



**SCIENCE, ENGINEERING AND MANUFACTURING
TECHNOLOGIES ALLIANCE**

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Company Number: 2324869
Charity Number: 1000328

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SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Auditor

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Registered Office

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Investment Manager

Aberdeen Asset Management Plc
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Board Members

A Cook CBE (Chairman)
A Connelly
A Fuller
I Gray CBE
J Hillier
M Hottass
J Lopes
L Minella
I Mukerjee
M Stewart
I Waddell

Investment Advisor

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138 Cheapside
London
EC2V 6BW

Property Manager

Fletcher King
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London W1X 5FE

Chief Executive

A Watson

Banker

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Watford WD17 2BT

Solicitors

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2nd Floor Baird House
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Gateley Plc

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Edmund Street
Birmingham

Bates Wells Braithwaite

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SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

TRUSTEES'/DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

REFERENCE AND ADMINISTRATIVE DETAILS

The Science, Engineering and Manufacturing Technologies Alliance ("Semta") is a company limited by guarantee (company number 2324869) and does not have share capital. It is a registered charity (charity number 1000328) governed by its memorandum and articles of association. The charity owns 100% of the allotted ordinary share capital of five trading subsidiaries who covenant their taxable profit to the charity.

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

A Cook CBE (Chairman)	
A Connelly ¹	
A Fuller	Appointed on the 15/12/2015
I Gray CBE ²	
J Hillier	
M Hottass ¹	Appointed on the 29/09/2015
J Lopes	
L Minella ³	
I Mukerjee ⁴	
T Scuoler	Resigned on the 10/03/2016
M Stewart ⁵	
I Waddell	

- 1 Member of the Investment Committee
- 2 Member and Chairman of the Audit Committee
- 3 Member of the Remuneration Committee
- 4 Member and Chairman of the Investment Committee
- 5 Member and Chairman of the Remuneration Committee

The Chief Executive, professional advisors and registered office of the charity are listed on page 1.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charity is governed by a Board of employer, trade body and trade union representatives. The members of the Board are trustees of the charity and also directors for the purposes of company law.

The Board meets quarterly to review progress against the agreed business plan and agree on future strategy. Responsibility for the management of the business is delegated to the Chief Executive.

There are three committees which submit reports to the full Board:

- Investment Committee
- Audit Committee
- Remuneration Committee

Two further sub committees of the Board meet as and when required with all members of the Board participating as appropriate. A Board Standing Committee has delegated authority to approve expenditure and contracts on behalf of the Board and the Nominations Committee considers appointments to the Board and to the role of Chief Executive.

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

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

TRUSTEES'/DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

The key subsidiaries are Excellence Achievement & Learning Limited (EAL – a vocational awarding organisation) and Metskill Limited (which holds a Skills Funding Agency contract for apprentice training).

The key internal financial control procedures are summarised as follows:

Control environment:

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

Risk management:

Business strategy and business plans are reviewed by the Board. Detailed appraisals are undertaken and financial implications evaluated prior to all capital expenditure and projects. Risk assessments are considered by the Audit Committee and the Board.

Financial Reporting:

A comprehensive system of budgets and forecasts is in place, with quarterly monitoring and reporting of actual results against targets to the Board.

Control Procedures and Monitoring Systems:

Authority levels, procedures and other systems of internal financial control are documented, applied and subject to Internal Audit and review by the Audit Committee, which is chaired by a Semta Board member, includes at least one additional Board member from a group company and has other members who are suitably qualified representatives from Industry. The Audit Committee meets twice each year with the external auditors to discuss audit planning and the results of their audit work. The auditors can meet the Audit Committee in private session as part of this process.

Investment:

Investment management is delegated to a professional investment management firm, Aberdeen Asset Management Plc, supported by an independent advisor Barnet Waddingham. The Investment Committee's role, chaired by a Semta Board Member and supported by members who are suitably qualified, is to review the performance of the investment managers and make recommendations to the Board on investment policy.

Remuneration:

Senior executive remuneration is governed by the Remuneration Committee which is chaired by a Semta Board member and has members who are suitably qualified representatives from industry.

Appointment of Board Members:

The appointment of Board members, for a maximum of three terms of three years, is made by members on the recommendation of the Nomination Committee.

New Board members undergo an induction to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, Semta's strategy and recent financial performance and the Committees and decision making process. Board members are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

PUBLIC BENEFIT

As a registered UK charity Semta operates for the public benefit. Semta is the employer-led body engineering skills for the future of UK industry. We promote and advance the education, training and skills development of people employed or intending to be employed in the sectors we represent. There is a clear link between the skills of the sector's workforce and the productivity and competitiveness of their employers.

In agreeing this statement of public benefit the Board confirm they have paid due regard to the Charity Commission guidance. The charity's activities and achievements are set out below.

OBJECTIVES AND ACTIVITIES

The objectives and mission of the charity are to proactively support employers in the engineering and advanced manufacturing sector to inspire and create the engineers, technicians and scientists of today and tomorrow.

Activities include but are not limited to:

- Providing expert leadership to employers, government, educational institutes and industry organisations
- Promotion of the skills needs for the sector
- Provision and accreditation of training packages
- Management of apprentice training

Our core business actions as outlined in our Strategic Plan are to:

- To be a financially sustainable not-for-profit organisation
- To develop the Semta Group through sustainable growth
- To generate income from a high quality and sustainable proposition
- To provide non-funded sector upskilling and careers Information, Advice and Guidance
- To be the 'go to place' for skills
- Develop organisational capacity and capability for high performance

To achieve this strategy we set out to:

- Engineer employer-driven skills solutions in partnership with industry
- Build the organisations capacity to deliver policy and research, with the target of becoming the sectors premier advocate on skills policy
- Support EAL to maintain its position in the advanced manufacturing and engineering sector and achieve growth and diversification
- Support Semta Apprenticeship Service in becoming a growing and profitable high quality provider
- Create an investment strategy with opportunities to support growth identified
- Invest in our employees so they have the skills, qualifications and enthusiasm and commitment to deliver for the organisation

STRATEGIC REPORT

In August 2014, the UK Parliament approved The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014. These regulations introduce into the Companies Act 2006 a requirement for all large and medium-sized companies to prepare a separate Strategic Report.

ACHIEVEMENTS AND PERFORMANCE

The skills landscape is currently changing faster than ever before; government reforms are underway particularly around apprenticeships with the introduction of the Apprenticeship Levy and development of Trailblazer Apprenticeship Standards. 2015/16 saw the Semta Group play a significant part in supporting employers in our sectors to drive the skills agenda with impressive results, our highlights are detailed below.

A key activity for Semta is re-investing our charitable funds with employers and learners to support, recognise and promote the engineering skills of the future across the UK and we have done this in the following ways:

- Playing a key role in the design and development of new Apprenticeship Standards in England at the request of employers. Semta has been fully involved in Trailblazers in the aerospace, aviation/airworthiness, automotive, maritime and other advanced manufacturing and engineering sectors, providing impartial advice, guidance and technical expertise.
- To date we have supported the development of 34 Trailblazer Apprenticeships, 32 Apprenticeship Standards and 19 Assessment Plans have been approved and ready for delivery. We are also working with employers to identify key gaps in Trailblazer Apprenticeship Standards and, where applicable, support the development and submission of further expressions of interest.

- Attended WorldSkills International in Sao Paulo to witness Team UK achieving the highest medal haul in their history with 10 out of 12 engineering competitors bringing home a medal. Semta's Aircraft Engineering competitor, Shayne Hadland, was awarded silver medal and the 'Best in Nation' award. The Semta communications team secured more coverage in the UK than the event had previously enjoyed, working with the BBC's Steph McGovern as well as the wider media.
- Continued as organising partner to successfully deliver the 2015/16 WorldSkills UK engineering competitions across eleven disciplines, including full management of the selection events, national qualifiers and the national final at the Skills Show in November 2015.
- The 3rd, most successful Semta Skills Awards to date was held in February 2016. The event showcased the spectacular achievements of the talented individuals, inspiring businesses, skills and diversity from across the advanced manufacturing and engineering sector. The campaign saw a 42% increase in entries from 2014 with more females entered for an award than ever before. A total of 465 guests attended the gala awards dinner from across a diverse range of 174 companies including small to medium enterprises.
- The Industry Apprentice Council that was founded by EAL in 2013 became a group wide activity during the year. Their annual survey elicited 1,543 responses, an increase of 15% from the previous year. The survey results will be officially launched by Nadhim Zahawi MP, Apprenticeship Advisor to the Prime Minister on 30th June 2016.
- Promoting engineering apprenticeships as an exciting career, The Semta Apprenticeship Service worked with their customer Mercedes F1 to produce an engaging, dynamic video showcasing both female and male apprentices to highlight the career progression routes, to date the video has been viewed by over 750 people.
- Produced a wide range of case studies in both digital and printed format along with an infographic to highlight the different routes available in engineering and how Semta supports employers and learners through the whole journey of an apprenticeship.
- Our Policy function had an active year, submitting evidence to various high-profile Parliamentary inquiries, on careers advice and apprenticeships, and has dramatically increased the amount and frequency of Semta engagement with Parliamentarians, focusing strategically on members of Select Committees and All Party Parliamentary Groups which are relevant to Semta's interests. A number of questions have been raised in both Houses of Parliament and a wide range of contacts have been built up with Members of Parliament and Peers.
- Working with College Wales, the national organisation representing all 14-19 Further Education colleges and institutions in the country. Semta is part of a strategy group reviewing National Occupational Standards and qualifications in line with changes in policy for post-16 education in Wales.
- Working closely with the Welsh Assembly and Scottish Parliament, Semta has taken a role in developing the agenda and delivering specific outputs over the past 12 months. Most notably the significant contribution in Scotland to the Foundation Modern Apprenticeship programme that looks to link School curriculum with the future skills needs of employers and in Wales the research to support the establishment of the regional agendas for North, Central and South Wales.

Semta has also obtained and delivered funded project activity, benefiting sector employers and their employees:

- Semta continued as contract manager for both the Automotive and Aerospace Industrial/Growth Partnerships. The projects delivery timeframe was reduced by twelve months, however despite the shorter delivery period, with the support of Semta; the partnerships revised their plans and have demonstrated the value of employer collaboration testing new and innovative approaches to tackling their sector specific skills needs. Semta has been instrumental in helping the Automotive Industrial Partnership to:
 - ✓ Conduct industry wide learning provision analysis on an unprecedented scale to strategically determine what the sector's skills priorities should be.
 - ✓ Undertake detailed research producing an 'Assessing Learning and Training Provision serving the Automotive Industry' report together with regional Technical Annexe for use by Local Enterprise Partnerships.
 - ✓ Launch the 'Automotive Apprenticeship Matching Service' – to redirect high quality talent from over-subscribed automotive apprenticeship programmes to other companies within the sector and supply chains that have opportunities.

- ✓ Develop new apprenticeship trailblazer standards to meet the technological demands of the industry.
- ✓ Pilot new training solutions to upskill the existing workforce and attract new talent.
- The Aerospace Growth Partnership has been a catalyst for employer collaboration on skills in the sector and Semta has been pivotal in helping the partnership to:
 - ✓ Pilot Master level specialist skills training courses
 - ✓ Engage with young people and education providers to promote careers in the aerospace sector.
 - ✓ Produce 11 new trailblazer apprenticeship standards.
 - ✓ Develop and promote project management skills training - a key priority area for the sector.
- Semta completed the delivery of The STEM Alliance project to successful evaluation which resulted in securing additional funding to further develop The STEM Exchange online platform, www.stemexchange.co.uk. The site now has over 1,600 employers registered offering 800+ free Continuous Professional Development (CPD) opportunities to STEM teachers, tutors and practitioners.
 - ✓ The additional funding also supported the development of The STEM Experience www.stemexperience.co.uk offering work experience opportunities to people of all ages. Linked to The STEM Exchange, this platform attracts employers from a wide variety of STEM industries from across the UK showcasing a huge range of career options. Semta is currently seeking a sponsor/investment to support and further develop both platforms.
 - ✓ Building on the success and evaluation from The STEM Alliance, further funding has been secured to deliver a series of STEM CPD workshops on behalf of The Education and Training Foundation to engage with 300 STEM teachers, tutors and practitioners across a variety of subjects.
- Completed the delivery of a High Performance Technologies Supply Chain Mentoring programme to provide small to medium sized enterprises (SMEs) with free specific business advice and guidance, enabling them to grow and operate efficiently. 20 experts from the engineering and advanced manufacturing sector were trained to become mentors who subsequently worked with 53 individual mentees within 38 businesses across the Midlands, sharing their knowledge, experience and good practice to address key issues and improve performance.
- Completed an additional research project linked to the Tidal Lagoon project supported by Welsh Government.
- Developed a Master Craftsman Pilot Programme for the advanced engineering and manufacturing sector on behalf of the Welsh Government.

Driving higher numbers of engineering apprentices, both in our own training provider and across the sector:

- Re-recognised as a Grade 1 Certification Body receiving overwhelmingly positive comments from our customers in The Federation for Industry Sector Skills (FISSS) and Standards online survey. In 2015/16, the department certificated 21,788 apprentices in England, 1,254 in Wales and 994 in Scotland.
- During the 15/16 contract year Semta Apprenticeship Service started working with 297 new learners, 116 at Level 2, 179 at Level 3 and 2 at Level 4. We have driven both recruitment and progression at Advanced level with 60% of learners enrolled in 15/16 at this level compared with 41% in the previous year.
- Currently working with 191 employers across England including many small to medium enterprises (SME's) who are vital to the continued growth of the UK economy and some high profile names, such as British Airways, Mercedes F1, Lufthansa, Johnston Sweepers and Tata Steel where we continue to facilitate the provision at Tata Training school in Stocksbridge.
- Throughout the year we have continued to build strong relationships with employers through both our direct delivery and sub-contracted provision and we have a strong partnership strategy in place.
- The Defence Growth Partnership identified a lack of Systems Engineers as an urgent skills challenge to be addressed by the sector. During 2015, an employer group, supported by Semta developed the Standards and Assessment Plan for a new Apprenticeship Trailblazer - Systems Engineering Masters Apprenticeship Programme (SEMAP) at Level 7. The Semta Apprenticeship Service is the lead Provider supporting employers through contracting and setting up of the programme.
- Throughout the year we have focussed on the delivery of high quality apprenticeships which equip individuals with the new skills and learning they need for their job roles and supports their advancement into future employment and progression opportunities, we implemented a new delivery model from 1st April 2016 which was developed in

conjunction with staff, employers and learners and provides a more structured programme to support learner progression.

- Two key strategies have underpinned our approach this year, excellence in teaching and learning and embedding of maths and English, staff have undertaken significant development in these areas which has been delivered through training sessions, all colleague days and webinars. Through the work driven by the Skills working group staff have been encouraged to develop their core skills and achieve their own maths and English functional skills at L2 with study ongoing to achieve ICT. The working group are focussed on all aspects of our core skills offer and the impact to the learner experience.

Development of employer focussed skills infrastructure, including:

- Utilising Universal Services funding, reviewed 6 existing Engineering SVQ's and reviewed 2 Modern Apprenticeship frameworks as well as reviewing 10 existing Welsh Apprenticeship frameworks.
- Secured funding from UK Commission for Employment and Skills for a pilot project looking at the future of National Occupational Standards.
- Secured funding from FISSS to run an evaluation project on their Apprenticeship standard development toolkit.
- EAL has worked with more than 770 assessment centres and consulted with over 80 employers this year, including those involved in the development of Trailblazer apprenticeships, to deliver the skills provision required to meet employer needs.
- Semta and EAL have made some excellent progress internationally utilising our expert knowledge to deliver training to trainers in India, so that they in turn can train the next generation of engineers.
- We have also introduced a new initiative with the Institution of Mechanical Engineers (IMechE) to increase the number of professional registered engineers, technicians and engineering facilities in Oman.
- We hosted a number of delegations from across the globe, attending events in Indonesia, China and Panama. With further projects in the pipeline, the overseas market is a strong growth area for the business. *Semta International* will be the think-tank for advising on skills globally.

Improving internal efficiency and capability, helping to create a financially sustainable organisation:

- Continuing the investment in technology with a hardware replacement roadmap cycling model, Skype for Business improved communications deployment, long term housekeeping and security goals met and better defined processes. Enabling a consistently delivered service SLA of 96 – 97% to the business via an outsourcing model.
- Achieving a 17:1 return on investment (ROI) for Public Relations spend against the target and industry benchmark of 5:1 ROI. Semta's media coverage generated an AVE value of £1,508,542 reaching a circulation of 124,761,766. Media was received across a broad cross section of newsprint from web and wires to broadcast live television and radio.
- Extended and built upon the partnership with The Telegraph via the Apprenticeship App, STEM Awards, Semta Skills Awards and editorial opportunities.
- A wide variety of blog pieces written and added to CEO 'Skills Vision' page generating 15,865 reads, including guest blogs from several Semta Board members.
- 1,456 new followers achieved across social media channels of Twitter, Facebook and LinkedIn.
- Increased a variety of video content showcasing Semta's work for the sector which resulted in 24,915 minutes of viewing undertaken.

In 2016/17, marketing and communications will be delivered in house as part of efficiency savings both in cost and workflow. We are now internally wholly responsible for communications across the Semta group.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

TRUSTEES'/DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL REVIEW

The Consolidated Statement of Financial Activities for the year ended 31st March 2016 (page 12) shows a net decrease in funds of £896,000 after investment losses.

As a group we continue to operate successfully without a core contract to operate as a Sector Skills Council from the UK Commission for Employment and Skills. All Government income was generated through bids contracted following competitive tendering processes.

The key drivers of the financial result were:

- Identification, successful tendering and delivery of funded projects.
- Continuing our contract management role in Automotive and Aerospace Industrial Partnerships.
- Increasing the number of apprentices trained under the Skills Funding Agency contract in the Semta Apprenticeship Service (Metskill Ltd).
- Maintaining leading shares in core EAL markets.
- Continuing to develop more sustainable income streams through successful employer engagement.

Significant investment in the transition programme to reduce overheads and create an organisation with an appropriate cost base compared to projected income levels.

The Group result is an operating **deficit** of £896,000 (2014/15 **deficit** of £399,000 after restating comparative figures under FRS102, further details of this shown under Note 17).

The Charity's funding is derived from supporting activities which address the productivity and skills development needs of employers and employees within Semta's remit.

The five trading subsidiaries produced a net **surplus** of £232,000 (2014/15 net **surplus** of £2,793,000)

The results of the trading subsidiaries are detailed in Note 2(b).

The annual results were impacted by the following one off charges:

Restructuring Costs:

Following the reformatting of the Consolidated Statement of Financial Activities as a result of SORP (FRS 102), the re-structure costs of £4,721,000 disclosed in the 2015 financial statements, have been re-analysed across various "expenditure on charitable activities" headings. A large proportion of the previous year's re-structure costs are included under "other".

RESERVES POLICY

The Board's policy, reviewed annually, is to maintain reserves at a level designed to generate circa £1,000,000 income per annum, to support the charitable activities of Semta and to cover those specific liabilities not matched by specific assets plus 6 months normal operating expenditure related to our activities as a Sector Skills Council. The General Reserve at the end of March 2016 was £24,282,000 (2014/15 £25,178,000 after restating comparative figures under FRS102) a decrease in the year of £896,000. The reserves are held to ensure it has sufficient funding to continue as a going concern and thereby continue to deliver its charitable activities for the foreseeable future should external government assisted funding cease. The group is committed to ensure that all existing apprentices and learners will be able to complete their learning within 2 to 4 years.

KEY MANAGEMENT PERSONNEL REMUNERATION POLICY

An annual benchmarking exercise is conducted which involves reviewing other organisations within the same/similar industries and additionally, the Charities and Public sectors. Recommendations are then made to the Remuneration Committee where a final decision is made as to the total reward and remuneration package.

TRUSTEES'/DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

INVESTMENT POLICY AND PERFORMANCE

The Board's policy, reviewed annually, requires its investments to be managed actively in line with an agreed approach which ensures that appropriate levels of targeted risk is adopted and return is achieved.

The performance benchmark target set for the investment managers and advisors is to outperform an index of RPI + 4%, gross of fees.

The return is measured over a three year rolling period with the last three years return at 3.3% compared to benchmark of 5.3%.

The performance of the portfolio is reviewed quarterly by the Investment Committee in conjunction with the investment manager. Market performance is monitored by Barnett Waddingham who report to the Committee every quarter.

The Investment Fund generated an investment income of £847,000 (2014/15 £894,000). The overall Investment Fund decreased by £1,047,000 during 2015/16.

PLANS FOR FUTURE PERIODS

- The Semta Group will play a key and active role in supporting employers with the introduction of the Apprenticeship levy from April 2017 to ensure they maximise their levy contribution to meet their skills needs. We are currently working with employers to ensure the scheme is fit for purpose and preparing to support the implementation of the levy.
- Semta Group is committed to helping the Government achieve its target of 3m Apprenticeships by the end of the current Parliament. We will work with the Institute of Apprentices to ensure that an increasing number of high quality apprenticeships are delivered within our sector.
- Building on successes in India, Oman and China, Semta International will continue the expansion of the group's overseas skills and qualifications development activity. The first quarter of 2016/17 will concentrate on building the infrastructure of Semta International with the recruitment of an International Development Director and Operations Manager.
- Trailblazers continue to be an important part of our business. Our role is to ensure the new standards are fit for purpose and deliver a coherent, robust, stretching and quality assured programme of technical skills and knowledge development. One additional aspect of the new aerospace and automotive standards is the necessity for apprentices to achieve a number of vocational qualifications. Semta will ensure these qualifications fit within the new frameworks, reflect employers' requirements, and are implemented consistently by awarding organisations, training providers and colleges.
- Employers and Semta have been working closely with Professional Institutions, including IMechE, IET, RAeS and the SOE, to ensure the Trailblazer Apprenticeships align to professional standards, such as EngTech and IEng.
- The Systems Engineering Masters Apprenticeship Programme (SEMAP) Trailblazer at Level 7 will be expanded with existing and new employers' in second and third cohorts.
- Despite funding ceasing at the end of March the Automotive Industrial Partnership will continue working as the skills pillar of the industry's strategic body the Automotive Council and Semta will continue to play a supporting role.
- The Aerospace Growth Partnership will continue, supported by Semta where required and new priorities for 2016 and 2017 have been agreed.
- The Standards and Framework team are tendering to be a Delivery Partner for the engineering and manufacturing family of National Occupational Standards for the devolved nations via a consortium approach with partner SSC/B's
- The Industry Apprentice Council and our involvement on the All Party Parliamentary Group on Apprenticeships place Semta at the heart of policy and, through these groups and others, we will continue to develop as the voice for industry.
- The 2016/17 cycle is underway with 415 registrations achieved for the 2016/17 national qualifiers for the twelve WorldSkills UK engineering competitions for which Semta is the organising partner.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

TRUSTEES'/DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2016

DIRECTORS AND OFFICERS LIABILITY INSURANCE

As permitted under the Companies Act 2006 and under the company's articles of association, the charitable company has maintained insurance in respect of directors' and officers' liabilities incurred in connection with the discharge of their duties.

RISK REVIEW

The Board has considered the major external business risks to which the group is exposed and where possible strategies have been developed to mitigate those risks. The Risk Register is regularly reviewed by the Audit Committee and strategic risks are reported to the Board. Investment risk is managed by the Investment Committee in conjunction with the group's investment manager and advisor.

The key external risks are currently:-

- Failure to replace previous government grant funded activity with paid for services by employers or other stakeholders
- The move away from use of intermediaries in the skills system.
- The potential for on-going change to skills infrastructure systems and processes, through programmes such as Trailblazers, to dilute quality and materially impact the role of the group.

Mitigating actions are in place to help ensure the group remains healthy. These actions include extending our reach in overseas location to generate new income streams, growing the products and offer of our existing trading subsidiaries and ensuring our central function operate at improved efficiency.

STATEMENT OF TRUSTEES (BOARD MEMBERS) RESPONSIBILITIES

The trustees (who are also directors of Semta for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as we are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

TRUSTEES'/DIRECTORS' REPORT (continued)

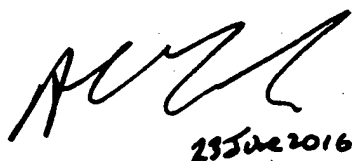
FOR THE YEAR ENDED 31 MARCH 2016

STATEMENT OF TRUSTEES (BOARD MEMBERS) RESPONSIBILITIES (continued)

AUDITORS

In accordance with the Companies Act 2006, a resolution will be proposed at the Annual General Meeting that haysmacintyre will be reappointed as auditor to the company for the ensuing year.

This report, which incorporates the Strategic Report, was approved by the Board on the 23rd June 2016 and signed on its behalf by:



23 June 2016

Andrew McLachrie
Company Secretary
Semta
Unit 2, The Orient Centre
Greycaine Road
Watford
WD24 7GP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

We have audited the financial statements of Science, Engineering and Manufacturing Technologies Alliance for the year ended 31 March 2016 which comprise the Consolidated Statement of Financial Activities, the Charity and Group Balance Sheets, Group Cash Flow Statement, notes to the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the charitable company and the group as at 31 March 2016 and of the incoming resources and application of resources, including the income and expenditure, of the group 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report, incorporating the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Jeremy Beard

Senior Statutory Auditor
For and on behalf of haysmacintyre,
Statutory Auditors

26 Red Lion Square
London
WC1R 4AG

23rd June 2016

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating Income and Expenditure)

FOR THE YEAR ENDED 31 MARCH 2016

INCOME AND EXPENDITURE		2016 £'000	As restated 2015 £'000
	Notes		
Income			
<i>Other trading activities</i>			
Income from trading subsidiaries	2	12,395	14,334
Income from investments			
Investment income	6	847	894
<i>Charitable activities:</i>			
Externally funded projects		1,765	1,255
Other		851	1,205
Total income		<u>15,858</u>	<u>17,688</u>
Expenditure on			
<i>Expenditure on raising funds</i>			
Expenditure of trading subsidiaries	2	12,163	11,445
Interest charges		47	1
Investment managers fees		124	138
Total cost of raising funds		<u>12,334</u>	<u>11,584</u>
<i>Expenditure on Charitable activities:</i>			
Improving access to learning and encouraging people into careers in the sector		1,210	1,352
Promoting and representing the sector		721	976
Developing and supporting occupational standards and learning frameworks		788	1,336
Research into skills gaps and shortages		14	104
Other		140	3,835
Total charitable activities	5	<u>2,873</u>	<u>7,603</u>
Total expenditure		<u>15,207</u>	<u>19,187</u>
Net (losses)/gains on investments	9	<u>(1,744)</u>	<u>1,100</u>
Net expenditure		<u>(1,093)</u>	<u>(399)</u>
<i>Other recognised gains and losses</i>			
Gains on revaluation of fixed assets		197	-
Net movement in funds	16	<u>(896)</u>	<u>(399)</u>
Total funds brought forward	16	<u>25,178</u>	<u>25,577</u>
Total funds carried forward		<u><u>24,282</u></u>	<u><u>25,178</u></u>

All gains and losses recognised in the year are included in the Statement of Financial Activities. All activities are continuing.

The notes on pages 17 to 28 form part of the accounts.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2016

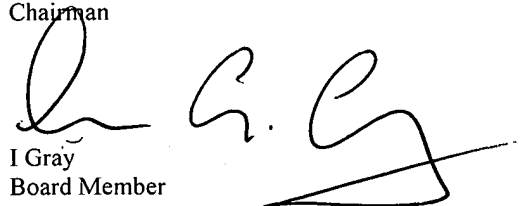
(Company Number 2324869)

	Notes	2016 £'000	As restated 2015 £'000
FIXED ASSETS			
Tangible assets	8	1,366	1,457
Investments	9	26,295	27,342
		<u>27,661</u>	<u>28,799</u>
CURRENT ASSETS			
Stocks	11	40	20
Debtors	12	1,620	2,348
Bank and cash balances		1,570	1,421
		<u>3,230</u>	<u>3,789</u>
CREDITORS: amounts falling due within one year	13	(5,046)	(4,996)
NET CURRENT ASSETS/ (LIABILITIES)		<u>(1,816)</u>	<u>(1,207)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,845	27,592
CREDITORS: amounts falling due after one year	14	(1,563)	(2,414)
NET ASSETS		<u>24,282</u>	<u>25,178</u>
FUNDS AND RESERVES			
Unrestricted funds			
General reserve	16	<u>24,282</u>	<u>25,178</u>

The financial statements were approved and authorised for issue by the Board on the 23rd June 2016 and were signed below on its behalf by:



A Cook
Chairman



I Gray
Board Member

The notes on pages 17 to 28 form part of the accounts.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

CHARITY BALANCE SHEET

AT 31 MARCH 2016

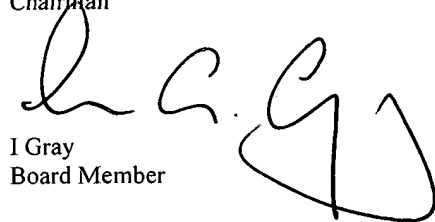
(Company Number 2324869)

	Notes	2016 £'000	As restated 2015 £'000
FIXED ASSETS			
Tangible assets	8	900	988
Investments	9	26,295	27,342
Investment in subsidiaries	10	-	-
		<u>27,195</u>	<u>28,330</u>
CURRENT ASSETS			
Debtors	12	1,987	1,969
Bank and Cash balances		1,560	1,419
		<u>3,547</u>	<u>3,388</u>
CREDITORS: amounts falling due within one year	13	<u>(4,621)</u>	<u>(4,580)</u>
NET CURRENT LIABILITIES		<u>(1,074)</u>	<u>(1,192)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,121	27,138
CREDITORS: amounts falling due after one year	14	<u>(1,472)</u>	<u>(2,323)</u>
NET ASSETS		<u>24,649</u>	<u>24,815</u>
FUNDS AND RESERVES			
Unrestricted funds			
General reserve	16	<u>24,649</u>	<u>24,815</u>

The financial statements were approved and authorised for issue by the Board on the 23rd June 2016 and were signed below on its behalf by:



A Cook
Chairman



I Gray
Board Member

The notes on pages 17 to 28 form part of the accounts.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
Cash provided from operating activities	a)	97	(3,398)
Cash flows from investing activities			
Investment income received		847	894
Drawdown from investments		-	(280)
Payments to acquire investments		(5,703)	(3,439)
Payments to acquire tangible fixed assets		(98)	(348)
Receipts from the sale of investments		5,006	5,665
Receipts from the sale of tangible fixed assets		-	1,549
Cash provided by investing activities		52	4,041
Cash flow from financing activities		-	-
Net increase in cash		149	643
Cash and cash equivalents at start of year		1,421	778
Cash and cash equivalents at end of year		1,570	1,421
		2016	2015
		£'000	£'000
a) Reconciliation of net incoming resources to net cash inflow from operating activities			
Net movement in funds		(896)	(399)
Investment income		(847)	(894)
Depreciation		386	387
Loss on sale of fixed assets		-	115
Decrease in creditors		(801)	(1,592)
Decrease/(Increase) in debtors		728	(50)
Increase in stock		(20)	(3)
Unrealised (loss)/gain on investments		1,744	(962)
Gain on revaluation of property		(197)	-
Net cash provided from operating activities		97	(3,398)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty (see note 3) in the preparation of the financial statements are as follows:

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Semta meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

All of the expenditure incurred by the Science, Engineering and Manufacturing Technologies Alliance is for charitable purposes.

b) Transitions

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided in note 17.

Financial statements

The financial statements consolidate the results of the Science, Engineering and Manufacturing Technologies Alliance and its subsidiaries as at the balance sheet date. In accordance with section 408 of the Companies Act 2006, a separate Statement of Financial Activities for the charity has not been presented. The result for the charity was a surplus of £1,447,000 before investment losses (2015: deficit of £1,953,000 after restating comparative figures under FRS102, further details of this shown under Note 16)

Incoming resources

Income represents the amount receivable for the period but excludes value added tax and trade discounts.

Resources expended

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered. Certain expenditure is directly attributable to specific activities and has been included in these cost categories. Support costs which cannot be directly allocated are apportioned across the categories on the basis of an estimate of the proportion of time spent by staff on those activities.

Governance costs form part of support costs are for the charity. These include the external audit fee and an assessment of the time spent undertaking company secretarial responsibilities.

Sale of properties

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

Tangible fixed assets

(a) Group occupied properties

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

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

(b) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation in equal instalments over the expected useful lives of each class of asset, from the date on which the assets are brought into use. The expected useful lives are as follows:

	Years
Long leasehold buildings occupied by group companies	40
Freehold buildings occupied by group companies	40
Improvements to freehold buildings	40
Office furniture	10
Plant	10
Machinery and equipment	5
Computer equipment & applications	3

Property costs

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

Fixed asset investments

Investments are stated at market value as at 31 March 2016. Realised and unrealised gains and losses are released or charged to the consolidated Statement of Financial Activities in the year in which they arise.

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

Stocks

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

Grants

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

Grants to other organisations are agreed as part of the Business Planning process. The cost is charged to the Statement of Financial Activities in the period to which the grant relates.

Fund accounting

The general reserve comprises of those monies which may be used towards furthering the charitable objects at the discretion of the Board.

Operating leases

Operating lease rentals are charged to the consolidated Statement of Financial Activities on a straight line basis over the lease period.

Pensions

Semta is a participating employer to a defined benefit scheme administered by ITB Pension Funds. A defined benefit scheme is a pension plan under which the company pays fixed pension to its employees. As a member of the multi-employer scheme where the assets and liabilities are not identifiable, Semta has accounted for the scheme as a defined contribution scheme to comply with the provisions of FRS 102. Pension contributions are charged to the consolidated Statement of Financial Activities so as to spread the regular cost of pensions and related benefits over the employees' working lives. The company employees also belong to a defined contribution plan administered by ITB Pension Funds. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense in the profit and loss account when they fall due. The assets of the plan are held separately from the company in an independently administered fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

2. INCOMING RESOURCES AND NET MOVEMENT IN FUNDS**a) Analysis of income**

The group has only one class of activity. The majority of group activities are conducted in the United Kingdom.

Excellence Achievement & Learning Limited (EAL) conducted business with centres outside the UK totalling £96,203 in the year (2015: £156,688).

Investment income represents the income from the investment portfolio and interest received on cash balances.

Externally funded projects income represents the contribution to Semta for staff time spent on projects funded by the UK government and other stakeholders.

Other income represents the charge to Semta customers for services provided by the charity.

Income from trading subsidiaries represents the turnover of the charity's trading subsidiaries included in Semta's accounts.

b) Results of trading subsidiaries

The charity owns 100% of the allotted ordinary share capital of the following companies which are incorporated in the UK:

- Excellence Achievement & Learning Limited (EAL) is the awarding organisation for vocational qualifications primarily in the engineering sector.
- Training Properties Limited manages one property that is leased and fully subleased.
- Training Publications Limited is a publishing and printing operation.
- MetSkill Limited provides apprentice training services to businesses in the manufacturing and engineering sector, which aim to achieve measurable and sustainable improvements in business performance.
- National Skills Academy for Manufacturing Limited provides services to develop and implement national standards for manufacturing skills.

All the companies covenant their taxable profits to Semta. A summary of the trading results included in the consolidated accounts is shown below.

Total expenditure of £11,541,000 for the year 2015 includes exceptional item of £80,000 after restating comparative figures under FRS102,

Audited accounts for each subsidiary entity have been filed with the Registrar of Companies.

	EAL	Training	Training	MetSkill	National	2016	2015
	£'000	Properties	Publications	Limited	Skills	Total	Total
		Limited	Limited	Limited	Academy	£'000	£'000
		£'000	£'000	£'000	for Manuf.		
					Limited		
					£'000		
Income	8,656	-	1	3,738	-	12,395	14,334
Materials and external charges	2,048	-	-	2,495	-	4,543	4,948
Staff costs	3,086	-	-	39	83	3,208	3,292
Depreciation	117	-	-	7	-	124	113
Other operating charges	1,756	3	1	2,525	3	4,288	3,188
	<u>7,007</u>	<u>3</u>	<u>1</u>	<u>5,066</u>	<u>86</u>	<u>12,163</u>	<u>11,541</u>
Net surplus	1,649	(3)	-	(1,328)	(86)	232	2,793
Gift Aid to Semta	(1,634)	-	-	-	-	(1,634)	(2,609)
	<u>15</u>	<u>(3)</u>	<u>-</u>	<u>(1,328)</u>	<u>(86)</u>	<u>(1,402)</u>	<u>184</u>

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

3. JUDGEMENTS AND KEY AREAS OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the directors have had to make the following judgments:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

• Tangible fixed assets

Tangible fixed assets, other than investments properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

• Deferred revenue for registrations

To determine the value of registration and framework income to defer to the balance sheet at year end as deferred income. This decision depends on an assessment of the amount of fees learners have paid in advance for registering on courses and obtaining frameworks for qualifications.

4. STAFF COSTS

	2016 £'000	2015 £'000
Wages and salaries	5,456	7,655
Social security charges	497	600
Other pension costs	583	334
	<u>6,536</u>	<u>8,589</u>

Included in staff costs is £nil (2015: £1,494,877) relating to early retirements and redundancy costs and charged to other charitable activities per note 5. Included within wages and salaries are agency staff costs of £115,000 for the year.

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

	2016 No.	2015 No.
Training services	132	144
Support services	11	13
	<u>143</u>	<u>157</u>

Trustees' remuneration

During the year, in accordance with the Articles of Association of the charity, payments were made to the chairman totalling £20,000 (2015: £20,000). The total amount of expenditure reimbursed to Board members in respect of expenses incurred on the charity's activities was £6,024 (2015: £4,799).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

4. STAFF COSTS (continued)

Emoluments of employees

The number of employees whose emoluments as defined for taxation purposes exceeded £60,000 per annum during the period.

	2016 No.	2015 No.
£60,001 - £70,000	4	6
£70,001 - £80,000	2	1
£80,001 - £90,000	-	1
£90,001 - £100,000	-	3
£100,001 - £110,000	1	-
£110,001 - £120,000	1	-
£120,001 - £130,000	-	1
£130,001 - £140,000	-	1
£140,001 - £150,000	1	2
£180,001 - £190,000	1	-
£200,001 - £300,000	-	1
Total	10	16

The total of key management personnel compensation for the year was £585,196 (2015: £660,759). This represents the total remuneration and benefits of the Charity's senior management team, representing 4 (2015: 4) members of staff.

5. NET INCOMING RESOURCES

	2016 £'000	2015 £'000
Net incoming resources are arrived at after charging the following:		
Auditors' remuneration	31	29
Operating lease rentals-motor vehicles	225	292
Depreciation -	386	387

Auditors' remuneration includes £13,500 in respect of the audit of the parent charity (2015: £13,100). Fees in relation to non-audit services were £16,510 (2015: £10,540).

Analysis of charitable activities

	Staff No's	Direct costs £'000	Support costs £'000	2016 Total costs £'000	2015 Total costs £'000
Improving access to learning	15	1,019	191	1,210	1,352
Promoting and representing the sector	10	593	128	721	976
Developing and supporting occupational standards and learning frameworks	7	699	89	788	1,336
Research into skills gaps and shortages	1	1	13	14	104
Other charitable costs	-	-	140	140	3,835
	33	2,312	561	2,873	7,603

Support costs have been allocated across the charitable activities based on average full-time equivalent headcount in the charity, as this basis is consistent with the use of the resources. Included in other charitable costs include a material exceptional items of £140,000 (2015: £3,835,000) which consists of redundancy costs of £75,079 (2015: £1,495,000) and other costs of £64,921 (2015: £2,340,000). Governance costs are included within support costs and totalled £57,000 (2015: £53,000) for the period. Governance costs consist of Chairman's remuneration, group's audit fees and expenses reimbursed to Board members in respect of expenses incurred on the charity's activities.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

6. INVESTMENT INCOME

	2016 £'000	2015 £'000
Income from fixed asset investments	847	894

7. TAXATION

Semta is a registered charity and therefore is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

8. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Office furniture & equipment £'000	Total £'000
Group				
Cost or valuation				
At 1 April 2015	899	46	3,996	4,941
Additions	-	-	98	98
Revaluations	(94)	-	-	(94)
At 31 March 2016	805	46	4,094	4,945
Depreciation				
At 1 April 2015	266	46	3,172	3,484
Charge in year	25	-	361	386
Revaluations	(291)	-	-	(291)
At 31 March 2016	-	46	3,533	3,579
Net Book Value				
At 31 March 2016	805	-	561	1,366
At 31 March 2015	633	-	824	1,457

Freehold and long leasehold land and buildings were valued at 31 March 2016 by Fletcher King, Chartered Surveyors, at open market value. A surplus of £197,000 arose from the revaluation.

There is a fixed charge on land and buildings for the provision of overdraft facility by the bank.

The historic cost and depreciation of land and buildings that have been revalued would be:

	2016 £'000	2015 £'000
Cost	909	909
Depreciation	(263)	(238)
	646	671

The net book amount of land and buildings comprises:

	2016 £'000	2015 £'000
Long leasehold	805	633
	805	633

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

8. TANGIBLE FIXED ASSETS (continued)

	Land and buildings £'000	Plant and machinery £'000	Office furniture & equipment £'000	Total £'000
Charity				
Cost or valuation				
At 1 April 2015	530	46	2,508	3,084
Additions	-	-	44	44
Revaluations	(55)	-	-	(55)
At 31 March 2016	475	46	2,552	3,073
Depreciation				
At 1 April 2015	168	46	1,882	2,096
Charge in year	18	-	245	263
Disposals in year	(186)	-	-	(186)
At 31 March 2016	-	46	2,127	2,173
Net Book Value				
At 31 March 2016	475	-	425	900
At 31 March 2015	362	-	626	988

Freehold land and buildings were valued at 31 March 2016 by Fletcher King, Chartered Surveyors, at open market value. A surplus of £131,000 was arose from the revaluation.

There is a fixed charge on land and buildings for the provision of overdraft facility by the bank.

9. FIXED ASSET INVESTMENTS

	2016 £'000	2015 £'000
Group and Charity		
Balance 1 April 2015 at market value	26,952	27,921
Additions at cost	5,683	3,439
Disposals at opening market value or cost if during the year	(5,246)	(5,370)
Unrealised gain on revaluation	(1,504)	962
	25,885	26,952
Cash awaiting investment	410	390
Balance at 31 March 2016 at market value	26,295	27,342
Historical cost of investments	23,141	21,708

Included in investments are the following which represent more than 5% by value of the total fund:

Aberdeen Charity Select Global Ex UK Equity Fund	4,383	6,805
Aberdeen Charity Select Bond	3,735	4,624
Aberdeen Charity Select UK Equity Fund	10,962	11,020
Aberdeen Orbita Cap Return Fund	-	1,109
Aberdeen Cash for Inc GBP	2,138	-

The Trustees have appointed Aberdeen Asset Management Plc ("Aberdeen") as the investment fund manager. The funds are held in a number of pooled funds and provide the group with exposure to the equity market.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

10. INVESTMENTS IN SUBSIDIARIES	2016 £'000	2015 £'000
Charity		
Shares at cost	5,980	5,980
Long term loan	2,771	2,771
	<u>8,751</u>	<u>8,751</u>
Provision		
Balance brought forward	(8,751)	(8,751)
	<u>-</u>	<u>-</u>
Closing balance at 31 March 2016	-	-

The provision is to write down SEMTA's investment in its subsidiary companies.

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

Excellence Achievement & Learning Limited

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

MetSkill Limited

A company registered in England and Wales whose principal activity is the provision of apprentice training services to improve performance of businesses in the engineering and manufacturing sectors.

National Skills Academy for Manufacturing Limited

A company registered in England and Wales which develops and implements national standards for manufacturing skills delivery.

Training Properties Limited

A company registered in England and Wales which operates as a property manager within Great Britain.

Training Publications Limited

A company registered in England and Wales which operates as a publishing and printing operation within Great Britain and ceased active trading on 31 March 2005.

11. STOCKS	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Resalable publications	40	20	-	-

Stock recognised in cost of sales during the year as an expense was £28,267 (2015 - £Nil).

12. DEBTORS	Group		Charity	
	2016 £'000	As restated 2015 £'000	2016 £'000	As restated 2015 £'000
Amounts falling due within one year				
Trade debtors	1,143	1,404	196	474
Amounts owed by subsidiary undertakings	-	-	1,426	1,049
Other debtors	6	5	3	5
Taxation	-	33	-	-
Prepayments	239	232	186	207
Accrued income	232	674	176	234
	<u>1,620</u>	<u>2,348</u>	<u>1,987</u>	<u>1,969</u>

Bad debt recognised during the year as an expense was £15,067 (2015 - £40,374).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

13. CREDITORS: amounts falling due within one year	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	139	405	97	315
Taxation and social security	256	318	290	318
Other creditors	313	58	273	58
Pension creditor	851	839	851	839
Accruals	916	983	481	488
Deferred income	2,571	2,393	124	-
Amount owed to subsidiary undertakings	-	-	2,505	2,562
	<u>5,046</u>	<u>4,996</u>	<u>4,621</u>	<u>4,580</u>

EAL Limited 'deferred income' of £2,448,635 (2015: £2,393,035), relating to certification, is fully asset backed.

14. CREDITORS: amounts falling due after one year	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Unsecured loan notes	91	91	-	-
Pension creditor	1,472	2,323	1,472	2,323
	<u>1,563</u>	<u>2,414</u>	<u>1,472</u>	<u>2,323</u>

15. OBLIGATIONS UNDER LEASE AGREEMENTS

At 31 March 2016 the group has future minimum lease commitments as follows:

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
Less than one year	96	165	96	225
One to five years	228	29	324	194
	<u>324</u>	<u>194</u>	<u>420</u>	<u>419</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

16. FUNDS AND RESERVES	2016 £'000	As restated 2015 £'000
General reserve		
Group		
At 1 April 2015	25,178	25,577
Net movement in funds	(896)	(399)
At 31 March 2016	<u>24,282</u>	<u>25,178</u>
Charity		
At 1 April 2015	24,815	25,668
Realised and unrealised gains on investments	(1,744)	1,100
Net movement in funds (including current year Gift Aid)	1,447	(1,953)
Gain on revaluation of property	131	-
At 31 March 2016	<u>24,649</u>	<u>24,815</u>
17. TRANSITION TO FRS 102	1 April 2014 £'000	31 March 2015 £'000
General reserve		
Group		
Fund Balances previously stated	30,481	29,196
Holiday pay accrual	(72)	(72)
Pension deficit plan creditor	(4,047)	(4,047)
Pension deficit expense reversal	-	886
Prior year adjustment (see note 18)	(785)	(785)
Fund Balances restated	<u>25,577</u>	<u>25,178</u>
Charity		
Fund Balances previously stated	30,531	28,792
Holiday pay accrual	(31)	(31)
Pension deficit plan creditor	(4,047)	(4,047)
Pension deficit expense reversal	-	886
Prior year adjustment (see note 18)	(785)	(785)
Fund Balances restated	<u>25,668</u>	<u>24,815</u>

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required and a reconciliation of the amounts is shown above.

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, liability was recognised for short-term compensated absence arising from employee entitlement of paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward and for the entitlement arising in the year which was due but not taken. The initial liability was for £72k across the group and £31k for the charity.

The Charity has entered into a deficit reduction plan for its share of the liabilities of the defined benefit scheme administered by ITB pension Fund. This plan is a multi-employer scheme which has been accounted for previously as a defined contribution scheme. Under the requirements of FRS 102 a liability must be recognised for the present value of outstanding additional contributions on defined contribution plans. As such a creditor representing the fair value of outstanding contributions totalling £4,047k has adjusted the opening reserve balance. An adjustment to net incoming resources of £886k has also been made to reverse the expense previously recognised in 2015 as this is now included within the opening position adjustment. No other restatements were required.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

18. PRIOR YEAR ADJUSTMENT

During the year it was identified that the charity had previously accounted for accrued project revenue of £785,308, which could not be attributed to specific projects. A prior year adjustment has been made to reflect the previously overstated accrued project revenue. The reserves at 1 April 2014 have been restated, and the accrued revenue balance within debtors at 31 March 2015 has also been restated.

19. PENSION COMMITMENTS

The Group contributes to a Defined Benefit final salary pension scheme that is managed by the ITB Pension funds. It is a multi-employer pension scheme and other former Industry Training Boards are also participating employers of the pension scheme. The pension scheme is funded by pension contributions from both the participating employers and their employees and is managed by the legally appointed trustees of the ITB Pension Funds. In the case of Semta the funding is provided by a combination of both the Semta Group and charitable company and their employees. The Government Actuary has advised that the scheme is a multi-employer scheme where each participating employer is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Accordingly under FRS 102 the scheme has been treated as a defined contribution scheme for the purposes of these accounts. The employer contribution costs to the Semta Group and charitable company was £346,000 for the year (2015: £334,000). At the close of the year the outstanding employee and employer pension contribution amounted to £53,997.

There are 80 members in the defined benefit pension scheme.

The pension scheme has one active section, the 2007 section. Overall contribution rates (both employer & employee elements) for the section of the scheme are determined on the advice of the Government Actuary using the prospective benefits method.

Employer contribution rates for the year to 31 March 2016 were 9.3% (2015: 9.3%).

The most recent agreed pension scheme triennial valuation was conducted as at 31 March 2013 and identified an overall deficit of £23.8m. 2007 section pension scheme assets were valued at £808.7m, a funding level of 97% (2010: 92%). On a solvency basis the funding level was 69% (2010 71%).

Key assumptions in the valuation included:

	2013 Valuation	2010 Valuation
Rate of return in excess of salary growth	1.2%	1.2%
Real yield on over 15 year gilts	(0.45)%	0.7%
Expected remaining lifetime in years (normal health pensioners):		
<i>Men</i>		
Aged 65 now	26.2	24.2
Age 65 in 20 years	29.4	26.1
<i>Women</i>		
Age 65 now	28.5	26.6
Age 65 in 20 years	31.7	28.6

Semta Group's share of the £23.8m deficit was £3.66m. The pension scheme Deficit Recovery Plan agreed with the Trustees of the ITB Pensions Fund, an accrual at the balance sheet date of £2,323k (2015: £3,162k) for the fair value of the commitments under the deficit reduction plan has been included within creditors.

The ITB Pension Funds has advised participating employers of their 'Section 75' liability if they were to withdraw from the scheme. The 'Section 75' liability for Semta Group as at 31 March 2014 was estimated to be £36.6m. As Semta have no plans to withdraw from the scheme the contingent liability has not been provided for in the accounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

20. FINANCIAL ASSETS AND LIABILITIES	2016 £'000	2015 £'000
Group		
Financial assets measured at amortised cost	1,149	1,442
Financial liabilities measured at amortised cost	3,122	4,034
	<u>3,122</u>	<u>4,034</u>
	2016 £'000	2015 £'000
Charity		
Financial assets measured at amortised cost	1,625	1,528
Financial liabilities measured at amortised cost	5,488	6,415
	<u>5,488</u>	<u>6,415</u>

Financial assets measured at amortised cost include trade debtors, other debtors and amounts due from group entities.

Financial liabilities measured at amortised cost include trade creditors, other creditor, other taxation and social security, pension creditors and amounts due to group entities.

21. LIABILITY OF MEMBERS

The charity is constituted as a company limited by guarantee. In the event of the charity being wound up members are required to contribute an amount not exceeding £1.

22. RELATED PARTY TRANSACTIONS

Due to the nature of the charity, most trustees will be associated with organisations which may have a financial relationship with the charity. Opportunity is given for disclosure of any financial or other interest prior to any Board discussions.

All transactions involving organisations in which a member of the Key Management may have an interest are conducted at arm's length and in accordance with Group's financial regulations and normal procurement procedures.

During the year the group incurred cost in relation to consultancy services amounting to £10,848 (2015: £10,702) provided by Anthony Watson. The consultant is a close family member of Group's Chief Executive Officer.

During the year the group incurred cost in relation to consultancy services amounting to £93,111 (2015: £70,315) from Change Pace Limited. The consultant of Change Pace Limited is a close family member of Group's Chief Operating Officer.

During the year the group incurred cost in relation to services amounting to £212,102 (2015: £17,975) from Get My First Job. The shareholder of Get My First Job is a close family member of Group's Chief Operating Officer.

23. CAPITAL COMMITMENTS

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