



**SCIENCE, ENGINEERING AND MANUFACTURING  
TECHNOLOGIES ALLIANCE**

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

Company Number: 02324869  
Charity Number: 1000328



**SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

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# SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

## ADVISORS

FOR THE YEAR ENDED 31 MARCH 2017

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### **Auditor**

Grant Thornton UK LLP  
202 Silbury Boulevard  
Milton Keynes  
MK9 1LW

### **Investment Manager**

UBS AG  
5 Broadgate  
London  
EC2M 2QS

Investec Asset Management  
25 Basinghall Street  
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### **Investment Advisor**

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### **Property Manager**

Fletcher King  
61 Conduit Street  
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### **Banker**

Barclays Bank plc  
62/64 High Street  
Watford  
WD17 2BT

### **Solicitors**

Bevan Kidwell LLP  
113-117 Farringdon Road  
London  
EC1R 3BX

Gateley Plc  
One Eleven  
Edmund Street  
Birmingham  
B3 2HJ

Bates Wells Braithwaite  
10 Queen Street Place  
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EC4R 1BE

### **Registered Office**

Unit 2, The Orient Centre  
Greycaine Road  
Watford  
WD24 7GP

### **Board Members**

J Hackitt DBE (Chair)  
A Connelly  
A Fuller  
I Gray CBE  
J Hillier  
M Hottass  
J Lopes  
I Mukerjee  
H Sillem  
M Stewart  
I Waddell  
J Whelan

### **Chief Executive**

A Watson

# SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

## TRUSTEES'/DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

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### 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, which is incorporated in England and Wales under the Companies Act 2006. 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)	Resigned on the 31/03/2017
J Hackitt DBE (Chair)	Appointed on the 29/03/2017
A Connelly <sup>1</sup>	
A Fuller	
I Gray CBE <sup>2</sup>	
J Hillier <sup>5</sup>	
M Hottass <sup>1</sup>	
J Lopes	
L Minella <sup>3</sup>	Resigned on the 23/06/2016
I Mukerjee <sup>4</sup>	
H Sillem	Appointed on the 23/06/2016
M Stewart <sup>5</sup>	
I Waddell	
J Whelan	Appointed on the 29/09/2016

- 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.

TRUSTEES'/DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

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**STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

The key subsidiaries are Excellence Achievement & Learning Limited (EAL – a vocational awarding organisation) and Metskill Limited (which holds an Education and 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 auditor can meet the Audit Committee in private session as part of this process.

**Investment:**

Investment management is delegated to professional investment management firms UBS AG and Investec Plc, supported by an independent advisor Barnett 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

### ACHIEVEMENTS AND PERFORMANCE

2016/17 was a year of perhaps unparalleled change in the skills landscape. The apprenticeship standards programme gathered pace, employers readied themselves in earnest for the apprenticeship levy, and new governments were elected in Scotland, Wales and Northern Ireland, with new platforms for apprenticeships, education and skills. With the recent conclusion of the UK general election, Semta Group remains well placed to meet any challenges that this may bring.

**In times of change, it is even more valuable to benefit the sector that Semta uses its charitable funds to invest in projects and workstreams which add real value for employers, learners and the wider engineering sector across the UK. In 2016/17, we used our charitable funds to:-**

- Be the organising partner for WorldSkills UK engineering skills competitions; latest registrations show a 4.9% increase in registrations for the 2017/18 cycle – a total of 428 competitors taking part to become the best in the UK across 13 disciplines.
- Help to bring about a more diverse and inclusive advanced manufacturing and engineering sector – so that in 2016/17 there was a 100% increase in female entries to WorldSkills UK engineering competitions, with six of seven female finalists winning medals. A record number of competitors were registered on EAL qualifications – 68 in total, with 31 winning medals. 30% of STEM Energy Award finalists were female, and a majority of Semta Skills Awards winners were female.

TRUSTEES'/DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

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- Support employer groups to develop 28 new apprenticeship standards and/or assessment plans, with 28 more currently in development.
- Support the establishment of the Institute for Apprenticeships, acting as a 'critical friend' to the body and ensuring a strong voice for engineering within it.
- Showcase top engineering and manufacturing skills talent through the 4th annual Semta Skills Awards; 2017's event had a 27% increase in the number of entries, with an 80% increase in entries from small and medium sized companies.
- Publish a number of key research reports, including an international report on apprenticeship End Point Assessment which was referenced in Parliamentary debates on skills reforms along with an 'Engineering Skills for the Future' report looking at issues around diversity within the advanced manufacturing and engineering sector.
- Facilitate the Industry Apprentice Council and produce its annual report, giving apprentices in engineering a stronger voice; membership of the group has grown by 78% and there has been a 143% increase in the number of employers involved. The 2016 annual survey received over 1,500 responses, a 16% increase on 2015/16. The group has also received backing from the Skills Minister Robert Halfon.
- Hold an event with SMMT and the IMI to showcase and celebrate the talent of apprentices during National Apprenticeship Week and to support employers through the apprenticeship levy reforms.
- Sponsor the Telegraph STEM Awards category for Energy; for 2017 there were 285 entries across all categories, a 78% increase on 2016.
- Semta continues to support the Industrial Partnerships of Aerospace and Automotive by active participation in the Skills Working Groups of both sectors to promote and bring to fruition the initiatives important to these sectors.
- Engaging with UTCs, young people and SME employers within the aerospace sector to support their improvement of their skills development processes.
- Working with the automotive sector to understand and share best practice of careers interventions and to understand the future skills needed in 2020.

**Semta Group remains a trusted voice and actor on behalf of employers within the advanced manufacturing and engineering sector. In 2016/17, the Group put that voice to good use by:-**

- Securing Antony Jenkins, Chairman for the Institute for Apprenticeships as the key note speaker for the Semta Skills Awards, addressing over 500 people from the advanced manufacturing and engineering sector.
- Supporting Parliamentarians in their work on skills, industrial strategy and other key policy areas; Semta was mentioned seven times during Parliamentary debates in 2016/17, while the Industry Apprentice Council was mentioned nine times and EAL twice.
- Increasing customer services enquiries to Semta by 276% on 2015/16 (87.5% increase overall), while EAL responded to 35,775 customer enquiries in total, this also demonstrates the effectiveness of having brought marketing in-house at 1st April 2016.
- Producing a range of case studies to support careers in engineering and showcasing the Semta Skills Awards winners.
- Writing 35 opinion pieces on our 'Skills Vision', 'Semta Matters' and 'MD Musings' blogs resulting in 24,173 views.
- Developing and facilitating information, advice and guidance events; in 2016/17, 208 attended the Group's apprenticeship levy Q&A events and 147 attended STEM CPD workshops.

**Semta Group retains interests in all four constituent nations of the United Kingdom. In 2016/17, key activities in the devolved nations of the UK included:-**

- **SCOTLAND:** Updating two engineering Modern Apprenticeship frameworks and 20 SVQ qualifications to ensure they remain fit for employer need; strengthening the Group voice as a policy actor through support of a number of publications by other bodies in Scotland (e.g. government and think tanks); and supporting the development of a graduate level apprenticeship programme in engineering.
- **WALES:** Updating four engineering apprenticeship frameworks to ensure they remain fit for employer need; working with Welsh Government to develop a new Master Craftsperson qualification for engineering; and compiling a key research report for Welsh Government on the skills requirements of the Swansea Bay Tidal Lagoon project.
- **NORTHERN IRELAND:** Working with employers and the Northern Ireland Government to develop a new generation of engineering apprenticeship standards – two drafts are completed and a further four are to be started.
- **UK WIDE:** Being recognised again as a Grade 1 Certification Body, receiving overwhelmingly positive comments from our customers in The Federation for Industry Sector Skills and Standards (FISSS) online survey. In 2016/17, the department certificated 24,583 apprentices in England, 955 in Wales and 1,226 in Scotland.

**Semta International has been launched to export the best of British engineering skills expertise around the globe and take advantage of the UK's reputation for high standards. In 2016/17, Semta International got off to a strong start, developing partnerships and establishing links in over 20 countries. Highlights include:-**

- Working in partnership to build Fiat's training capacity in Turkey.
- Implementing a UK Mechatronics Apprenticeship Programme in China.
- Working in partnership with the Omani Oil and Gas sector (OPAL) and the Oman Ministry of Manpower (MoMP) on projects including the development of a suite of National Occupational Standards and qualifications.
- Supporting the Royal Academy of Engineering's Africa Catalyst programme through the introduction of the Technical and Vocational Education and Training strand.

**EAL, the Group's industry awarding organisation, continues to be successful, and this is borne out by the figures. They show that in 2016/17, EAL:-**

- Delivered 103,022 marked exams.
- Printed, dispatched and reconciled 3,118 functional skills exam papers.
- Dealt with 5,163 calls and 3,570 emails on technical exam queries.
- Conducted 1,414 visits to EAL centres.
- Recognised 55 new EAL centres.
- Launched 33 new qualifications.
- Worked with 280 employers – 67 as recognised EAL centres and 213 as part of Trailblazer apprenticeship standard development groups.
- Responded to 17,639 customer telephone enquiries and 18,136 emails.



**In an age of policy change, EAL has sought out a number of new opportunities for revenue creation and growth while maintaining a strong focus on existing core activities. EAL has been involved in a number of key projects in 2016/17, which include but are not limited to:-**

- Holding a '25th' anniversary celebration event with over 100 people in attendance at the House of Commons, guests included numerous MPs, Parliamentarians and Lords along with key stakeholders, employers and training providers. The event was hosted by Alan Mak MP who is also the co-chair of the All Party Parliamentary Group for Apprenticeships that EAL sponsored during 2016/17.
- Endorsement to deliver End Point Assessments for dual fuel smart metering and project management apprenticeships, with further approvals expected in 2017/18. EAL also appear on the approved Register of Apprentice Assessment Organisations (RoAAO).
- Delivering for Semta International across a variety of projects including the development of bespoke curriculum, programmes, provision of training, certification and accreditation. This will be a growth market for EAL in 2017/18 for income generation.
- Developing new Level 4 qualifications in support of the Advanced Technician Apprenticeship Standard with the support of National Training Academy for Rail (NTAR) and leading employers from across the traction and rolling stock rail engineering sector
- Collaboration with the Institution of Mechanical Engineers to support engineers from the age of 16 throughout learning and their professional accreditation, together with providing employers with comprehensive services to support engineers in their service and combining the organisations formidable strengths and expertise to deliver End Point Assessment for Mechatronics.
- Working with GTA England to support the development of core engineering foundation standards, which align to sector wide development, particularly to SMEs. We are currently working in partnership on Manufacturing Operative (PEO), Machining and Maintenance, which will support revenue generation and significant growth whilst strengthening the fundamental positioning of our activity.
- UCAS accreditation of six Level 3 technical engineering and building services qualifications, meaning they can now count towards university applications.
- Working with F1 in Schools, including presenting the Judges' Discretionary Award at the UK finals of the competition.
- Judging the WorldSkills UK SkillElectric regional and national skills competitions.

**Semta Apprenticeship Service's financial performance continues to improve and its position continues to strengthen in the marketplace. In 2016/17, it:-**

- Received a Grade 2 – 'Good' as a result of a snap Ofsted inspection in November 2016. Our services were rated as 'Good' across the board with effective leadership and management, quality teaching, learning and assessment – personal development, behaviour and welfare and outcomes for learners all highlighted as key areas of our delivery.
- Successfully achieved Matrix re-accreditation in December 2016.
- Achieved inclusion on the Register of Apprenticeship Training Providers (only 75% of providers were included).
- Started 280 new apprentices on programmes.
- Awarded 384 apprenticeship certificates following completion of programmes.
- Signed contracts to work with 45 new employers.
- Achieved apprenticeship success rates of 74.1%.
- Conducted 'Destination Surveys' with a cohort of previous Semta Apprenticeship Service learners – with 89.9% of learners remaining in paid employment between one and three years after qualification. Of those in employment 77.4% stated the course they studied was related to their job role and 23.4% were earning in excess of £25,000 per annum.

## FINANCIAL REVIEW

The Consolidated Statement of Financial Activities for the year ended 31<sup>st</sup> March 2017 (page 14) shows a net increase in funds of £4,303k.

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 a **surplus** of £4,303k including investment income and investment gains (2015/16 **deficit** of £896k including investment income and investment losses).

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 £338k (2015/16 net **deficit** of £84k)

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

## 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 2017 was £28,585k (2015/16 £24,282k) an increase in the year of £4,303k. 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.

## 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 6.9% compared to benchmark of 5.4%.

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 £722k (2015/16 £847k). The overall Investment Fund increased by £2,867k during 2016/17.

## PLANS FOR FUTURE PERIODS

- The Semta Group will seek to maximise the commercial opportunities presented by recent and upcoming policy change through the establishment of a new Commercial Division. This division's work will include, but not be limited to, working with employers to develop new skills programmes and standards; helping employers to best utilise their apprenticeship levy funds to attract new talent; and enabling employers to upskill their current talent base.
- The Semta Group will work constructively with the newly elected UK government, whatever its composition, and be a critical friend as it implements the new system of technical education and training proposed by the Sainsbury Review. The Group will also work with the new Institute for Apprenticeships and Technical Education, safeguarding the future quality and relevance of engineering apprenticeship and technical education standards.
- Semta International will build upon its early success by continuing its work on projects in India, Oman and Turkey while expanding into new markets in China and South East Asia. Semta International now has a team in place with the expertise and credibility to further develop trusted partnerships and develop and deliver products and services that have positive social and economic impact on regions and individuals.
- The fifth Semta Skills Awards will take place on 1st March 2018 at the Park Plaza, Westminster Bridge Hotel; Steph McGovern, engineer and BBC presenter, has been secured to host the event. Principal sponsors confirmed to date are Rolls-Royce, MBDA, Jaguar Land Rover, Siemens and BAE Systems, and the Telegraph has also pledged its support as media partner. Semta will target further entries from SMEs due to their crucial impact on the skills landscape in the advanced manufacturing and engineering sector - the 2017 campaign saw an 80% increase in entries from this group of employers.
- EAL will continue to build upon its industrial reputation for quality and excellence by expanding into the delivery of apprenticeship End Point Assessments, continuing the transition as a leading assessment services provider. Qualifications are not a mandated element of all new apprenticeship standards, but where new standards do include qualifications EAL will seek to deliver the qualification for as many users of those standards as possible. EAL is also well placed to bid to develop and provide the qualifications for at least two of the fifteen technical and professional education routes, which are now in development and the first of which will be piloted in 2019.
- EAL also appears on the approved Register of Apprentice Assessment Organisations (RoAAO) to enable them to become the Assessment Organisation of choice in apprenticeships and technical education assessment including delivery services for employers, providers, colleges and learners in the advanced manufacturing and wider engineering sectors.
- Semta Apprenticeship Service (SAS) has been approved on the Register of Apprenticeship Training Providers (RoATP), so is able to train apprentices for both levy payers and non-levy payers. SAS strives to become the employer provider of choice for the delivery of high quality apprenticeships and skills solutions, explore and grow new markets and products which complement its existing offer, and offer to customers an end-to-end apprenticeship levy management service.

## SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

### TRUSTEES'/DIRECTORS' REPORT (continued)

#### FOR THE YEAR ENDED 31 MARCH 2017

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- Semta Group will continue to act as the representative of advanced manufacturing and engineering sector employers to government on policy issues. Semta's policy efforts will be focused on making the new technical education reforms and the Institute for Apprenticeships and Technical Education work in the interests of the sector; refocusing the apprenticeship levy to take into account the needs of the sector; and ensuring that the skills system has the stability that employers need.
- Semta Group will continue to facilitate the Industry Apprentice Council (IAC) and will publish its annual report for 2017, having received around 1,200 responses to its latest annual survey of apprentices. The body provides a platform for advanced manufacturing and engineering apprentices to engage with government, politicians and other key apprenticeship policy stakeholders, to ensure their voices are heard when policy and systems are developed
- Semta will continue to act as the lead sponsor of the All Party Parliamentary Group (APPG) for Apprenticeships and to engage with other groups including the All Party Manufacturing Group (APMG), working with Policy Connect, Connect Communications and other organisations as required, amplifying the voice of the sector on skills-related issues in the corridors of power.
- Semta will continue to act as the organising partner for WorldSkills UK engineering competitions; the 2017/18 campaign is underway, with 429 competitors taking part in the regional heats taking place from May – July 2017.
- Semta will continue to champion diversity across the sector it represents, with a STEM Apprenticeship Diversity Toolkit being developed in conjunction with the Institute of Civil Engineers and the Women in Science Engineering campaign which is set to be launched in June 2017. Semta will continue to use its Semta Skills Awards, WorldSkills UK, its marketing materials, its media appearances and other opportunities to promote the building of a diverse and inclusive advanced manufacturing and engineering sector.
- EAL will increase its support for its clients and the wider industry by investing in technology and partnerships to support the attraction and recruitment of talent, the delivery of new standards and provide ongoing insight to stakeholders.

#### 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' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the trustees 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and the 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 (FRS102);
- 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 group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable group's transactions and disclose with reasonable accuracy, at any time, the financial position of the charitable group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 as trustees to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

TRUSTEES'/DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2017

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**AUDITOR**

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

This report, which incorporates the Strategic Report, was approved by the Board on the 28 June 2017 and signed on its behalf by:



*28 June 2017*

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

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We have audited the group financial statements of Science, Engineering and Manufacturing Technologies Alliance for the year ended 31 March 2017 which comprise the Consolidated Statement of Financial Activities (incorporating Income and Expenditure), the Consolidated and Charity Balance Sheets, the Consolidated 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 opinions we have formed.

### Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the group 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 group 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](http://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 the group's and parent charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including the income and expenditure, 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'/Directors' report, which includes the Strategic Report, for the financial year for which the group financial statements are prepared is consistent with the group financial statements and the Strategic Report and the Trustees'/Directors' Report have been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and its environment obtained during the course of the audit we have not identified any material misstatements in the Strategic Report and Trustees' Annual Report.

### 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 by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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.



William Devitt (Senior Statutory Auditor)

For and on behalf of Grant Thornton UK LLP, Statutory auditor, Chartered Accountants  
Milton Keynes

14 August 2017

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating Income and Expenditure)

FOR THE YEAR ENDED 31 MARCH 2017

**INCOME AND EXPENDITURE**

	Notes	2017 £'000	2016 £'000
<b>Income</b>			
<i>Other trading activities</i>			
Income from trading subsidiaries	2	11,803	12,395
<i>Investment income</i>	8	722	847
<i>Charitable activities:</i>			
Externally funded projects		759	1,765
Other		414	851
<b>Total income</b>		<u>13,698</u>	<u>15,858</u>
<b>Expenditure on</b>			
<i>Raising funds</i>			
Expenditure of trading subsidiaries	2	11,105	12,163
Interest charges		23	47
Investment managers fees		1	124
<b>Total cost of raising funds</b>		<u>11,128</u>	<u>12,334</u>
<i>Charitable activities:</i>			
Improving access to learning and encouraging people into careers in the sector		825	1,210
Promoting and representing the sector		573	721
Developing and supporting occupational standards and learning frameworks		659	788
Research into skills gaps and shortages		-	14
Other		204	140
<b>Total charitable activities</b>	6	<u>2,261</u>	<u>2,873</u>
Reduction in pension deficit	7	(763)	-
<b>Total expenditure</b>		<u>12,627</u>	<u>15,207</u>
Net gains/(losses) on investments	19	3,232	(1,744)
<b>Net income/(expenditure)</b>		<u>4,303</u>	<u>(1,093)</u>
<i>Other recognised gains and losses</i>			
Gains on revaluation of fixed assets		-	197
<b>Net movement in funds</b>	19	<u>4,303</u>	<u>(896)</u>
Total funds brought forward	19	<u>24,282</u>	<u>25,178</u>
<b>Total funds carried forward</b>		<u><u>28,585</u></u>	<u><u>24,282</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 18 to 31 form part of the accounts.



SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

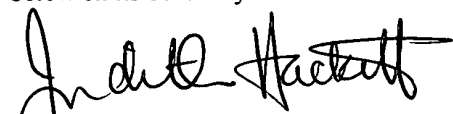
CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2017

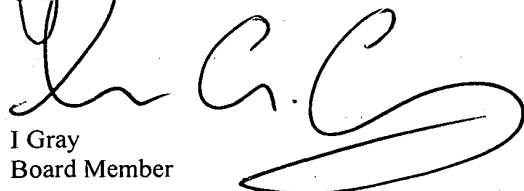
(Company Number 02324869)

	Notes	2017 £'000	2016 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	988	1,366
Investments	11	29,162	26,295
		<u>30,150</u>	<u>27,661</u>
<b>CURRENT ASSETS</b>			
Stocks	13	42	40
Debtors	14	1,864	1,620
Bank and cash balances		2,419	1,570
		<u>4,325</u>	<u>3,230</u>
<b>CREDITORS: amounts falling due within one year</b>	15	(5,799)	(5,046)
<b>NET CURRENT LIABILITIES</b>		<u>(1,474)</u>	<u>(1,816)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		28,676	25,845
<b>CREDITORS: amounts falling due after one year</b>	17	(91)	(1,563)
<b>NET ASSETS</b>		<u>28,585</u>	<u>24,282</u>
<b>FUNDS AND RESERVES</b>			
<b>Unrestricted funds</b>			
General reserve	19	<u>28,585</u>	<u>24,282</u>

The financial statements were approved and authorised for issue by the Board on the 28 June 2017 and were signed below on its behalf by:



J. Hackitt  
Chair



I Gray  
Board Member

The notes on pages 18 to 31 form part of the accounts.

## SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

## CHARITY BALANCE SHEET

AT 31 MARCH 2017

(Company Number 2324869)

	Notes	2017 £'000	2016 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	620	900
Investments	11	29,162	26,295
Investment in subsidiaries	12	-	-
		<u>29,782</u>	<u>27,195</u>
<b>CURRENT ASSETS</b>			
Debtors	14	2,474	1,987
Bank and Cash balances		2,408	1,560
		<u>4,882</u>	<u>3,547</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(4,701)</u>	<u>(4,621)</u>
<b>NET CURRENT LIABILITIES</b>		<u>181</u>	<u>(1,074)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		29,963	26,121
<b>CREDITORS: amounts falling due after one year</b>	17	<u>-</u>	<u>(1,472)</u>
<b>NET ASSETS</b>		<u>29,963</u>	<u>24,649</u>
<b>FUNDS AND RESERVES</b>			
<b>Unrestricted funds</b>			
General reserve	19	<u>29,963</u>	<u>24,649</u>

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 £2,082k before investment gains (2016: surplus of £1,447k).

The financial statements were approved and authorised for issue by the Board on the 28 June 2017 and were signed below on its behalf by:

J Hackitt  
Chair

I Gray  
Board Member

The notes on pages 18 to 31 form part of the accounts.

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
<b>Cash (used by)/provided by operating activities</b>	a)	(201)	97
<b>Cash flows from investing activities</b>			
Investment income received		722	847
Drawdown from investments		1,097	-
Payments to acquire investments		(29,769)	(5,703)
Payments to acquire tangible fixed assets		(37)	(98)
Receipts from the sale of investments		29,037	5,006
<b>Cash provided by investing activities</b>		1,050	52
<b>Cash flow from financing activities</b>		-	-
<b>Net increase in cash</b>		849	149
<b>Cash and cash equivalents at start of year</b>		1,570	1,421
<b>Cash and cash equivalents at end of year</b>		2,419	1,570
		<b>2017 £'000</b>	<b>2016 £'000</b>
<b>a) Reconciliation of net incoming resources to net cash inflow from operating activities</b>			
Net movement in funds		4,303	(896)
Investment income		(722)	(847)
Depreciation		415	386
Decrease in creditors		(719)	(801)
(Increase)/decrease in debtors		(244)	728
Increase in stock		(2)	(20)
Net (gain)/loss on investments		(3,232)	1,744
Gain on revaluation of property		-	(197)
<b>Net cash provided by operating activities</b>		(201)	97

The notes on pages 18 to 31 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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**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 Semta is for charitable purposes.

**Going concern**

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

**Financial statements**

The financial statements consolidate the results of Science, Engineering and Manufacturing Technologies Alliance and its subsidiaries as at the balance sheet date.

**Incoming resources**

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

All income is recognised once the charitable group has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

**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.

Costs of generating funds are costs incurred in attracting voluntary income and those incurred in trading activities that raise funds.

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.

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

**1. ACCOUNTING POLICIES (continued)****Sale of properties**

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

**Tangible fixed assets****(a) Group occupied properties**

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

**(b) Depreciation**

Depreciation is provided on all tangible fixed assets, other than freehold land 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 2017. 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.

**Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Cash**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**1. ACCOUNTING POLICIES (continued)**

**Financial Instruments**

*Financial assets*

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

*Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

**Grants**

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.

**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 also has to provide for the deficit funding as agreed with the Scheme. 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 2017

**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 £86,803 in the year (2016: £96,203).

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.

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

	<b>EAL</b>	<b>Training</b>	<b>Training</b>	<b>MetSkill</b>	<b>National</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>Properties</b>	<b>Publications</b>	<b>Limited</b>	<b>Skills</b>	<b>Total</b>	<b>Total</b>
		<b>Limited</b>	<b>Limited</b>	<b>Limited</b>	<b>Academy</b>	<b>£'000</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>for Manuf.</b>		
					<b>Limited</b>		
					<b>£'000</b>		
Income	8,529	-	1	3,273	-	11,803	12,395
Materials and external charges	2,623	-	-	2,003	-	4,626	4,543
Staff costs	2,909	-	-	95	84	3,088	3,208
Depreciation	92	-	-	7	-	99	124
Other operating charges	1,106	2	2	2,179	3	3,292	4,288
	<u>6,730</u>	<u>2</u>	<u>2</u>	<u>4,284</u>	<u>87</u>	<u>11,105</u>	<u>12,163</u>
Tax	360	-	-	-	-	360	316
<b>Net surplus/(deficit)</b>	<b>1,439</b>	<b>(2)</b>	<b>(1)</b>	<b>(1,011)</b>	<b>(87)</b>	<b>338</b>	<b>(84)</b>
Tax relief	360	-	-	-	-	360	316
Gift Aid to Semta	(1,799)	-	-	-	-	(1,799)	(1,634)
	<u>-</u>	<u>(2)</u>	<u>(1)</u>	<u>(1,011)</u>	<u>(87)</u>	<u>(1,101)</u>	<u>(1,402)</u>

**3. JUDGEMENTS AND KEY AREAS OF ESTIMATION UNCERTAINTY**

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

- Leases**  
 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.
- Impairment**  
 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.
- 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.

<b>4. STAFF COSTS</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Wages and salaries	5,168	5,693
Social security charges	519	497
Other pension costs	362	346
	<u>6,049</u>	<u>6,536</u>

Included within wages and salaries are agency staff costs of £15,220 (2016: £115,000) for the year. During the year the group made termination payments of £73,350 (2016: £Nil) and redundancy payments of £Nil (2016: £75,079) which were settled in full before the year end. Included within other charitable costs and creditors is a provision for redundancy/termination payments of £34,000 (2016: £Nil).

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

	<b>2017 No.</b>	<b>2016 No.</b>
Training services	113	132
Support services	11	11
	<u>124</u>	<u>143</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 (2016: £20,000). The total amount of expenditure reimbursed to Board members in respect of expenses incurred on the charity's activities was £8,156 (2016: £6,024).



## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

**4. STAFF COSTS (continued)**

The parent charity's staff costs are as follows:

	2017 £'000	2016 £'000
Wages and salaries	2,542	2,713
Social security charges	264	263
Other pension costs	155	267
	<u>2,961</u>	<u>3,243</u>

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

	2017 No.	2016 No.
Training services	50	52
Support services	11	11
	<u>61</u>	<u>63</u>

**Emoluments of employees**

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

	2017 No.	2016 No.
£60,001 - £70,000	7	4
£70,001 - £80,000	3	2
£90,001 - £100,000	1	-
£100,001 - £110,000	1	1
£110,001 - £120,000	-	1
£140,001 - £150,000	1	1
£180,001 - £190,000	1	1
<b>Total</b>	<u>14</u>	<u>10</u>

The total of key management personnel compensation for the year was £633,365 (2016: £585,196).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

## 5. NET INCOMING RESOURCES

	2017 £'000	2016 £'000
Net incoming resources are arrived at after charging the following:		
Auditor's remuneration		
- Audit services	36	31
- Non audit services	14	17
Operating lease rentals-motor vehicles	190	225
Depreciation	415	386

Auditors' remuneration includes £14,500 in respect of the audit of the parent charity (2016: £13,500). Fees in relation to non-audit services were £13,500 (2016: £16,510).

## 6. EXPENDITURE ON CHARITABLE ACTIVITIES

	Staff No's	Direct costs £'000	Support costs £'000	2017 Total costs £'000	2016 Total costs £'000
Improving access to learning	3	815	10	825	1,210
Promoting and representing the sector	2	567	6	573	721
Developing and supporting occupational standards and learning frameworks	12	620	39	659	788
Research into skills gaps and shortages	-	-	-	-	14
Other charitable costs	-	-	204	204	140
	17	2,002	259	2,261	2,873

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 of £204,000 are exceptional costs of £104,000 (2016: £75,079) which consists of redundancy costs of £Nil (2016: £75,079), a provision for redundancy/termination costs of £34,000 (2016: £Nil) and pensions and VAT advisory costs of £70,000 (2016: £Nil). Governance costs are included within support costs and totalled £57,500 (2016: £57,000) 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.

## 7. REDUCTION IN PENSION DEFICIT PLAN

In the current year, a credit of £763k was realised that relates to the reduction in the pension deficit plan.

## 8. INVESTMENT INCOME

	2017 £'000	2016 £'000
Income from fixed asset investments	722	847

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

## 9. 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.

## 10. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Office furniture & equipment £'000	Total £'000
<b>Group</b>				
<b>Cost or valuation</b>				
At 1 April 2016	805	46	4,094	4,945
Additions	-	-	37	37
Disposals	-	-	(159)	(159)
At 31 March 2017	805	46	3,972	4,823
<b>Depreciation</b>				
At 1 April 2016	-	46	3,533	3,579
Charge in year	18	-	397	415
Disposals	-	-	(159)	(159)
At 31 March 2017	18	46	3,771	3,835
<b>Net Book Value</b>				
At 31 March 2017	787	-	201	988
At 31 March 2016	805	-	561	1,366

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:

	2017 £'000	2016 £'000
Cost	909	909
Depreciation	(288)	(263)
	621	646

The net book amount of land and buildings comprises:

	2017 £'000	2016 £'000
Long leasehold	787	805
	787	805

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

10. TANGIBLE FIXED ASSETS (continued)

	Land and buildings £'000	Plant and machinery £'000	Office furniture & equipment £'000	Total £'000
<b>Charity</b>				
<b>Cost or valuation</b>				
At 1 April 2016	475	46	2,552	3,073
Additions	-	-	37	37
At 31 March 2017	475	46	2,589	3,110
<b>Depreciation</b>				
At 1 April 2016	-	46	2,127	2,173
Charge in year	12	-	305	317
At 31 March 2017	12	46	2,432	2,490
<b>Net Book Value</b>				
At 31 March 2017	463	-	157	620
At 31 March 2016	475	-	425	900

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

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

11. FIXED ASSET INVESTMENTS

	2017 £'000	2016 £'000
<b>Group and Charity</b>		
Balance 1 April 2016 at market value	25,885	26,952
Additions at cost	29,769	5,683
Disposals at opening market value or cost if acquired during the year	(25,151)	(5,246)
Unrealised loss on revaluation	(2,369)	(1,504)
	28,134	25,885
Cash awaiting investment	1,028	410
Balance at 31 March 2017 at market value	29,162	26,295
Historical cost of investments	28,369	23,141

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
Aberdeen Charity Select Bond	-	3,735
Aberdeen Charity Select UK Equity Fund	-	10,962
Aberdeen Cash for Inc GBP	-	2,138
Investec Funds Series Iv - Div	9,701	-
UBS Inv Funds ICVC S&P500 Index J Inc	1,929	-
UBS Key Multi Manager GBP 0.001 Diversified Ltd	1,577	-

During the year the trustees appointed UBS AG and Investec Asset Management as joint investment fund managers. The funds are held in a number of different vehicles which provide the group with exposure to the equity market.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

## 12. INVESTMENTS IN SUBSIDIARIES

	2017 £'000	2016 £'000
<b>Charity</b>		
Shares at cost	5,980	5,980
Long term loan	2,771	2,771
	<u>8,751</u>	<u>8,751</u>
<b>Provision</b>		
Balance brought forward	(8,751)	(8,751)
	<u>-</u>	<u>-</u>
Closing balance at 31 March 2017	-	-

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, all of which are registered in England and Wales:

**Excellence Achievement & Learning Limited (company registration no 02700780)**

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 (company registration no 02465674)**

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 (company registration no 02707095)**

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

**Training Properties Limited (company registration no 02311840)**

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

**Training Publications Limited (company registration no 02700784)**

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.

The registered office of all of the above subsidiaries is Unit 2, The Orient Centre, Greycaine Road, Watford, WD24 7GP.

## 13. STOCKS

	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Resalable publications	<u>42</u>	<u>40</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £38,936 (2016 - £28,267).

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

14. DEBTORS	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Amounts falling due within one year				
Trade debtors	1,316	1,143	397	196
Amounts owed by subsidiary undertakings	-	-	1,830	1,426
Other debtors	7	6	4	3
Prepayments	216	239	177	186
Accrued income	325	232	66	176
	<u>1,864</u>	<u>1,620</u>	<u>2,474</u>	<u>1,987</u>

Bad debt recognised during the year as an expense was £16,126 (2016 - £15,067).

15. CREDITORS: amounts falling due within one year	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade creditors	422	139	220	97
Taxation and social security	323	256	321	290
Other creditors	109	313	65	273
Pension creditor	698	851	698	851
Accruals	1,612	916	427	481
Deferred income	2,635	2,571	348	124
Amount owed to subsidiary undertakings	-	-	2,622	2,505
	<u>5,799</u>	<u>5,046</u>	<u>4,701</u>	<u>4,621</u>

16. DEFERRED INCOME	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Balance at 1 April	2,571	2,393	124	-
Amount released to income	(296)	-	(124)	-
Amount deferred in the period	360	178	348	124
Balance at 31 March	<u>2,635</u>	<u>2,571</u>	<u>348</u>	<u>124</u>

EAL Limited 'deferred income' of £2,275,965 (2016: £2,448,635), relating to certification, is fully asset backed.

17. CREDITORS: amounts falling due after one year	Group		Charity	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Unsecured loan notes	91	91	-	-
Pension creditor	-	1,472	-	1,472
	<u>91</u>	<u>1,563</u>	<u>-</u>	<u>1,472</u>

**18. OBLIGATIONS UNDER LEASE AGREEMENTS**

At 31 March 2017 the group has future minimum lease commitments as follows:

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
<b>Expiry date</b>				
Less than one year	121	58	96	165
One to five years	227	182	228	29
	<u>348</u>	<u>240</u>	<u>324</u>	<u>194</u>

**19. FUNDS AND RESERVES**

	2017 £'000	2016 £'000
<b>General reserve</b>		
<b>Group</b>		
At 1 April 2016	24,282	25,178
Net movement in funds	4,303	(896)
At 31 March 2017	<u>28,585</u>	<u>24,282</u>
<b>Charity</b>		
At 1 April 2016	24,649	24,815
Realised and unrealised gains/(losses) on investments	3,232	(1,744)
Net movement in funds (including current year Gift Aid)	2,082	1,447
Gain on revaluation of property	-	131
At 31 March 2017	<u>29,963</u>	<u>24,649</u>

**20. 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 £362,165 for the year (2016: £346,000). At the close of the year the outstanding employee and employer pension contribution amounted to £60,710 (2016: £53,997).

There are 61 (2016: 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2017

**20. PENSION COMMITMENTS (continued)**

Employer contribution rates for the year to 31 December 2016 were 9.3% and to 31 March 2017 were 14.8% (2016: 9.3%).

The most recent agreed pension scheme triennial valuation was conducted as at 31 March 2016 and identified an overall surplus of £10m. 2007 section pension scheme assets were valued at £938m, a funding level of 101% (2013: 97%). On a solvency basis the funding level was 77% (2013: 69%).

Key assumptions in the valuation included:

	2016 Valuation	2013 Valuation
Rate of return in excess of salary growth	1.2%	1.2%
Real yield on over 15 year gilts	(0.45)%	(0.45)%
<b>Expected remaining lifetime in years (normal health pensioners):</b>		
<b>Men</b>		
Aged 65 now	26.4	26.2
Age 65 in 20 years	29.5	29.4
<b>Women</b>		
Age 65 now	28.2	28.5
Age 65 in 20 years	28.2	31.7

Whilst the scheme was in a small surplus as at the 31st March 2016, this was on the basis that a final payment associated with the 2013 Deficit Recovery Plan was made in July 2017 – An accrual at the balance sheet date of £698k (2016: £2,323k) for the fair value of commitments under the 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 the Semta Group as at the 31 March 2016 was estimated to be £29.4m. As Semta have no plans to withdraw from the ITB pension fund the contingent liability has not been provided for in the accounts.

**21. FINANCIAL ASSETS AND LIABILITIES**

	2017 £'000	2016 £'000
<b>Group</b>		
Financial assets measured at amortised cost	3,742	2,719
Financial liabilities measured at amortised cost	1,643	3,122
	<hr/>	<hr/>
	2017 £'000	2016 £'000
<b>Charity</b>		
Financial assets measured at amortised cost	4,639	3,185
Financial liabilities measured at amortised cost	3,926	5,488
	<hr/>	<hr/>

Financial assets measured at amortised cost include cash, 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.



**22. 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.

**23. 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 £5,850 (2016: £10,848) 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 £42,734 (2016: £93,111) 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 £218,429 (2016: £212,102) from Get My First Job. The shareholder of Get My First Job is a close family member of Group's Chief Operating Officer.

**24. CAPITAL COMMITMENTS**

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