

Company Registration No. 00138006 (England and Wales)

SEM LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

SEM LIMITED

COMPANY INFORMATION

Directors	T Walther F Blyth
Company number	00138006
Registered office	One Hundred House Brunel Way Dartford DA1 5TH
Auditor	Friend-James Limited 4th Floor, Park Gate 161-163 Preston Road Brighton East Sussex BN1 6AF
Business address	One Hundred House Brunel Way Dartford DA1 5TH

SEM LIMITED

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SEM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

SEM is operating as an intergroup manufacturing company and focuses on the intercompany business. At the end of the first quarter, the machine tool industry began a steep and unexpected recovery which continued throughout 2021.

The facility's new structure (with new equipment and improved safety, efficiency, quality and key processes ownership) as well as the high level of motivation, flexibility & training of our existing and new staff has contributed to SEM responding well to this rapid market recovery.

Principal risks and uncertainties

Due to intensive Brexit preparations, at both SEM and our intergroup customers, there were only some minor delays in the first few shipments of goods to the intergroup customers following the exit of the UK from the EU on 1 January 2020.

There is some indication going forward that Brexit may be having a negative impact on labour recruitment and retention in the UK which may impact SEM in the future.

The worldwide spread of the SARS-CoV-2 pandemic (Covid-19) and its different waves and variants continued to create a significant challenge to the business and our staff. High vaccination levels and stringent company Health & Safety measures minimised any detrimental effects on the capability to operate the business effectively in this environment.

Following on from the pandemic, with the upturn in the world economic situation, the supply chain became increasingly challenging toward the end of the year resulting in some material delays and price increases.

Important events

2021 was the first year of SEM supplying post Brexit to the EU.

A new contract manufacturing agreement between SEM and the intergroup company was agreed and introduced.

Key Performance Indicators

SEM remains highly committed to managing its operational performance by KPIs, and this continues to be effective for achieving the company business objectives.

Employee Involvement

SEM continues to value the involvement of staff, by developing a culture that promotes open communication and that encourages and values our employees' contribution to the company's high standard of quality, on time delivery and continuous improvement.

SEM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments

The development of a new compact and competitive range of servo motors for intergroup customers continued after having refined the market requirements.

Future outlook and business strategy

Based on SEM's policy deployment, both our long and short term strategy continues to be the manufacturer of high quality and performance servomotors for our intergroup customers. We continue to develop the organisational competences to deliver on this strategy and to be able to respond effectively to future changes.

SEM continues to contribute to the group's ongoing future success.

On behalf of the board

T Walther
Director

4 February 2022

F Blyth
Director

4 February 2022

SEM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report and financial statements for the year ended 31 December 2021. Reference should also be made to the Strategic report.

Principal activities

The principal activity of the company continued to be that of the design and manufacture of electric synchronous and asynchronous motors and associated equipment.

Results and dividends

The results for the year are set out on page 8.

The directors do not recommend payment of an ordinary dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

T Walther

F Blyth

Research and development

The company's research and development team continue to contribute to group lead projects on motor performance.

Auditor

The auditor, Friend-James Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going Concern

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

On behalf of the board

T Walther

Director

F Blyth

Director

4 February 2022

SEM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

SEM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEM LIMITED

Opinion

We have audited the financial statements of SEM Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

SEM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SEM LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

SEM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SEM LIMITED

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The objectives of our audit, in relation to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with the directors.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the financial reporting framework (FRS 102 Section 1A and the Companies Act 2006), relevant UK tax legislation, health and safety requirements, the Data Protection Act and employment law.

We gained an understanding of how SEM Limited is complying with those frameworks and regulations by making enquiries of the directors and reading the parent company policy manuals. Our audit included testing of material journal entries to ensure that they complied with company policies together with the testing of future financial commitments.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Warner FCA (Senior Statutory Auditor)
For and on behalf of Friend-James Limited

4 February 2022

Chartered Accountants
Statutory Auditor

4th Floor, Park Gate
161-163 Preston Road
Brighton
East Sussex
BN1 6AF

SEM LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	16,428,667	12,957,166
Cost of sales		(13,191,200)	(11,044,642)
Gross profit		3,237,467	1,912,524
Distribution costs		(19,844)	(14,825)
Administrative expenses		(2,397,812)	(2,794,824)
Other operating income		94,718	938,606
Profit before taxation		914,529	41,481
Tax on profit	7	-	-
Profit for the financial year		914,529	41,481

The income statement has been prepared on the basis that all operations are continuing operations.

SEM LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		2021	2020
	Notes	£	£
Fixed assets			
Tangible assets	8	19,686,577	21,840,360
Investments	9	376	376
		<u>19,686,953</u>	<u>21,840,736</u>
Current assets			
Stocks	11	2,880,007	2,370,135
Debtors	12	1,774,049	2,881,948
Cash at bank and in hand		10,687,197	6,200,337
		<u>15,341,253</u>	<u>11,452,420</u>
Creditors: amounts falling due within one year	13	<u>(1,578,987)</u>	<u>(758,466)</u>
Net current assets		<u>13,762,266</u>	<u>10,693,954</u>
Net assets		<u>33,449,219</u>	<u>32,534,690</u>
Capital and reserves			
Called up share capital	15	38,400,000	38,400,000
Profit and loss reserves		<u>(4,950,781)</u>	<u>(5,865,310)</u>
Total equity		<u>33,449,219</u>	<u>32,534,690</u>

The financial statements were approved by the board of directors and authorised for issue on 4 February 2022 and are signed on its behalf by:

T Walther
Director

F Blyth
Director

Company Registration No. 00138006

SEM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	38,400,000	(5,906,791)	32,493,209
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	41,481	41,481
Balance at 31 December 2020	38,400,000	(5,865,310)	32,534,690
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	914,529	914,529
Balance at 31 December 2021	38,400,000	(4,950,781)	33,449,219

SEM LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	19	4,754,097		3,288,114	
Investing activities					
Purchase of tangible fixed assets		(267,237)		(746,106)	
Proceeds on disposal of tangible fixed assets		-		6,136	
Net cash used in investing activities		(267,237)		(739,970)	
Net increase in cash and cash equivalents		4,486,860		2,548,144	
Cash and cash equivalents at beginning of year		6,200,337		3,652,193	
Cash and cash equivalents at end of year		10,687,197		6,200,337	

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

SEM Limited is a private company limited by shares incorporated in England and Wales. The registered office is One Hundred House, Brunel Way, Dartford, DA1 5TH. The company has complied with FRS 102.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Buildings 33 years straight line
Plant, machinery & fixtures	3 - 10 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost is calculated using the weighted moving average price method for purchased items and 'standard price' for manufactured items.

A stock provision is applied based on the age and coverage of individual stock lines.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial assets

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1.9 Financial liabilities

Basic financial liabilities are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Other financial liabilities

Derivatives at group level, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.10 Government grants

The company is using the accrual model to account for government grants. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Relevant grants in this period are:

Government grants relating to the 'Coronavirus Job Retention Scheme' are recognised as income over the period when the related costs are incurred.

1.13 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All realised gains and losses, along with unrealised losses, are taken to the statement of comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock

A stock provision is applied based on the age and coverage of individual stock lines.

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2021 £	2020 £
Turnover analysed by class of business		
Turnover derived from company's principal activity performed wholly in the UK	16,428,667	12,957,166
	<u>16,428,667</u>	<u>12,957,166</u>
	2021 £	2020 £
Other significant revenue		
Grants received	8,337	844,351
	<u>8,337</u>	<u>844,351</u>
	2021 £	2020 £
Turnover analysed by geographical market		
Within Europe	16,319,466	12,940,399
Rest of the world	109,201	16,767
	<u>16,428,667</u>	<u>12,957,166</u>

4 Operating profit

Operating profit for the year is stated after charging/(crediting):

	2021 £	2020 £
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	99,738	(94,903)
Research and development costs	39,323	61,959
Government grants	(8,337)	(844,351)
Fees payable to the company's auditor for the audit of the company's financial statements	20,000	20,204
Depreciation of owned tangible fixed assets	2,419,769	2,235,807
Loss/(profit) on disposal of tangible fixed assets	1,251	(3,590)
Operating lease charges	-	580
	<u>-</u>	<u>580</u>

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Employees

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

	2021 Number	2020 Number
Production	96	108
Selling and distribution	1	2
Administration	16	23
Total	113	133

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	4,182,865	4,474,116
Social security costs	424,437	461,258
Pension costs	195,690	272,564
	4,802,992	5,207,938

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	175,581	187,438
Company pension contributions to defined contribution schemes	15,600	15,600
	191,181	203,038

7 Taxation

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	914,529	41,481
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	173,761	7,881
Tax effect of expenses that are not deductible in determining taxable profit	1,094	-
Tax effect of utilisation of tax losses not previously recognised	(373,807)	(7,881)
Permanent capital allowances in excess of depreciation	208,230	-
Research and development tax credit	(9,278)	-
Taxation charge for the year	-	-

The company has a potential deferred tax asset of £638,000 (2020: £675,000) at the balance sheet date.

8 Tangible fixed assets

	Freehold land and buildings	Plant, machinery & fixtures	Total
	£	£	£
Cost			
At 1 January 2021	20,131,922	15,184,895	35,316,817
Additions	5,244	261,993	267,237
Disposals	-	(4,736)	(4,736)
At 31 December 2021	20,137,166	15,442,152	35,579,318
Depreciation and impairment			
At 1 January 2021	4,241,415	9,235,042	13,476,457
Depreciation charged in the year	753,248	1,666,521	2,419,769
Eliminated in respect of disposals	-	(3,485)	(3,485)
At 31 December 2021	4,994,663	10,898,078	15,892,741
Carrying amount			
At 31 December 2021	15,142,503	4,544,074	19,686,577
At 31 December 2020	15,890,507	5,949,853	21,840,360

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8	Tangible fixed assets	(Continued)	
	The carrying value of land and buildings comprises:		
		2021	2020
		£	£
	Freehold	4,900,000	4,900,000
		<u> </u>	<u> </u>
9	Fixed asset investments		
		2021	2020
		£	£
	Unlisted investments	376	376
		<u> </u>	<u> </u>
10	Financial instruments		
		2021	2020
		£	£
11	Stocks		
		2021	2020
		£	£
	Raw materials and consumables	1,731,910	1,524,166
	Work in progress	767,002	447,594
	Finished goods and goods for resale	381,095	398,375
		<u> </u>	<u> </u>
		2,880,007	2,370,135
		<u> </u>	<u> </u>
12	Debtors		
		2021	2020
	Amounts falling due within one year:	£	£
	Trade debtors	82,173	-
	Amounts owed by group undertakings	918,792	2,316,125
	Other debtors	426,116	78,161
	Prepayments and accrued income	346,968	487,662
		<u> </u>	<u> </u>
		1,774,049	2,881,948
		<u> </u>	<u> </u>

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	846,637	267,238
Amounts owed to group undertakings	233,175	91,352
Taxation and social security	196,719	172,699
Other creditors	216	216
Accruals and deferred income	302,240	226,961
	<u>1,578,987</u>	<u>758,466</u>

14 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	195,690	272,564

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

15 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 10p each	384,000,000	384,000,000	38,400,000	38,400,000

The company has one class of ordinary shares which carry no right to fixed income.

16 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021 £	2020 £
Acquisition of tangible fixed assets	137,871	116,507

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2021 £	2020 £
Aggregate compensation	211,580	225,097

18 Ultimate controlling party

The immediate parent company is Westec Holding Company Limited, a company registered in England and Wales, which is ultimately owned by Dr Johannes Heidenhain - Stiftung GmbH, a company registered in Germany.

Westec Holding Company Limited, registered office 200 London Road, Burgess Hill, West Sussex RH15 9RD, prepares group financial statements.

19 Cash generated from operations

	2021 £	2020 £
Profit for the year after tax	914,529	41,482
Adjustments for:		
Loss/(gain) on disposal of tangible fixed assets	1,251	(3,590)
Depreciation and impairment of tangible fixed assets	2,419,769	2,235,807
Movements in working capital:		
(Increase)/decrease in stocks	(509,872)	1,236,463
Decrease in debtors	1,107,899	38,945
Increase/(decrease) in creditors	820,521	(260,993)
Cash generated from operations	4,754,097	3,288,114

20 Analysis of changes in net funds

	1 January 2021 £	Cash flows £	31 December 2021 £
Cash at bank and in hand	6,200,337	4,486,860	10,687,197

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.