department of Trade and Industry (DTI) sponsored initiative to align funding with accredited qualifications under the banner of the "chemical gold standard". The Gold Standard will define the skills, competencies and qualifications required for a world-class industry. Individual companies will be able to benchmark themselves against the standard and structure their training accordingly. The Gold Standard focuses on License to Operate, Productivity and Innovation. The project concentrates on the requirements for level 3 process and craft technician roles. Employers have been involved in developing the standard to ensure it is fit for purpose.

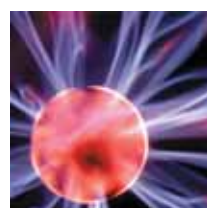
The Sector Skills for Productivity Alliance (SSPA) for Chemicals which includes Cogent, Chemicals Northwest, NWDA and the LSC sets the strategic skills agenda for the Chemicals industry in the Northwest. Increasing competitiveness through enhancing productivity is a key priority. The SSPA identified the need to improve the capacity and capability of provision in the region to achieve this.

Cogent is working with PICME (the Process Industries Centre for Manufacturing Excellence), Proskills, Skillfast and a consortium of training providers including ChemiCol (the Chemicals Centre for Vocational Excellence) to train the trainers and identify employers to participate in this programme. At the same time Cogent and PICME are adapting the current BIT NVQ to meet the requirements of our industries.

The NVQ will provide underpinning knowledge and practical experience for employees to lead or participate in continuous improvement activities. Several employers have already expressed an interest in participating.

## Polymers

The Polymer Leadership Council Executive Group, steered and administered by Cogent, comprises various employer members and additional specialist support members. These include representatives from regional employer groupings, the lead Trade Associations representing the industry, specialist organisations supporting manufacturing/processing improvements, representatives from machinery and materials manufacturers & distributors and employers from large, small and micro companies. The main function of the group is to consider all aspects of the current and future needs of the Polymer industry in relation to Workforce Development issues.



Cogent has supported and steered the development of a South East Composites facility, based at the Isle of Wight College. This is an employer's training facility, supporting the continued demand for high value product development and workforce development to meet this. The facility is run by skilled staff, who develop products with commercial partners, so that students engage in real life projects.

## Petroleum

Cogent, as the lead SSC has delivered, with its partners, an innovative programme aimed at both upskilling local electricians and ensuring the future and safety of petrol stations in the Highlands and Islands. With financial assistance from the Highlands Skills Fund and Highlands and Islands Enterprise, a team from Forth Valley College took a simulated petrol station rig to venues in Inverness, Elgin and Thurso to deliver courses leading to the industry standard Comp'ex qualifications.

Cogent, through its relationship with the petrol retailers, oil distribution companies and enforcement agencies identified a need for proper installation and maintenance of electrical equipment in petrol forecourts. This project is essential in supporting and sustaining petrol filling stations in the Highlands and Islands, especially small independent rural sites that do not have the support of multinational supermarket chains or franchised facilities.

Cogent is now working with the joint UK Petroleum Industry Association (UKPIA)/ Safe Passport Alliance to quality assure the training delivered in support of the passport scheme for contractors working on petrol forecourts. This project is aimed at ensuring that the training is being delivered according to the standards set by the Petrol Retail National Safety Group (PRNSG).

Key objectives include ensuring that the course instructors are qualified trainers and have fuels retailing experience and that course materials are as agreed by the PRNSG.

Cogent and Skills for Logistics worked on a new Standard for tanker drivers transporting petrol, diesel, gas oil, aviation fuel, heavy fuels, bitumens and lubricants. The Common Road Tanker Driver Induction Standard, (CRTDiS), combines the industry's existing best practice into one single national standard skills framework. This is fully supported by the recently formed UK Downstream Oil Distribution Forum, (UKDODF), which comprises representatives from UKPIA, oil companies, haulage contractors, Transport and General Workers Union, Trade Associations, sector skills councils, and the Department for Trade and Industry.

Cogent is engaging with the UK refiners to assist in the development, management and quality assurance of competence assurance consistent with the legislation contained in the COMAH regulations. The regulations require top tier COMAH sites to ensure there are adequate systems and processes in place to ensure the competence of their workforce. Cogent offers a range of products and services that will assist these sites in meeting this requirement.

The National Occupational Standards in Refinery Field Operations and Control Room Operations are now forming the basis for technician apprenticeships in the UK. This is a new and innovative initiative that will assist in bridging the age and skills gaps highlighted in the Sector Skills Agreement.

## Process Industries National Skills Academy

Cogent submitted an Expression of Interest for a Process Industries National Skills Academy (PINSA).

Employer commitment to PINSA has been fundamental to its subsequent short-listing and will be to its future success. So far, we have received many letters of support offering in-kind contributions to the Board and to training provision, as well as commitments for companies to direct significant elements of their training budgets through PINSA.

If PINSA is successful at the panel review then DfES will fund the development of a business plan over 12 months, which must include confirmation of real funding support. The next steps would be approval from the Learning and Skills Council, (LSC), and then ministerial approval with a launch timed for late in 2007.

## Nuclear

Cogent is working with the industry to develop a passport scheme, initially for Nuclear Site Induction, to permit transfer and flexible movement of the workforce. This has the potential to become a more comprehensive system for the industry to record qualifications, training, achievements etc.

Cogent has supported nuclear employers in preparing an "Expression of Interest" for a Nuclear National Skills Academy (NNSA). Nuclear employers are very enthusiastic and supportive of the Skills Academy initiative and see this as a real opportunity to influence future training provision.

While the nuclear industry has been committed to training, the provision has been fragmented and often site or company specific. The NNSA will provide national leadership, address the skills gaps and put in place coherent training frameworks linked to accredited providers and qualifications.

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## Cogent in the Devolved Administrations

**Scotland** – Joint initiatives were ongoing with Scottish Enterprise and a local provider to develop and market Adult Apprenticeships for Polymers, the Scottish Plastics and Rubber Association (PRA) and 35 Polymer companies to introduce the new Adult MA scheme. The 2005 technician review for Upstream Oil and Gas was presented to industry representatives. Cogent played a pivotal role in the Forum for Renewable Energy Development (FREDS) signposting the development of the 'Functional and Occupational Map' and in research into skills through proven methodology to direct the development of a Sector Qualification Strategy for Renewable Energy. Supported by Highlands and Islands Enterprise, we formed a workshop to inform the SSDA of research findings and explore the next steps in developing a Sustainable Strategy for Skills within the Renewable Energy Sector.

**Northern Ireland** – We have analysed and submitted on behalf of employers in the Northern Ireland Polymers Association (NIPA), the response to Department of Education and Learning Northern Ireland (DELNI) – "Skills Strategy for Northern Ireland". Cogent is a member of the Northern Ireland Oil Federation. With EU Skills and other SSCs operating in Northern Ireland we are part of the Renewables Energy Forum. We were selected to comment on the Employer Engagement Plan produced by Castlereagh College.

**Wales** – The Chevron Texaco Modern Apprenticeship, based on the Cogent MA model, was launched in September 2005. In collaboration with Pembrokeshire College, 12 young people have been employed as MAs at the Pembroke Refinery. We participated in the review meeting of a proposal for a new Dragon LNG plant and, with the Welsh Assembly, assisted in identifying labour market and skills issues connected with the Pembrokeshire Haven LNG Developments, focusing on the construction and pre-commissioning phases: further LMI will be required prior to commissioning of the plant and future developments in the area.



**East of England** – We have representation on the UKPIA UK-wide Employer Transport Committee. With ECITB and EU Skills we collaborated with colleges and private providers in the energy industry to help tailor their provision to meet the needs of the sector more closely. Contracted by the South East of England Development Agency (SEEDA), we were lead partner undertaking a three month feasibility study to consider a cross sector approach to establishing the skills needs for the Primary Energy Sector in the region 2005/2008.

Oil Spill Response Limited (OSRL) awarded Cogent an initial contract for the development of Occupational Standards and Assessment documentation, and training of assessors and verifiers leading to a Cogent certification of competence for qualified technicians. Phase 1 of the East of England Skills for Energy Programme began its implementation phase; we worked with employers to achieve a common framework of core transferable competences.

**Midlands** – Cogent conducted an employee recruitment / retention study for the chemical and polymer industries and published a report and action plan. An Education and Training Provider Network was set up covering sector provision in the East and West Midlands. In the West Midlands an Employer Network was established and an action plan developed. Cogent SSC was invited to represent the Skills for Business Network (SfBN) on the Employer Engagement Strategy Group set up by LSC Lincolnshire and Rutland.

**North** – Cogent was contracted by the North East Process Industries Cluster (NEPIC) to pilot a competence assurance process for 12 companies in their membership, including employers from the bioscience, speciality chemical, bulk chemical and pharmaceutical sectors. A Competency Management System (CMS) project proposal has been delivered to OneRDA.

**South** – We have stressed the significance of the nuclear industry in their region to the South West Regional Development Agency (SWRDA). In the development of the planned National Skills Academy we explained the demands in the region. An extensive Competence Assurance programme was carried out for Polimeri Europa. We developed a tailored Competence Assurance Management programme for Oil Spill Technicians for OSRL. On behalf of SEEDA we carried out a desktop study on skills issues. Cogent is also an active partner in the South West Manufacturing consortium.



## Cogent actively participated in the cross-sectoral agenda, specifically around management, leadership and information technology.

The upstream model for the Competence Assurance Framework and Quality Assurance Process was extended to the other sector networks thereby developing regional employer engagement through a value-added process.

We became part of a new cross sector manufacturing group. We led a Skills for Energy Workforce Competence Group of ten key energy industry employers, set up in response to the Skills for Energy Report 2004. In collaboration with EU Skills, ECITB and SEMTA a sector attraction strategy was devised to target young people graduating from schools, colleges and universities as well as mature entrants.

Cogent is a member of the Labour Market Information (LMI) and Generic Skills Sub Group that will have input to and assist in the development of the Regional Skills Strategy. The objectives are to develop a consistent regional approach to LMI, improve supply of LMI to partners, influence provision, develop a regional cross-sector approach to generic skills and to set priorities.

We also addressed cross-sectoral skills needs for our Sector through the Business Skills Board, focussing on management and leadership, exploitation of IT, sustainability, customer service and smarter working. In 2005, we facilitated a Polymer employer's participation in one of the Network-wide pilot action learning programmes for leaders. The pilot phase ended in October 2005; business benefits and individual skills improvements have been reported.

We chaired the Management and Leadership National Occupational Standards (NOS) Steering Group led by SkillsActive on behalf of the Network. As one of 12 Sector Management and Leadership champions we focused on encouraging and promoting their use by employers.



## Cogent's people and vision



### Our People

Cogent SSC is committed to sound people management practices and invests in the development of its people. It has clear written policies on all aspects of working at Cogent, and is constantly seeking to improve its approach to areas such as recruitment, induction, appraisal and reward. Cogent's *Going the Extra Mile* scheme has been designed to reward the behaviours considered crucial to its ongoing success.

Three members of our Research and Policy Team graduated from the University of Warwick, Institute of Employment Research with a Post Graduate Certificate in Employment Research. This modular course was undertaken over two years through a combination of residential and home study.

### The Future

Our vision is that together we can create a skills pool in the UK that enables the growth of our industries, with the whole economy benefiting from the opportunities offered by the application and exploitation of our science and technologies. This ranges from the ability of businesses to understand and gain competitive advantage from exploiting emerging technologies, through to our industries' customers making use of the products and services of our skills. Cogent with the SfBN will be the clear leader in resolving the skills issues across our industries as judged by our employers, our employees, our members, and ourselves, and as a result will:

- Have highly satisfied members
- Maximise competitiveness and productivity for our employers
- Provide secure well rewarded and challenging employment for our employees
- Be seen as a leader in the skills community

Over the next three years Cogent will have about 50 staff progressing our skills agenda, and have a sustainable income base of £4-5m. Our funding streams will come from employers, employees and Government, and will match the size of the solutions we need. We will solve many of our own skills issues through our own efforts and funds, and be able to leverage Government support on a predictable and regular basis.



# The Cogent Board



## 1 Dr John Beacham, Chairman

Dr Beacham's experience and expertise are in new product innovation, science and technology strategy, R&D, Business-Higher Education partnerships and Networks. He has recently written *A 60 minute Guide to Growth, Innovation and Added Value*. He has spent 35 years in the Chemical and Pharmaceutical Industry where his last post was Research Manager and Chief Scientist for ICI plc. He was awarded a CBE in the 2000 New Year's Honours List for services to the Chemical Industry.

Dr Beacham is an Industrialist/Advisor to the Department of Trade and Industry (DTI). He is Chairman of University of Liverpool Enterprises Ltd (ULivE) and a Director of the newly formed Bioscience for Business Knowledge Transfer Network. He is also a director of "TrusTech", an NHS North West exploitation company and CLIK, the CCLRC Exploitation Company, and Worldwide President elect of the SCI (The Society of the Chemical Industry).

He has strong links to the Academic Sector where he is an Honorary Professor at both Liverpool and Liverpool John Moores Universities and was awarded a DSc in 2004 by the University of Manchester.

Dr Beacham has also served as Chairman of the National Chemical Sector Foresight Panel, as a member of the EPSRC User Panel, as a Member of Liverpool University Council and as a Director of LGC, an Analytical Services company.

## 2 Colin Bayliss, Nuclear – United Kingdom Atomic Energy Authority

Dr. Colin Bayliss is the Main Board Major Projects and Engineering Director of the United Kingdom Atomic Energy Authority (UKAEA). Previously, since 1997, he was the Planning, Performance and Engineering Executive Director of UKAEA and before that the Fixed Equipment Engineering Executive Director for TransManche Link – the Channel Tunnel main contractors – for the last two years of the tunnel's construction and commissioning. He has worked on major power design and construction projects throughout the world for contractor, client, and consulting organisations.

Following a DTI/HSE Nuclear Installations Inspectorate Initiative, he has become particularly interested in training in the nuclear industry. He has helped to lead the drive for post

graduate courses in nuclear decommissioning, waste management and site environmental remediation in conjunction with Birmingham University, the Nuclear Technology Education Consortium, and the University of the Highlands and Islands. He has written the standard text covering this subject and has been granted honorary professorships at both Birmingham University (2003) and the University of the Highlands and Islands (2005).

## 3 Professor Phil Coates, Academia – University of Bradford

Phil Coates is Pro Vice Chancellor for Research & Knowledge Transfer, and Professor of Polymer Engineering at the University of Bradford. He is Associate Director of the internationally recognised Interdisciplinary Research Centre (IRC) in Polymer Science and Technology. The Centre's in-process measurement research was honoured by the award of the Institute of Materials Netlon Gold Medal for Innovation in Polymer Processing.

Professor Coates has published extensively – some 280 papers, in scientific and international conferences, where he has regularly been a keynote speaker, and has co-authored 6 books, and edited 4 books. He is Chairman of the Institute of Materials Polymer Processing and Engineering Committee, a member of the IoMat Polymer Division Board, and has been a technical advisor to the DTI and German Research Council. He is Chief Editor of the Institute of Materials, Minerals and Mining journal, *Plastics, Rubber and Composites: Macromolecular Engineering*.

Professor Coates was elected a Fellow of the Royal Academy of Engineering in 1995. Professor Phil Coates is a Physics graduate from Imperial College, London; his PhD research was on solid phase deformation processing of polymers with Professor Ian Ward FRS at Leeds University.

## 4 Dr Michael Cross, Polymers

Director of Navigate Group. A Fellow of University College London, and Vice President of their Global Campaign. Trustee of Polymer Industry Education and Training Trust which owns Polymer Training in Telford, Founder and Trustee of Cross and Salmon Charitable Trusts at University College London, and the Universities of Edinburgh and Leicester.



## 5 Dai Hudd, Trade Union – Prospect TU

Assistant General Secretary since 1st February 2005 and based at Prospect HQ in London, with the largest coverage of union members in the nuclear industries. Previously Senior National Officer with responsibility for BNFL. Dai looks forward to continuing his work on the Board to which he brings extensive experience with the nuclear industry.

## 6 Chris Hunt, Sector Expert – UKPIA

Chris Hunt is Director General of UKPIA. Chris joined UKPIA in 1997 and has many years of experience at a senior level within the downstream oil industry, heading up Elf's retail operations in the UK prior to joining UKPIA. Chris also has responsibility for a number of UKPIA Committees including Legal and Retail. Chris has always been a strong believer in pan-industry dialogue and collaboration.

Chris started his working life as an electrical engineer firstly with the London Electricity Board then joining a company which manufactured and installed television studio lighting. He made a career change in the late 70s, moving into accounting. He progressed through the 80s in a variety of accounting posts, eventually running the sales and marketing operation of a US multinational business unit. In 1989 Chris joined Elf Oil UK Ltd and was promoted through the organisation to head its retail division from 1995-7. Chris was elected Fellow of the Royal Society of Arts in 1997.

## 7 Gareth James, Chemicals – BP Group

Gareth is the Works General Manager of the BP European Acetyls site at Saltend, Hull. This is one of the major UK chemical manufacturing facilities and includes the largest acetic acid plant in Europe and largest Ethyl Acetate plant in the world. He has worked for BP for 27 years in a variety of manufacturing, technical and commercial roles.

He graduated from Nottingham University in 1978 with a BSc in Chemical Engineering and subsequently gained an MBA from Warwick University.

Gareth is also the Chairman of Cogent's Chemical Industry Advisory Council, and the Chairman of the Hedon-based Sirius Enterprise Agency and Grimsby-based Humber Chemical Focus. He is also a member of the Advisory Boards for Hull University Business School and of the Hull and East Riding of Yorkshire Common Purpose Charity.

## 8 Paul Londesborough, Sector Expert – GlaxoSmithKline

Paul is the Vice President and Site Director of the GlaxoSmithKline Pharmaceutical Secondary Manufacturing Site at Barnard Castle. The site is a global supplier, but the USA is its single biggest customer. There are approximately 1,200 staff on site, and production is focused on Sterile liquids in vials and syringes, inhaled liquids, creams, ointments and antibiotics.

Paul has a Chemical Engineering Degree from Loughborough University and is a Chartered Engineer with 28 years experience within GlaxoSmithKline in primary and secondary manufacturing and engineering roles. Previous roles include Site Director, Leader Global Manufacturing Strategy, Director Corporate Engineering and Leader European Manufacture Restructuring.

Paul is a member of the North East Process Industry Cluster (NEPIC) Leadership Team and was recently elected deputy Chairman of NEPIC. He was previously Chairman of the NEPIC Manufacturing and Productivity Team.



9

**9 Brian McCann**, Polymers – Clarehill Plastics Limited

Brian McCann is Managing Director of Clarehill Plastics, Northern Ireland. He has chaired the Northern Ireland Polymers Association for the last four years and also serves on the CBI Economic Affairs Committee, Northern Ireland. Previously he worked for Shell Chemicals in numerous jobs spanning general management, new business development and business management in the UK, Ireland and Middle East.

**10 Linda McCulloch**, Trade Unions – TUC

Linda McCulloch joined Amicus as a Regional Organiser in 1999, and is currently National Officer for the Chemicals & Pharmaceuticals Industry, she was previously National Equalities Officer for two years.

Linda sits on the Cogent board and is also a member of the TUC General Purposes Committee.

**11 Mike Salter**, Oil and Gas – Abbot Group/KCA Deutag

Mike Salter is Chief Operating Officer of the Abbot Group. He graduated in mechanical engineering at the University of Glasgow and joined Bawden Drilling in 1980, becoming Vice President/General Manager in charge of all European activities in 1987. He moved in early 1990 to be Chief Executive of Smedvig Limited in the UK. He joined the Abbot Group as Director of Business Development during 1995 and was appointed Chief Operating Officer in 1997.

He was a member of the CRINE initiative and a member of the Industry Taskforce which became PILOT, an upstream forum which maintains dialogue between Industry and Government. Mike sits on PILOT and the underpinning Industry Leadership Team and has particular responsibility for skills. It was the ILT Skills Group which was responsible for developing the current Technician Training Scheme for the upstream oil and gas industry.



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**12 Malcolm Webb**, Sector Expert – UKOOA

Malcolm Webb is Chief Executive of the UK Offshore Operators Association (UKOOA). A graduate of Liverpool University, he is a qualified solicitor with an extensive knowledge of both the upstream and downstream oil industry, gained first as a lawyer and then in a series of management roles.

Malcolm began his oil industry career with Burmah Oil in 1974, and went on to hold senior positions with a number of oil companies including the British National Oil Corporation, Charterhouse Petroleum Plc and Petrofina where his posts included, Legal and Corporate Services Director, Head of Group HR and finally Managing Director of Fina Plc.

Prior to joining UKOOA in February 2004, Malcolm spent three years as Director General of the UK Petroleum Industry Association (UKPIA), which represents the UK oil refining and marketing sector.

Malcolm Webb is a member of the Oil and Gas Industry Leadership Team (ILT) and of PILOT, the Government Industry forum which aims to secure the long-term future of the UK upstream oil and gas industry, chairman of Common Data Access Limited, a director of the Offshore Training Foundation and a trustee of the Aberdeen Oil Industry Chaplaincy Trust.



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13

**13 Steve Westhead**, Chemicals – Solutia UK Ltd

Steve Westhead is a chemical engineer by profession and has an MBA from Henley Management College. He has experience of production, project, safety and engineering management, and is currently head of Human Resources, Environment, Safety and Health for Solutia UK Limited, the subsidiary of a \$3billion US chemical company. He is a member of the Chemical Industries Association Social Affairs Board, and has been a Cogent director since early 2004. The Newport site where Steve works is a Top-Tier COMAH site and Solutia are dependent on a highly skilled workforce with objective evidence of their competence. It is no surprise, therefore, that Steve and his company are long-standing supporters of workplace learning and skills development, for example NVQs, from Level 2 Process Operations to Level 5 Management.

**14 Brian Worrall**, Petroleum – Chevron Texaco

Brian Worrall has a varied background in UK based retail companies, in particular WH Smith and the bookstore chain Waterstone's. Brian had roles in store operations, buying and marketing, strategy and planning in both high street and airport retailing. He was educated at Manchester University, England and has a BA in History and Economics and a PhD in Modern English History.

Brian is currently General Manager for Commercial & Industrial Sales in Europe with Chevron which trades in Europe under the Texaco brand. Brian has worked with Chevron for the last five years, and has also worked in the forecourt retail sector, and spent time on assignment in Chevron's corporate office in San Ramone, California.



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## Annual report and financial statements for the year ended 31 December 2005

## Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005 which comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – 'Accounting and Reporting by Charities' (Revised 2005).

### Reference and Administrative details of the Charity, its Directors and Advisors

The charity, Cogent SSC Limited is registered with Companies House with Company registration number 129351 and charity registration number SCO 003435.

### Directors in Post

**Chairman**  
J Beacham  
*appointed 19 June 2006*

### Directors

M Cross  
S Westhead  
B McCann\*  
M Salter\*  
C Bayliss\*  
D Hudd  
B Wakeham  
L Harrison  
P Londesborough  
*appointed 7 March 2006*  
J Mowatt  
G James  
*appointed 7 Feb 2006*  
C Hunt  
*appointed 8 May 2006*  
P Coates  
*appointed 12 March 2006*

\* indicates membership of audit committee

### Other Directors who served during the financial year:

J Mumford  
*resigned 31 Dec 2005*  
R Jeary  
*resigned 31 Dec 2005*  
N Gordon  
*resigned 31 Dec 2005*  
W Stevely  
*resigned 2 Sept 2005*  
L Purser  
*resigned 1 April 2005*  
A Marks  
*resigned 23 Mar 2006*  
R Rivaz  
*resigned 1 Nov 2005*

### Chief Executive and Principal Office

Joanna Woolf  
Unit 5, Mandarin Court  
Centre Parks  
Warrington  
WA1 1GG

### Solicitors

The Commercial Law Practice  
Commercial House  
2 Rubislaw Terrace  
Aberdeen  
AB10 1XE

### Secretary and Registered Office

J P Day  
Cogent  
Minerva House  
Brunland Road  
Portlethen  
Aberdeenshire  
AB12 4QL

### Auditors

PricewaterhouseCoopers LLP  
32 Albyn Place  
Aberdeen  
AB10 1YL

### Bankers

Bank of Scotland  
31 High Street  
Montrose  
DD10 8LT

# Structure, Governance and Management

## Governing Document

Cogent SSC Limited is a company limited by guarantee with charitable status, licensed by government and governed by its revised Memorandum & Articles of Association to allow for its current governance arrangements. There are currently 18 members, each of whom agree to contribute £10 in the event of the charity winding up.

## Appointment of Directors

As set out in the Articles of Association, the directors are appointed by the Members through the nominations committee. There are ten employer nominated directors, three trade union directors, two from academia and up to five others. All directors are in office for three years, with the option to be re-elected for a further term. A new chairman has been recruited and begins office on 19 June 2006, for a period of twelve months.

The nominations committee is made up of five employer directors, one from the five sectors that Cogent SSC represents. The nominations committee considers the requirement for specialist skills and appropriate regional representation when recommending directors to the Board.

## Training and Induction for Directors

All directors receive an induction pack on joining the Board which includes the Memorandum & Articles of Association, the Cogent business plan, annual report and market assessment. Plans are in place to provide training for all directors in 2006, to brief them on their legal obligations under charity and company law.

## Organisation

The Board of Directors, which can have up to 17 members, administers the charity. The Board meets quarterly and there are sub-committees covering nominations, finance and audit, which meet as and when required. A Chief Executive is appointed by the Board to manage the day to day operations of the charity. To facilitate effective operations, the Chief Executive has delegated authority, within the terms of delegation approved by the directors, for operational matters including finance and employment.

## Related Parties

The charity has two wholly-owned subsidiaries – Cogent Sector Services Ltd (operating as OPITO), and Skills Assurance Services Ltd (SASL), and one sub-subsidiary, Opito Training Management Ltd.

## Objectives and Activities

The objectives of the charity as a licensed Sector Skills Council are:

- To ensure productivity and business performance
- To reduce skills gaps and shortages
- To increase opportunities to boost skills and productivity
- To influence skills supply at all levels

In particular, Cogent and its subsidiaries work to:

- Develop, approve, set and maintain standards for training and education and standards of competence for those employed in the chemicals, nuclear, oil & gas, petroleum and polymer industries.

- Validate training courses, to develop and maintain training registers, to provide training certification and to seek to promote good practice amongst training providers in the sector.
- Identify, develop, provide for and satisfy new training needs and to evaluate the need for standards and the provision of training on a pan-industry basis.

## Achievements and Performance

During the 12 month period to 31st December 2005, Cogent has continued to develop its strategic role in identifying current and future skills needs and ensuring that education and training arrangements are in place to meet the needs of employers in the sector.

## Financial Review

In March 2004 Cogent was awarded a five year licence by government to act as the Sector Skills Council (SSC) for the chemicals, nuclear, oil and gas, petroleum and polymer industries and secured a three year contract, backdated to 1 February 2004, with funding of £4m over the three year period.

In 2005, a new chief executive was appointed and with the executive team carried out a detailed cost review. This, effectively, reduced an exact operating deficit of £300,000 to £200,000 and, with additional gift aid of £100,000 from CSSL, the deficit at year end was £877.

CSSL, one of the trading subsidiaries, had a very successful year and had surpluses of £967k. This allowed £330k to be gift-aided to the parent company and £500k was donated to Offshore Training Foundation. This left £137k surplus before tax. CSSL chose to retain this surplus within the subsidiary rather than gift-aid it to the charity.

## Internal control

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The directors review the strategic plan and annual budget and approve the same. They consider the financial results on a regular basis including variances from budgets. During the prior year the directors put in place an audit committee. Their terms of reference are currently under development, and procedures are being established to identify major risks to which the organisation is exposed along with appropriate systems to mitigate those risks.

## Reserves Policy

The Directors have reviewed the reserves of the company. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. As at 31 December 2005, the unrestricted reserves of the group amounted to £505,026 and Cogent has a guarantee of £4m in grant monies from government which began in 2004 for a period of three years. Cogent will be negotiating to renew this contract during 2006 with funding available of £1.4m – £1.7m per year from February 2007. At present, the Directors conclude that they have sufficient reserves to continue the activities of the charity at the current level.

## Income generation

Cogent's main source of revenue are products and services delivered both in the UK and overseas, employer contributions, project funding from Government and other agencies and core funding through a 3 year SSC contract for £4m with the Sector Skills Development Agency.

The company enjoyed gift aid from its subsidiaries of £330,000 (2004: £179,500). The group reported a deficit for the year of £(877) (2004 surplus : £44,892).

The principal funding sources, aside from gift aid were funding from SSDA, external grant income and subscription income from employers.

## Resources expended

The main expenditure continues to be remuneration costs amounting to 45% of total expenditure.

## Statement of director's responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

## Directors' interests in shares of the company

No directors held beneficial interests in the shares of the company at 31 December 2005, or at any time during the year.

## Taxation status

The company has been accepted by the Inland Revenue as a charity for tax purposes from its date of incorporation.

## Auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



Director

# Independent auditors' report to the members of Cogent SSC Limited

We have audited the financial statements of Cogent SSC Limited for the year ended 31 December 2005 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated income and expenditure account, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies therein.

## Respective responsibilities of directors and auditors

The directors also act as trustees for the charitable activities of Cogent SSC Limited. As described in the Statement of Directors' Responsibilities the directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 charitable 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 is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Foreword by the Chairman, the Chief Executive's review, and the review of the Cogent Sector Business and Economic Environment. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company and group as at 31 December 2005 and of its net incoming resources, including its income and expenditure, and cash flows for the year then ended;
- and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Aberdeen

24 July 2006

# Consolidated statement of financial activities for the year ended 31 December 2005

	Note	2005 £	2004 £
<b>Unrestricted Funds</b>			
<b>Incoming resources</b>			
<i>Activities in furtherance of the charity's objects:</i>			
Donations	3	–	60,000
Government grants	4	2,108,195	2,376,044
Central database	5	913,775	541,594
Services, development of occupational standards	6	841,296	549,872
<i>Activities for Generating Funds:</i>			
Income from sale of services	7	89,352	113,596
Trading income	8	5,622,382	4,809,003
Membership fees	9	217,340	171,468
Investment income	10	87,043	64,691
<b>Total incoming resources</b>		<b>9,879,383</b>	<b>8,686,268</b>
<b>Resources expended</b>			
<b>Cost of generating funds:</b>			
Cost of sale of services	11	67,459	84,658
Trading expenditure	11	5,437,973	4,607,881
Charitable expenditure: Donation	11	500,000	–
<i>Cost of activities in furtherance of the charity's objects:</i>			
Central database	11	368,892	220,844
Labour market intelligence	11	1,653,203	1,641,221
Trading activities – accreditation	11	488,158	313,184
<i>Services, development and occupational standards:</i>			
Support costs	11	292,634	217,083
Managing and administering the charity	11	1,071,941	1,556,505
<b>Total resources expended</b>	11	<b>9,880,260</b>	<b>8,641,376</b>
<b>Net incoming resources and Net movement in funds</b>	12	<b>(877)</b>	<b>44,892</b>
Fund balance brought forward at:			
1 January 2005	24	505,903	461,011
<b>31 December 2005</b>	24	<b>505,026</b>	<b>505,903</b>

All of the above results are derived from continuing activities.

## Balance sheets as at 31 December 2005

	Note	Group		Company	
		2005 £	2004 £	2005 £	2004 £
<b>Fixed assets</b>					
Intangible assets	15	47,254	49,879	-	-
Tangible assets	16	47,533	57,874	46,821	57,083
Interests in subsidiary undertakings	17	-	-	135,002	135,002
		<b>94,787</b>	<b>107,753</b>	<b>181,823</b>	<b>192,085</b>
<b>Current assets</b>					
Debtors	18	2,358,144	2,745,432	600,906	860,813
Cash at bank and in hand		2,044,126	1,606,996	486,466	525,885
		<b>4,402,270</b>	<b>4,352,428</b>	<b>1,087,372</b>	<b>1,386,698</b>
<b>Creditors: amounts falling due within one year</b>	19	<b>(3,193,498)</b>	<b>(3,155,745)</b>	<b>(195,089)</b>	<b>(406,109)</b>
<b>Net current assets</b>		<b>1,208,772</b>	<b>1,196,683</b>	<b>892,283</b>	<b>980,589</b>
<b>Net assets</b>		<b>1,303,559</b>	<b>1,304,436</b>	<b>1,074,106</b>	<b>1,172,674</b>
<b>Capital and reserves</b>					
Capital reserve	21	798,533	798,533	798,533	798,533
Unrestricted reserve	24	505,026	505,903	275,573	374,141
<b>Shareholders' funds</b>	25	<b>1,303,559</b>	<b>1,304,436</b>	<b>1,074,106</b>	<b>1,172,674</b>

The financial statements on pages 31 to 48 were approved by the Board of Directors on 22/06/06 and were signed on its behalf by:



Director

## Consolidated income and expenditure account for the year ended 31 December 2005

	Note	2005 £	2004 £
<b>Income</b>			
Charitable income		2,416,854	2,452,867
Non-charitable trading activities income	2	7,375,486	6,168,710
<b>Total income</b>		<b>9,792,340</b>	<b>8,621,577</b>
<b>Expenditure</b>			
Charitable expenditure		3,127,179	(3,203,799)
Non-charitable trading activities expenditure	2	6,721,822	(5,436,819)
<b>Total expenditure</b>	11	<b>9,849,001</b>	<b>(8,640,618)</b>
Deficit for the year before interest and taxation	27	(56,661)	(19,041)
Interest receivable	10	87,043	64,691
Surplus for the year before taxation		30,382	45,650
Taxation	2	(31,259)	(758)
<b>(Deficit)/surplus for the year</b>		<b>(877)</b>	<b>44,892</b>

All the above results are derived from continuing activities. The company has no recognised gains and losses other than those included in the Statement of Financial Activities. There is no difference between the net surplus for the year and the historical cost equivalents. The consolidated Income and Expenditure Account is derived from the Statement of Financial Activities.

# Consolidated Cash flow statement for the year ended 31 December 2005

	Note	2005 £	2004 £
<b>Net cash inflow from operating activities</b>	27	<b>382,352</b>	513,431
Returns on investments and servicing of finance			
<b>Interest received</b>	10	<b>87,043</b>	64,691
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>87,043</b>	64,691
<b>Taxation</b>		<b>(31,259)</b>	(14,886)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets	15	-	(52,504)
Purchase of tangible fixed assets	16	(1,006)	(27,419)
<b>Net cash outflow for capital expenditure and financial investment</b>		<b>(1,006)</b>	<b>(79,923)</b>
<b>Increase in net cash</b>		<b>437,130</b>	483,313
<b>Reconciliation to net cash</b>			
Net cash at 1 January		<b>1,606,996</b>	
Increase in net cash		<b>437,130</b>	483,313
<b>Net cash at 31 December</b>		<b>2,044,126</b>	<b>1,606,996</b>

# Notes to the financial statements for the year ended 31 December 2005

## 1. Principal accounting policies

The financial statements have been prepared for the 'Company', Cogent SSC Ltd and for the 'Group' Cogent SSC Ltd plus its subsidiaries Cogent Sector Services Ltd and Training Associate Services Ltd under the historical cost convention with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in October 2000 and applicable accounting standards. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

### Change in accounting policies

The Company has adopted FRS 21 "Events after the Balance Sheet Date" and FRS 25 "Financial Instruments: Disclosure and Presentation" in these financial statements. The adoption of these new standards has had no impact on the current year or comparative figures presented.

## Consolidation

The Statement of Financial Activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis. Acquisitions are accounted for under the acquisition method. On disposal of a business, the profit or loss on disposal is calculated after including any goodwill previously written off to reserves in respect of that business. A separate SOFA or income and expenditure account for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 304 of SORP2000.

## Company status

The company is a company limited by guarantee with charitable status.

## Fund accounting

All funds are classed as unrestricted funds which are available for use at the discretion of the members in furtherance of the general objectives of the company and which have not been designated for other purposes.

## Incoming resources

All incoming resources are included in the SOFA when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy. Income includes grants receivable, investment income and other income which represents the invoiced value of goods and services supplied. Income from donations and grants is included in incoming resources when these are receivable, except as follows:

- When donors specify that donations and grants given to the charity must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until pre-conditions for use have been met.
- When donors specify that donations and grants are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

The Central Database is a register of all candidates who successfully complete OPITO approved emergency response and other training courses. Income from the Central Database is included in incoming resources upon registration of the candidate on completion of the course.

### Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the cost centre. Overheads including premises have been allocated on the basis of the head count.

### Intangible fixed assets

Intangible fixed assets acquired are capitalised at cost and amortised over a period of 20 years.

### Investments

Investments in subsidiary undertakings are included at cost except where provision is made against an identified permanent diminution in value.

### Fixed assets

The cost of tangible fixed assets is their purchase cost or transfer value, together with any incidental expenses of acquisition. Assets costing more than £500 are capitalised within fixed assets. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, as follows:

Freehold Properties	40 years
Furniture & Fittings	5-10 years
Computer Equipment	3-4 years

### Leases

All leases are operating leases and are charged on a straight line basis over the lease term.

### Deferred taxation

The Company has been granted charitable status by the Inland Revenue and therefore is not liable for corporation tax. The company's trading subsidiaries are liable to corporation tax.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- On the basis of all available evidence deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Pension costs

The group and company participates in the ITB Pension Scheme, a defined benefit scheme. The assets of the scheme are in a separate trustee-administered fund. It is not possible to identify each participating employer's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the period in the income and expenditure account being equal to the contributions payable to the scheme for the year.

## 2. Commercial trading operations and investments in trading subsidiaries

The charity has three wholly owned trading subsidiaries which are incorporated in the UK. Cogent Sector Services Limited develops standards of competence and assessment methodology for occupational roles, provides open learning support services to companies and individuals working in the industry.

It also provides products and services to chemical manufacturing and petroleum companies. Skills Assurance Services Limited. (formerly Training Associate Services Limited), develops and provides effective Vocational Qualifications for the industry sectors. Cogent Training Management Limited provides management of the upstream Modern Apprenticeship scheme on behalf of the offshore oil and gas industry.

### Income and expenditure accounts

	Cogent Sector Services Ltd £	SAS Ltd £	Opito TM Limited £	Elimination of intercompany £	Total £
Turnover	2,629,287	231,603	4,886,345	(371,749)	7,375,486
Expenses (administrative)	(2,228,705)	(240,521)	(4,886,345)	371,749	(6,983,822)
Charitable donation to parent	(330,000)	-	-	-	(330,000)
Operating profit	70,582	(8,918)	-	-	61,664
Interest receivable	66,850	435	-	-	67,285
Profit before taxation	137,432	(8,483)	-	-	128,949
Tax charge	(31,259)	-	-	-	(31,259)
<b>Profit retained</b>	<b>106,173</b>	<b>(8,483)</b>	-	-	<b>97,690</b>
<b>Current tax</b>				<b>2005 £</b>	<b>2004 £</b>
<b>UK corporation tax on profits of the year</b>				<b>31,259</b>	<b>758</b>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2005	9 months to 31 December 2004
	£	£
Profit on ordinary activities before taxation	137,432	1,351
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2004 : 19% small companies rate)	41,230	257
<i>Effects of:</i>		
Effects of lower marginal rate	(10,319)	(60)
Prior year adjustment	-	137
Permanent adjustment	-	424
Expenses not deductible for tax purposes	348	-
<b>Current tax charge for the year</b>	<b>31,259</b>	<b>758</b>

The assets and liabilities of the subsidiaries at 31 December 2005 were:

	Cogent Sector Services Ltd	SAS Ltd	Opito TM Limited	Total
	£	£	£	£
Fixed assets – Intangible	1	47,254	-	47,255
– Tangible	-	712	-	712
Current assets	1,060,966	71,479	2,596,120	3,728,565
Creditors : amounts falling due within one year	(693,147)	(122,813)	(2,596,119)	(3,412,079)
Creditors : amounts falling due after more than one year	-	(5,000)	-	(5,000)
<b>Total net assets</b>	<b>367,820</b>	<b>(8,368)</b>	<b>1</b>	<b>359,453</b>
<b>Aggregate share capital and reserves</b>	<b>367,820</b>	<b>(8,368)</b>	<b>1</b>	<b>359,453</b>

Cogent Sector Services Ltd generated £ 621,217 of overseas turnover in the year (2004 : £393,152). All remaining income was earned in the UK.

### 3. Donations

During the year, £Nil (2004 : £60,000) was received by way of donation from the Polymer NTO.

### 4. Government and other grants

	2005	2004
	£	£
Department for Education and Skills – projects	2,323	52,909
SSDA	449,878	738,535
Sector Skills Development Agency – core funding	1,460,000	1,249,972
Scottish Executive/Enterprise	9,200	33,981
Department of Trade and Industry	8,874	69,195
Learning & Skills Council	45,145	217,174
Energy Savings Trust	40,465	-
Other External Grants	92,310	-
North West Development Agency	-	14,278
	<b>2,108,195</b>	<b>2,376,044</b>

### 5. Central database

	2005	2004
	£	£
UK training establishments	641,681	391,138
Overseas establishments	272,094	150,456
	<b>913,775</b>	<b>541,594</b>

### 6. Services, development of occupational standards

	2005	2004
	£	£
Accreditation services	680,698	536,348
Development of occupational standards	160,598	13,524
	<b>841,296</b>	<b>549,872</b>

## 7. Income from sale of services

	2005 £	2004 £
Publications	17,951	20,496
Vantage	-	2,592
Industry Leadership Team	28,728	25,000
Consultancy	7,599	21,508
Other	35,074	44,000
	<b>89,352</b>	<b>113,596</b>

## 8. Trading income

	2005 £	2004 £
Technician training	4,886,345	3,979,324
Consultancy services	122,979	179,251
Awarding Body	231,603	225,461
Petroleum Open Learning	281,946	245,202
Other	12,635	79,668
Management fees	86,874	100,097
	<b>5,622,382</b>	<b>4,809,003</b>

## 9. Membership fees

	2005 £	2004 £
Employers	217,340	171,468

## 10. Investment income

	2005 £	2004 £
Bank deposit income	87,043	64,691

## 11. Analysis of total resources expended

	Staff £	Other £	Depreciation & amortisation £	Total £
<i>Cost of generating funds:</i>				
Cost of sale of services	9,346	58,113	-	67,459
Trading activities	3,454,368	1,980,901	2,704	5,437,973
<i>Charitable expenditure:</i>				
Donation	-	500,000	-	500,000
Central database	238,616	130,276	-	368,892
Labour market intelligence	1,068,861	584,342	-	1,653,203
Trading expenditure	188,383	299,775	-	488,158
Support costs	134,123	158,511	-	292,634
Management and administration	420,014	640,659	11,268	1,071,941
<b>Total resources expended</b>	<b>5,513,711</b>	<b>4,352,577</b>	<b>13,972</b>	<b>9,880,260</b>

## 12. Net income

	2005 £	2004 £
Net income is stated after charging:		
Depreciation of tangible fixed assets	11,347	13,168
Auditors' remuneration: (Company £6,000; 2002 : £3,050)	19,750	15,600
<b>Operating lease rentals – plant and machinery</b>	<b>160,374</b>	<b>108,991</b>

### 13. Directors' emoluments

The directors received no emoluments during the year. Seven directors have received reimbursement totalling £5,008 for travel and subsistence expenses. Professional indemnity insurance, which cost the charity £14,700 is in place with a limit of £2 million.

### 14. Employee information

The average weekly number of persons employed by the group (including trading subsidiaries) during the year is analysed below:-

	2005 Number	2004 Number
Administration	64	59
Trainees	152	125
	<b>216</b>	<b>184</b>

	2005 £	2004 £
<b>Employee costs in relation to the above employees</b>		
Wages and salaries	4,922,240	4,121,365
Social security costs	493,792	388,881
Other pension costs	185,022	153,020
	<b>5,601,054</b>	<b>4,663,266</b>

The salaries and taxable benefits of higher paid employees were as shown in the table below.

	Pension Costs £	2005 Number	2004 Number
£50,001 – £60,000	28,150	6	8
£60,001 – £70,000	18,051	3	6
£90,000 – £100,000	4,428	1	-
£100,000 – £110,000	6,230	1	1

### 15. Intangible fixed assets

Group	£
<b>Cost</b>	
<b>At 1 January 2005 and 31 December 2005</b>	<b>52,504</b>
<b>Amortisation</b>	
At 1 January 2005	(2,625)
Charge for the year	(2,625)
<b>At 31 December 2005</b>	<b>(5,250)</b>
<b>Net book amount</b>	
<b>At 31 December 2005</b>	<b>47,254</b>
At 1 January 2005	49,879

The addition in the year represents the acquisition on 1 January 2005, of the "right to award" from the Polymer Awarding Body.

### 16. Tangible fixed assets

Group	Furniture and fittings £	Computer equipment £	Total £
<b>Cost</b>			
At 1 January 2005	121,169	154,080	275,249
Additions	1,006	-	1,006
Disposals	-	-	-
<b>At 31 December 2005</b>	<b>122,175</b>	<b>154,080</b>	<b>276,255</b>
<b>Depreciation</b>			
At 1 January 2005	68,640	148,735	217,375
Charge for year	7,812	3,535	11,347
Disposals	-	-	-
<b>At 31 December 2005</b>	<b>76,452</b>	<b>152,270</b>	<b>228,722</b>
<b>Net book value</b>			
<b>At 31 December 2005</b>	<b>45,723</b>	<b>1,810</b>	<b>47,533</b>
At 31 December 2004	52,529	5,345	57,874

## 16. Tangible fixed assets (continued)

Company			Total £
	Furniture and fittings	Computer equipment	
<b>Cost</b>			
At 1 January 2005	120,378	154,080	274,458
Additions	1,006	-	1,006
<b>At 31 December 2005</b>	<b>121,384</b>	<b>154,080</b>	<b>275,464</b>
<b>Depreciation</b>			
At 1 January 2005	68,640	148,735	217,375
Charge for year	7,733	3,535	11,267
<b>At 31 December 2005</b>	<b>76,373</b>	<b>152,271</b>	<b>228,642</b>
<b>Net book value</b>			
At 31 December 2005	45,011	1,810	46,822
At 31 December 2004	51,738	5,345	57,083

## 17. Fixed asset investments

Company Cost			Total £
	Interests in subsidiary undertakings £	Loans to subsidiary undertakings £	
At 1 January 2005 and 31 December 2005	130,002	5,000	135,002

### Interests in subsidiary undertakings

Details of subsidiary undertakings are as follows:

Name of company and country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Cogent Sector Services Limited – Scotland	Ordinary	100%	Training standards
Skills Assurance Services Limited – Scotland	Ordinary	100%	Administration services
Opito Training Management Limited – Scotland	Ordinary	100%	Management services
Petroleum Open Learning Limited – Scotland	Ordinary	100%	Management services

## 18. Debtors

	Group		Company	
	2005 £	2004 £	2005 £	2003 £
<b>Amounts falling due within one year</b>				
Trade debtors	2,270,010	2,566,746	114,163	271,115
Other debtors	67,165	54,840	52,103	33,815
Prepayment and accrued income	20,969	123,846	20,969	25,635
Amounts due by subsidiary undertakings	-	-	413,671	530,248
	<b>2,358,144</b>	<b>2,745,432</b>	<b>600,906</b>	<b>860,813</b>

Included within amounts due by subsidiaries is £5,000 (2004: £5,000) due after more than one year. No interest is charged, and there are no fixed repayment terms.

## 19. Creditors

	Group		Company	
	2005 £	2004 £	2005 £	2003 £
<b>Amounts falling due within one year</b>				
Trade creditors	482,133	600,835	100,833	268,534
Other taxation and social security costs	417,066	349,959	59,638	69,645
Other creditors	297,072	344,301	8,976	33,709
Deferred income	1,997,227	1,860,650	25,642	34,221
	<b>3,193,498</b>	<b>3,155,745</b>	<b>195,089</b>	<b>406,109</b>
Taxation and social security is made up of:				
UK corporation tax	31,259	758	-	-
PAYE and social security	158,080	161,043	59,638	69,645
VAT	227,727	188,158	-	-
	<b>417,066</b>	<b>349,959</b>	<b>59,638</b>	<b>69,645</b>

Deferred income relates to income received from sponsors in advance for services due to take place in 2005/6 and beyond.

## 20. Members' liability

Members' liability is limited by guarantee not exceeding £10 per member (18 members).

## 21. Capital reserve

The capital reserve represents the funds transferred from the Offshore Petroleum Industry Training Board on 1 April 1991 which was subject to revocation order 1991 No. 263.

## 22. Lease commitments

At 31 December 2005 the group had financial commitments in respect of non-cancellable operating leases as follows:

	2005 Other £	2004 Other £
Date of lease termination within one year	20,119	37,395
In second to fifth years inclusive	74,675	59,464

## 23. Pensions

The group is a participating employer in a defined benefit scheme, the ITB Pension Scheme. Contributions are made as the agreed rate for the scheme, and are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives.

The group and company participates in the ITB Pension Scheme, a defined benefit scheme. The assets of the scheme are in a separate trustee-administered fund. It is not possible to identify each participating employer's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2004. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation interest rate) and the rates of increase in salary and pension. In relation to the past liabilities the financial assumptions were derived from market yield rates prevailing at the valuation date. It was assumed that the real investment yield would be 3% per annum, salary increases would be 5½% per annum and pensions would increase by 7% per annum.

At the valuation date, the actuarial value of the assets of the scheme was £539.4 million and the value liabilities was £493.9 million, leaving a balance of assets of £45.5 million. Taking into account the employer pots of £63.5 million leaves a deficit arising at 31 March 2004 of £18 million.

Surpluses or deficits which arise at future valuations may impact on the group and company's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2007 when the above rates will be reviewed.

The total ITB Pension cost for the group was £185,022 (2004: £53,156). This includes £nil (2000: £nil) outstanding contributions at the balance sheet date. The contributions rate payable by the company was 16% of pensionable salaries for old section members and 11% for new section members. New entrants after 1 October 2004 are only permitted to participate in the new scheme whereby employers contributions are 11%.

## 24. Unrestricted reserves

	Group £	Company £
At 1 January 2005	505,903	374,141
Surplus for the year	(877)	(98,568)
<b>At 31 December 2005</b>	<b>505,026</b>	<b>275,573</b>

## 25. Reconciliation of movement in shareholders funds

	Group 2005 £	Company 2005 £
At 1 April 2005	1,304,436	1,172,674
Surplus/(Deficit) for the year	(877)	(98,568)
<b>At 31 December 2005</b>	<b>1,303,559</b>	<b>1,074,106</b>

## 26. Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose details of intra-group transactions, on the grounds that the transactions are within the group and are fully eliminated on consolidation.

The Offshore Training Foundation and Cogent Sector Services Limited have five common directors.

Cogent Sector Services Limited continues to rent their office space from the Offshore Training Foundation. Rental payments in the year totalled £36,000 (2004: £36,000) with management fees charged to the Offshore Training Foundation from Cogent SSC Limited of £6,200 (2004: £27,800).

## 27. Reconciliation of operating deficit to net cash inflow from operating activities

	Note	2005 £	2004 £
Operating deficit before tax and interest		(56,661)	(19,041)
Depreciation	16	11,347	13,168
Amortisation		2,625	2,625
Increase in creditors		37,753	535,580
Decrease in debtors		387,292	(18,901)
<b>Net cash inflow from operating activities</b>		<b>382,352</b>	<b>513,431</b>

## 28. Analysis of changes in net debt during the year

Note	At 1 January 2005 £	Cashflow	At 31 December 2005 £
<b>Group</b>			
Cash at bank and in hand	1,606,996	437,130	2,044,126

## 29. Surplus for the financial year

As permitted by section 230 of the Companies Act 1985 the parent company's Income and Expenditure account has not been included in the financial statements. The parent company's deficit for the financial year was £98,567 (2004 surplus : £44,874).

## 30. Controlling party

The company has 18 members representing chemical, nuclear, oil and gas, petroleum and polymers related businesses (see Note 20). The directors do not consider there to be a controlling party.

