



SCIENCE, ENGINEERING AND MANUFACTURING
TECHNOLOGIES ALLIANCE

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

Company Number: 02324869
Charity Number: 1000328

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SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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ADVISORS

FOR THE YEAR ENDED 31 MARCH 2019

Auditor

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MK9 1AU

Registered Office

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Watford
WD24 7GP

Investment Managers

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London
EC2M 2QS

Investec Asset Management Limited
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London
EC2V 5HA

Board Members

J Hackitt DBE (Chair)
M Evans
S Hunter
J Lopes
S Pamplin
M Tarry
I Waddell
P Birt
S Sandle
K Boswell

Investment Advisor

Portfolio Manager Consultancy Ltd
Woodwater House
Pynes Hill
Exeter
EX2 5WR

Chief Executive

A Watson

Secretary

A McLachrie

Banker

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

Solicitors

Bevan Kidwell LLP
113-117 Farringdon Road
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TRUSTEES'/DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

REFERENCE AND ADMINISTRATIVE DETAILS

The Science, Engineering and Manufacturing Technologies Alliance ("Semta") is a company, limited by guarantee (company number 02324869) 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.

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

J Hackitt DBE (Chair)	
A Connelly ^{1, 4}	Resigned on the 12 December 2018
M Evans ²	
A Fuller	Resigned on the 27 September 2018
M Hottass ¹	Resigned on the 27 May 2018
S Hunter	
J Lopes	
I Mukerjee ⁵	Resigned on the 20 June 2019
S Pamplin ⁶	Appointed on the 21 June 2018
M Stewart ⁶	Resigned on the 27 September 2018
M Tarry	Appointed on the 21 June 2018
I Waddell	
J Whelan ³	Resigned on the 12 December 2018
P Birt ³	Appointed on the 12 December 2018
S Sandle	Appointed on the 12 December 2018
K Boswell	Appointed on the 1 February 2019

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

- V H Saward was appointed as Chair of the Investment Committee, but is not a member of the Board.
- B M Dunlop was appointed as Chairman of the Audit Committee, but is not a member of the Board.

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 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 2019

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). On the 28th March 2019, the Board members made the decision to cease apprenticeship training provision under the ESFA contract. This will lead to trading activities of Metskill Limited (SEMTA Apprenticeship Service) ceasing during 2019 and ultimately lead to the winding up of the company.

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 the industry sector. The Audit Committee meets twice each year with the external auditors to discuss the audit plan 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 Asset Management Limited, supported by an independent advisor Portfolio Manager Consultancy Ltd. The Investment Committee's role, chaired by EAL 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.

TRUSTEES'/DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

PUBLIC BENEFIT

As a registered UK charity, Semta operates for the public benefit. Semta is the employer-led body for engineering skills for the future of UK industry. Semta exists to help engineering and manufacturing employers and individual workers develop the skills they need to succeed, in order to create a vibrant UK economy. 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 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 sector's 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



In 2018/19 the Group began to re-assess its definition of Semta for the Industry. This has led to the agreement of a new purpose and strategic vision by the Semta Board which is to be implemented throughout 2019/20. Whilst this strategic review has been ongoing, we continued to proactively undertake activities designed to inspire the next generation of engineers such as:

- Celebrating top engineering and manufacturing skills talent by hosting the 6th annual Semta Skills Awards; there was a 43% increase in the number of entries received from SME companies and 22% of entries were submitted by females working in the advanced manufacturing and engineering (AME) sector. The awards, once again, were supported by key employers from the sector and we also welcomed a number of new sponsors including Coca-Cola European Partners and Atkins, a member of the SNC-Lavalin Group, the Ufi Charitable Trust and joining us as a supporting partner was the Commercial Education Trust.
- Being the organising partner for WorldSkills UK engineering skills competitions; a total of 356 competitors took part to become the best in the UK across 13 disciplines the 2018. A 15% reduction in drop outs from registration to competition - 79.21% of competitors registered competed in the heats in 2018 (increased from 63.64% in 2017). Almost half of the 2018 engineering competition national finalists were also registered on EAL qualifications – 50 in total, with 26 winning medals. We also saw an increase of 200% of females competing in the National Final, from 5 the previous year up to 15 in 2018.
- Facilitating the Industry Apprentice Council (IAC) to give apprentices in engineering a stronger voice, the 2018 survey was responded to by over 1,500 apprentices (an increase of 27% on 2017) and the report was launched in December 2018 and has had over 800 downloads to date. As well as members supporting sector events such as the 2018 WES Apprentice Conference, two IAC members were appointed to sit on the Institute for Apprenticeships and Technical Education (IfATE) apprentice panel to ensure that the views of apprentices are represented across the work and governance of the IfA.
- The STEM Exchange has seen a 56% increase in the number of users on the site following extensive redevelopment work in 2017/18 working closely with the Department for Transport for the Year of Engineering, the site provides the opportunity for teachers and young people to access STEM experiences offered by employers.
- We once again sponsored the Telegraph STEM Awards category for Innovation; for 2019 there were 902 entries across all categories, a 27% increase on 2018.

STRATEGIC REPORT (continued)

How we have supported the skills landscape across our four nations:

England



The apprenticeship levy and online apprenticeship service for the management of funding have now been operational for two years. The first waves of T-Level qualifications were awarded, whilst the second wave is now underway with Invitations to Tender which includes Onsite Construction and Building Services. We have supported these in the following ways:

- We continued to provide information, advice and guidance on qualification options within the apprenticeship standards to ensure that they remain of a high quality; this included the development of new qualifications and the amending of other qualifications to ensure the standards are suitable for the wider sector.
- Held and facilitated a workshop with 30 AME employers to begin the process of working together on cross-sector apprenticeship standards, IfATE were also in attendance to present on the AME standards work to date, a review by IfATE of the Engineering and Manufacturing sector standards is due in Autumn of 2019.
- Attended the Engineering and Manufacturing T-Level panel and supported DfE in the development of the T level qualification.
- Supported the Aerospace employer trailblazer group in developing the Level 4 Manufacturing Engineer standard.
- Supported the Space Consortium employer trailblazer group in developing Level 3 Space Engineering Technician standard.
- Produced 12 regional and 6 sector skills snapshots to highlight the skills challenges and projections for the AME sector.

Wales



Qualifications Wales continue to redefine technical education, and now look to review qualifications in engineering, advanced manufacturing and energy. These are priority sectors identified by the Welsh government for the economy. It will run for most of 2019, with a technical review of the qualifications taking place through the summer.

The findings of the review are anticipated to be published in the autumn of 2020. Through 2018 we have supported this by:

- Working collaboratively with Industry Wales to run three provider/employer workshops to highlight the skills challenges and develop solutions for the sector.
- Supporting Qualification Wales with access to our extensive database to support the sector review consultation that is currently underway in Wales for the AME sector.
- Reviewed and re-issued 7 apprentice SASE/W frameworks.

STRATEGIC REPORT (continued)

Scotland



To support the Economic Action Plan released in October 2018 and to stay a key influencer through strategic stakeholders in Scotland, we have supported the following:

- Successfully reviewed, and updated **225** Marine National Occupational Standards (NOS) for Skills Development Scotland (SDS).
- Successfully delivered a project to fully cleanse the **3,095** AME NOS suites on the database on behalf of SDS.to:
 - Remove NOS no longer in use
 - Reallocation of NOS allocated incorrectly to Semta
 - Additional data supplied on areas such as SOC codes for all Semta NOS
 - Identification of missing NOS (584 NOS)
 - Modifications to metadata and search criteria to ensure all NOS are tagged to correct suites and occupations
- Secured inclusion onto SDS tender framework for future delivery of NOS, Framework and Standards development across the Devolved Nations.
- Six events were delivered across Scotland supported by Semta to further our engagement nationally across Scotland.
- Contribution and review of the SDS Skills Investment Plan for Chemicals & Life Sciences to further support their development of skills solutions for the sector across Scotland.
- Lead SSC participant on SDS project on Skills for the Circular Economy – joint project proposal created with Cogent and EU Skills for sustainability NOS for pilot delivery.
- Membership of key skills strategic groups for the Manufacturing Action Plan and Engineering Scottish Leadership Group (ESLG) embedding further Semta's engagement across the key sector partners across Scotland.
- Lead member of the ESLG for NOS and formation of expertise group regarding NOS priorities for sector in Scotland. A working group established and meetings held and presented to ESLG members.
- Launch Events undertaken in March 2019 with British Marine and SDS / LSC for new Modern Apprenticeship (MA) Frameworks to industry to secure use and generate Semta MA Registration take up of apprentices onto the MA frameworks.
- New charitable project related to gender with Scottish Engineering and Equate agreed and established – supported by SDS to generate understanding across the sector of the issues and challenges around diversity and inclusion for females wishing to engage with the sector with the aim of increasing female participation.

STRATEGIC REPORT (continued)



Northern Ireland

Northern Ireland continues to integrate 'Transversal Skills' - defined as those skills for work and life by the United Nations Educational Scientific and Cultural Organisation (UNESCO) into their qualifications.

- Worked closely with various Awarding Organisations to develop qualifications for five new apprenticeship frameworks including the review and integration of Transversal Skills into qualifications.

Supporting skills Internationally



International

Semta International has continued to export the best of British engineering skills expertise around the globe through a growing network of international partners and projects. Highlights include:

- Successful delivery of Department for International Development (DfID) 12-month project to support the capacity building of Technical, Vocational Education and Training within the Indian Aerospace Sector Skills Council.
- Working in partnership with the Omani Oil and Gas sector (OPAL) and the Oman Ministry of Manpower (MoMP) on a number of projects, including the development of National Occupational Standards, Qualifications and Apprenticeship Framework. This successful project supports the Oman In Country Value Strategy, improving the capacity and capability of Omani people and companies in order to secure sustainable workforce for the future.
- Delivered a pilot apprenticeship implementation programme for Al-Hussein University, Amman funded by the British Council Jordan. The successful delivery of this initial pilot project led to Semta securing the funding to develop a Graduate Apprenticeship Framework for Al-Hussein University, for Mechanical Engineering in 2019/20. The project will also support the University to establish an employer led strategy group to inform future vocational education needs for the sector.
- Semta continue to play a leading role in the EU funded "DRIVES" project a major EU wide initiative promoting shared practices in Technical and Vocational Education and Training (TVET) in the automotive sector, building on the recommendations of the GEAR 2030 initiative.
- Supporting PWC India, Semta provided expertise and guidance on a draft occupational map for the electric vehicle sector in India prepared by the PWC India team. Semta provided feedback and recommendations on the required occupational competencies for the electric vehicle sector based on wider understanding of employer needs globally, identifying three critical job roles in the EV value chain in India. The findings were shared with employers and government ministers during a conference in India.

STRATEGIC REPORT (continued)

Continuing to provide our knowledge, guidance and support to the sector, working with key stakeholders in key industries

Working Groups and further collaboration



In 2018/19 Semta Group continued to provide employers with outstanding industry-based expertise and solutions on technical and professional education and skills. Key highlights included:

- We continue to represent the Semta Group within the following employer groups and forums to support development of new apprenticeship standards and skills solutions:
 - Aerospace and Aviation
 - Automotive
 - Cross-Sector Trailblazer Employer Group
 - Engineering Fitter
 - Engineering Operative
 - Lean Manufacturing Operative
 - Maritime
 - Metal Fabricator
- We also continue to assist employer groups with the development of the standards and assessment plans for the following standards:
 - Engineering Fitter
 - Engineering Operative
 - Heritage Engineer
 - Lean Manufacturing Operative
 - Metal Fabricator
 - Tramway Construction
- We provided advice and guidance on qualification options within the apprenticeship standards to ensure that they remain of a high quality; this included working with awarding organisations for the development of new qualifications and the amending of other qualifications to ensure the standards are suitable for the wider sector.
- We continue to support the Automotive, Defence and Aerospace skills working groups in the delivery of the skills sections of their respective sector deals.
- Play a leading role in the articulation of future skills leading the skills task and finish group on behalf of the Made Smarter Commission.
- Began to pilot Engineering Talent to allow larger companies to share the oversupply of applicants for their apprentice schemes with their supply chains and other SMEs.

STRATEGIC REPORT (continued)

Semta Apprenticeship Service

SAS



Semta Apprenticeship Service has faced challenging market conditions since the introduction of the levy but during 18/19 continued to drive forward quality improvements.

- Retained its place on the Register of Apprenticeship Training Providers for levy funded provision.
- Started 124 new apprentices on programmes, with 304 learners on programmes at the time of writing.
- Awarded 181 apprenticeship certificates following completion of programmes
- Published qualification achievement rates for 17/18 – Overall achievement rate was 76%, with a timely achievement rate of 68.1%. Overall and timely outcomes exceeded national averages and other private training providers.
- From a sample of surveys conducted, learners reported the following: -
 - 76% stated they had improved their Maths and English
 - 91% of learners also stated they had been empowered to use technology more and use on-line resources to support their learning.
 - 81% of learners confirmed their learning programme had helped them improve their understanding of Equality and Diversity, both within and outside of the workplace
 - 87% agreed that they were more aware about subjects such as bullying, on-line safety, radicalisation and British values.
 - 98% of learners also strongly agreed that they feel safe and understand safeguarding and how to keep safe and 99% of learners stated they know how to stay healthy

During the year the Board took the difficult decision to cease provision under the ESFA contract – this will see Semta exit the provision of training through the Semta Apprenticeship Service. Whilst the division did continue to help deliver many activities that further the charities objects, it was unable to do so in a cost effective and sustainable way. The Semta Apprenticeship Service will continue to be active until July 2019, during which time we will facilitate the smooth transition of all active learners to alternative providers to ensure continuity of training and with minimal disruption to those learners.

STRATEGIC REPORT (continued)

Our current digital reach

Website & Social



A digital customer journey is ever increasingly important to our employers. To continually bring the Semta Group 'front of mind', we must ensure relevant and pertinent content is available, whilst ensuring our digital systems work as our customer intends. We will continue to measure our engagement across multiple platforms

- Website Page views – 119,491
- Website Page views – 98,930
- Website Users – 38,961
- Twitter:
 - Followers – 7,051
 - Impressions – 1,058,000
 - Link clicks – 1,106
 - Retweets - 886
- LinkedIn
 - Followers – 1,645
 - Impressions – 90,506
 - Link clicks – 2,190
 - Likes - 874
 - Shares - 302
- Facebook
 - Followers - 447
 - Page likes - 448
 - Reach – 9,777
 - Page Views - 886

FINANCIAL REVIEW

The Consolidated Statement of Financial Activities for the year ended 31st March 2019 (page 18) shows a net increase in funds of £1,982k (2017/18 increase of £817k).

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.
- 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 £1,982k including investment income and investment gains (2017/18 surplus of £817k).

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 £1,014k (2017/18 net surplus of £874k).

The results of the trading subsidiaries are detailed in Note 3(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 2019 was £31,384k (2017/18 £29,402k) an increase in the year of £1,982k. 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 + 2%, gross of fees.

The return is measured over a long term time horizon with the last 12 months return at 3.2% compared to benchmark of 6.1%.

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

The Investment Fund generated an investment income of £650k (2017/18 £553k). The overall Investment Fund increased by £863k during 2018/19 (2017/18 £827k).

PLANS FOR FUTURE PERIODS

In 19/20 we will continue the business transformation in redefining Semta's purpose to the sector and industries it is affiliated with. We are financially stable and excited for the future which will see Semta:

- Transforming into a digital-led company, providing new products and services that resonate with industry, to better support their sustainability and the growth of the sector and UK economy.
- Put collaboration at the heart of everything we do with the formation of an alliance of like-minded organisations who like Semta wish to help our sector solve their skills challenges.
- Launching new branding and repositioning Semta with their employers in line with the purpose.
- Develop and launch a new website to establish us as the single point of contact and the place to go for expert help on skills.
- We will review our capacity and capability to ensure we underpin our team further with new appointments to deliver on our strategy
- We will continue to innovate and increase our strategic engagement with employers and forge new partnerships with key stakeholders
- We will continue our work with our stakeholders across the four nations to design and develop high-quality apprenticeship and technical education standards, including continued involvement in one of the panels developing the engineering and manufacturing T-Level qualification.
- We will continue to ensure that all activities are fully compliant with the new General Data Protection Regulation (GDPR) and all other regulations.

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.

FUNDRAISING

The charitable company did not partake in charitable fundraising activities.

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 business transformation takes us into some highly competitive areas, of which we are new entrants into the market.
- The potential for on-going change to skills infrastructure systems and processes could impact on the role of Semta.
- The stagnation of Brexit and a possible general election could cause continued uncertainty, where commitment can be met with resistance.
- We will work with the Education & Skills Funding Agency to work through available options to divest the Semta Apprenticeship Service ensuring that the learners are protected throughout the process.

Mitigating actions are in place to help ensure the group remains healthy. These actions support the growth of Semta whilst we deliver on our transformational needs.

FINANCIAL RISK MANAGEMENT

The Group and the charity company are exposed to a variety of financial risks that include liquidity risk, credit risk and price risk, the significant of which is price risk which arises from the volatility in the market prices of investments that are carried at fair values. The Group and the charity company manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with sound investment policy.

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/Charity law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law/charity 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 group and charity and of the incoming resources and application of resources, including the income and expenditure, of the group and charity for that period.

TRUSTEES'/DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 MARCH 2019

In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting 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 charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006/Charities Act 2011. They are also responsible for safeguarding the assets of the charity 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.

STATEMENT AS TO DISCLOSURE TO OUR AUDITORS

In so far as the trustees are aware at the time of approving our trustees' annual report:

- There is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- The trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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 **11 DECEMBER 2019** and signed on its behalf by:



J Hackett
Chair
Semta
Unit 2, The Orient Centre
Greycaine Road
Watford
WD24 7GP

Opinion

We have audited the financial statements of Science, Engineering and Manufacturing Technologies Alliance (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Consolidated Statement of Financial Activities (incorporating Income and Expenditure), the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the "financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2019 and of the group's and the parent charitable company's incoming resources and application of resources including, the group's and the parent 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.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the auditor the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the SAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report, set out on pages 2 to 15 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements,
- the Strategic Report and Trustees' Annual Report has 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 parent charitable company and its environment obtained in the course of the audit, we have not identified 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.

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on pages 14 and 15, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



William Devitt (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP
Statutory auditor, Chartered Accountants
Milton Keynes

Date: 19 December 2019

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating Income and Expenditure)

FOR THE YEAR ENDED 31 MARCH 2019

INCOME AND EXPENDITURE			
	Notes	2019 £'000	2018 £'000
Income			
<i>Other trading activities</i>			
Income from trading subsidiaries	3	10,866	10,899
<i>Investment income</i>	8	660	553
<i>Charitable activities:</i>			
Externally funded projects	3	1,260	295
Other	3	624	552
Total income		13,410	12,299
Expenditure on			
<i>Raising funds</i>			
Expenditure of trading subsidiaries	3	9,253	9,551
Interest charges		-	10
Investment managers fees		157	153
Total cost of raising funds		9,410	9,714
<i>Charitable activities:</i>			
Improving access to learning and encouraging people into careers in the sector		1,261	893
Promoting and representing the sector		300	520
Developing and supporting occupational standards and learning frameworks		237	580
Research into skills gaps and shortages		4	4
Other		586	200
Total charitable activities	7	2,388	2,197
Total expenditure		11,798	11,911
Net income before gains and losses		1,612	388
Net gains on investments		370	429
Net income/net movements in funds	20	1,982	817
Total funds brought forward	20	29,402	28,585
Total funds carried forward	20	31,384	29,402

All income and expenditure items are unrestricted and all gains and losses recognised in the year are included in the Statement of Financial Activities. All activities are continuing.

The notes on pages 22 to 37 form part of the accounts.


CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2019

(Company Number 02324869)

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Tangible assets	10	29	83
Investments	11	30,852	29,989
		<u>30,881</u>	<u>30,072</u>
CURRENT ASSETS			
Stocks	13	34	14
Debtors	14	1,823	2,022
Bank and cash balances		3,784	3,250
		<u>5,641</u>	<u>5,286</u>
CREDITORS: amounts falling due within one year	15	(3,532)	(4,238)
NET CURRENT ASSETS		<u>2,109</u>	<u>1,048</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>32,990</u>	<u>31,120</u>
CREDITORS: amounts falling due after one year	16	(1,506)	(1,618)
PROVISIONS FOR LIABILITIES			
Other provisions	18	(100)	(100)
NET ASSETS		<u>31,384</u>	<u>29,402</u>
FUNDS AND RESERVES			
Unrestricted funds			
General reserve	20	<u>31,384</u>	<u>29,402</u>

The financial statements were approved and authorised for issue by the Board on the *11 December 2019* and were signed below on its behalf by:


J Hackitt
Chair

The notes on pages 22 to 37 form part of the accounts.

CHARITY BALANCE SHEET


AT 31 MARCH 2019

(Company Number 2324869)

	Notes	2019 £'000	2018 £'000
FIXED ASSETS			
Tangible assets	10	24	59
Investments	11	30,852	29,989
Investment in subsidiaries	12	-	-
		<u>30,876</u>	<u>30,048</u>
CURRENT ASSETS			
Debtors	14	624	3,200
Bank and cash balances		3,774	3,243
		<u>4,398</u>	<u>6,443</u>
CREDITORS: amounts falling due within one year	15	(3,843)	(4,775)
NET CURRENT ASSETS		<u>555</u>	<u>1,668</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>31,431</u>	<u>31,716</u>
NET ASSETS		<u><u>31,431</u></u>	<u><u>31,716</u></u>
FUNDS AND RESERVES			
Unrestricted funds			
General reserve	20	<u><u>31,431</u></u>	<u><u>31,716</u></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 deficit of £655k (2018: surplus £1,324k).

The financial statements were approved and authorised for issue by the Board on the *11 December 2019* and were signed below on its behalf by:


J Hackitt
Chair

The notes on pages 22 to 37 form part of the accounts.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Cash provided by operating activities	a)	382	(92)
Cash flows from investing activities			
Investment income received		650	553
Interest income		10	-
Payments to acquire investments		(9,434)	(4,086)
Payments to acquire tangible fixed assets		(15)	(12)
Disposal of tangible fixed assets		-	812
Profit on disposal of tangible fixed assets		-	(32)
Receipts from the sale of investments		8,887	3,858
Unrealised losses/(gains) on investments		54	(170)
Cash provided by investing activities		<u>152</u>	<u>923</u>
Cash flow from financing activities		<u>-</u>	<u>-</u>
Net increase in cash		<u>534</u>	<u>831</u>
Cash and cash equivalents at start of year		<u>3,250</u>	<u>2,419</u>
Cash and cash equivalents at end of year		<u><u>3,784</u></u>	<u><u>3,250</u></u>
Analysis of cash and cash equivalents			
Cash at bank and in hand		<u><u>3,784</u></u>	<u><u>3,250</u></u>
		2019 £'000	2018 £'000
a) Reconciliation of net incoming resources to net cash inflow from operating activities			
Net movement in funds		1,982	817
Investment income		(660)	(553)
Depreciation		69	137
Decrease in creditors		(818)	66
Decrease in debtors		199	(158)
Decrease in stock		(20)	28
Net loss/(gain) on investments		(370)	(429)
Net cash provided by operating activities		<u><u>382</u></u>	<u><u>(92)</u></u>

The notes on pages 22 to 37 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. GENERAL INFORMATION

Semta is a charitable company, limited by guarantee, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the Advisors page. The nature of the charity's operations and its principal activities are outlined in the Trustees'/Directors' Report.

2. ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty (see note 4) in the preparation of the financial statements are as follows:

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.

Parent charitable company disclosure exemptions

In preparing the separate financial statements of the parent charitable company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent charitable company;
- Disclosures in respect of the parent charitable company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent charitable company as their remuneration is included in the totals for the Group as a whole.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

2. ACCOUNTING POLICIES (continued)**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.

Income from investments represents interest from bank deposits. Interest on funds held on deposit is recognised when receivable and the amount can be measured reliably by the charity, this is normally upon notification of the interest paid or payable by the bank.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment advisor of the dividend yield of the investment portfolio.

Gift aid is recognised in the period the trading subsidiary has made an irrevocable commitment to pay its taxable profits.

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 raising 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.

All 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.

Interest expenses are charged to the Statement of Financial Activities over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

2. ACCOUNTING POLICIES (continued)

(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 2019. 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.

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.

Financial Instruments

Financial assets

Financial assets, other than investments, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

2. ACCOUNTING POLICIES (continued)*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 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.

Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

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 2019

3. 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 £243,973 in the year (2018: £168,455).

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, this income totalled £1,260,000 in the year (2018: £295,000).

Other income represents the charge to Semta customers for services provided by the charity. This income totalled £624,000 in the year (2018: £552,000).

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.

Taxable profits transferred to the parent entity, a registered charity, are recognised as distributions from equity when the company has made an irrevocable commitment to the parent to pay the taxable profits. 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.

	EAL £'000	Training Properties Limited £'000	Training Publications Limited £'000	MetSkill Limited £'000	National for Skills Academy Manuf. Limited £'000	2019 Total £'000	2018 Total £'000
Income	9,314	10	-	5,337	-	14,661	10,899
Group loan write off	-	-	-	-	-	(3,795)	-
	<u>9,314</u>	<u>10</u>	<u>-</u>	<u>1,542</u>	<u>-</u>	<u>10,866</u>	<u>10,899</u>
Materials and external charges	3,389	-	-	769	-	4,158	3,946
Staff costs	2,391	-	-	48	35	2,474	2,326
Depreciation	20	-	-	-	-	20	33
Other operating charges	360	12	2	2,226	1	2,601	3,246
	<u>6,160</u>	<u>12</u>	<u>2</u>	<u>3,043</u>	<u>36</u>	<u>9,253</u>	<u>9,551</u>
Tax	(599)	-	-	-	-	(599)	(474)
Net surplus	2,555	(2)	(2)	2,294	(36)	1,014	874
Tax relief	599	-	-	-	-	599	474
Gift Aid to Semta	(3,142)	-	-	-	-	(3,142)	(2,384)
	<u>12</u>	<u>(2)</u>	<u>(2)</u>	<u>2,294</u>	<u>(36)</u>	<u>(1,529)</u>	<u>(1,036)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

4. JUDGEMENTS AND KEY AREAS OF ESTIMATION UNCERTAINTY

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

- 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.
- Valuation of provisions**
Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions is discussed in Note 2 and disclosures on relevant provision is presented in Note 18.

5. STAFF COSTS	2019 £'000	2018 £'000
Wages and salaries	4,330	4,780
Social security charges	466	522
Other pension costs	246	360
	<u>5,042</u>	<u>5,662</u>

Included within wages and salaries are agency staff costs of £17,496 (2018: £60,993) for the year. During the year the group made termination payments of £100,225 (2018: £82,557). Included within other charitable costs and creditors is a provision for redundancy/termination payments of £14,232 (2018: £Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

5. STAFF COSTS (continued)

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

	2019 No.	2018 No.
Training services	92	98
Support services	11	11
	<u>103</u>	<u>109</u>

The parent charity's staff costs are as follows:

	2019 £'000	2018 £'000
Wages and salaries	2,237	2,562
Social security charges	245	276
Other pension costs	109	167
	<u>2,591</u>	<u>3,005</u>

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

	2019 No.	2018 No.
Training services	34	41
Support services	11	11
	<u>45</u>	<u>52</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:

	2019 No.	2018 No.
£60,001 - £70,000	3	3
£70,001 - £80,000	-	2
£80,001 - £90,000	1	-
£90,001 - £100,000	-	1
£140,001 - £150,000	1	1
£170,001 - £180,000	1	1
£270,001 - £280,000	-	1
£280,001 - £290,000	1	-
Total	<u>7</u>	<u>9</u>

The total of key management personnel compensation for the year was £601,932 (2018: £591,053).

Trustees' remuneration

During the year, in accordance with the Articles of Association of the charity, payments were made to the chairman totalling £25,000 (2018: £25,000). The total amount of expenditure reimbursed to Board members in respect of expenses incurred on the charity's activities was £566 (2018: £3,606).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

6. NET INCOMING RESOURCES

Net incoming resources are arrived at after charging the following:

	2019 £'000	2018 £'000
Auditor's remuneration		
- Audit services	31	34
- Tax compliance services	10	6
- Other non-audit services	7	8
Operating lease rentals-motor vehicles	143	186
Depreciation	69	137
	<u> </u>	<u> </u>

Auditors' remuneration includes £15,300 in respect of the audit of the parent charity (2018: £16,400) and £15,800 in respect of the audit of the subsidiary undertakings (2018: £17,100). Fees in relation to non-audit services were £17,300 (2018: £13,700).

7. EXPENDITURE ON CHARITABLE ACTIVITIES

	Staff No's	Direct costs £'000	Support costs £'000	2019 Total costs £'000	2018 Total costs £'000
Improving access to learning	6	1,444	(183)	1,261	893
Promoting and representing the sector	3	391	(91)	300	520
Developing and supporting occupational standards and learning frameworks	10	542	(305)	237	580
Research into skills gaps and shortages	-	4	-	4	4
Other charitable costs	-	-	586	586	200
	<u>19</u>	<u>2,381</u>	<u>7</u>	<u>2,388</u>	<u>2,197</u>

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. Governance costs are included within support costs and totalled £56,566 (2018: £62,600) 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.

Included in other charitable costs of are the following exceptional costs:

	2019 £'000	2018 £'000
Provision for redundancy/termination costs	31	-
Pensions contributions on behalf of staff transferring from defined benefit scheme	-	81
Pensions and VAT advisory costs	-	20
Strategic planning costs	437	89
Legal costs	14	-
	<u>482</u>	<u>190</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

8. INVESTMENT INCOME	2019 £'000	2018 £'000
Income from fixed asset investments	650	553
Interest received	10	-
	<u>660</u>	<u>553</u>

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	Office furniture & equipment £'000	Total £'000
Group Cost		
At 1 April 2018	3,935	3,935
Additions	15	15
Disposals	(3,151)	(3,151)
At 31 March 2019	<u>799</u>	<u>799</u>
Depreciation		
At 1 April 2018	3,852	3,852
Charge in year	69	69
Disposals	(3,151)	(3,151)
At 31 March 2019	<u>770</u>	<u>770</u>
Net Book Value		
At 31 March 2019	<u>29</u>	<u>29</u>
At 31 March 2018	<u>83</u>	<u>83</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

10. TANGIBLE FIXED ASSETS (continued)

	Office furniture & equipment £'000	Total £'000
Charity		
Cost		
At 1 April 2018	2,589	2,589
Additions	15	15
Disposals	(2,107)	(2,107)
	<u>497</u>	<u>497</u>
At 31 March 2019		
Depreciation		
At 1 April 2018	2,530	2,530
Charge in year	50	50
Disposals	(2,107)	(2,107)
	<u>473</u>	<u>473</u>
At 31 March 2019		
Net Book Value		
At 31 March 2019	<u>24</u>	<u>24</u>
At 31 March 2018	<u>59</u>	<u>59</u>

11. FIXED ASSET INVESTMENTS

	2019 £'000	2018 £'000
Group and Charity		
Balance 1 April 2018 at market value	28,787	28,134
Additions at cost	9,434	4,086
Disposals at opening market value or cost if acquired during the year	(8,888)	(3,603)
Unrealised gain on revaluation	(54)	170
	<u>29,279</u>	<u>28,787</u>
Cash awaiting investment	<u>1,573</u>	<u>1,202</u>
Balance at 31 March 2019 at market value	<u>30,852</u>	<u>29,989</u>
Historical cost of investments	<u>29,523</u>	<u>28,694</u>

Semta has investments in hedge funds amounting to £2.9m (2017/18: £2.4m) which is categorized under Level 2 of the fair value hierarchy. The fair values of these investments are based on sources that are observable either directly or indirectly.

The fair values of all other investments are measured based on quoted prices in active markets, hence, categorized under Level 1 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019**11. FIXED ASSET INVESTMENTS**

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

	2019 £'000	2018 £'000
Investec Funds Series Iv - Div	9,367	9,898
UBS Inv Funds ICVC S&P500 Index J Inc	181	1,553
UBS Key Multi Manager GBP 0.001 Diversified Ltd	2,035	1,764
Focused Sicav High Grade Lng Term BD SH	1,562	309
Charities property income units	1,565	-

12. INVESTMENTS IN SUBSIDIARIES

	2019 £'000	2018 £'000
Charity		
Shares at cost	5,980	5,980
Long term loan	2,771	2,771
	8,751	8,751
Provision		
Balance brought forward	(8,751)	(8,751)
	-	-
Closing balance at 31 March 2019	-	-

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.

*On the 28th March 2019, the Board members made the decision to cease apprenticeship training provision under the ESFA contract. This will lead to trading activities of MetSkill Limited (SEMTA Apprenticeship Service) ceasing during 2019. It will ultimately lead to the winding up of the company.

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

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

13. STOCKS	Group		Charity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Resalable publications	34	14	-	-
	<u>34</u>	<u>14</u>	<u>-</u>	<u>-</u>
Stock recognised in cost of sales of the trading subsidiaries during the year as an expense was £48,731 (2018: £31,410).				
14. DEBTORS	Group		Charity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts falling due within one year				
Trade debtors	1,451	1,363	378	426
Amounts owed by subsidiary undertakings	-	-	-	2,308
Other debtors	18	305	17	302
Prepayments	242	189	193	144
Accrued income	112	165	36	20
	<u>1,823</u>	<u>2,022</u>	<u>624</u>	<u>3,200</u>
Bad debt recognised during the year as an expense was £25,522 (2018: £47,870).				
15. CREDITORS: amounts falling due within one year	Group		Charity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade creditors	369	217	224	170
Taxation and social security	315	317	315	317
Other creditors	102	118	18	68
Accruals	1,682	1,882	556	431
Deferred income	1,064	1,704	121	928
Amount owed to subsidiary undertakings	-	-	2,609	2,861
	<u>3,532</u>	<u>4,238</u>	<u>3,843</u>	<u>4,775</u>
16. CREDITORS: amounts falling due after one year	Group		Charity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred income	1,506	1,618	-	-
	<u>1,506</u>	<u>1,618</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

17. DEFERRED INCOME	Group		Charity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance at 1 April	3,322	2,635	928	348
Amount released to income	(1,204)	(201)	(1,204)	(210)
Amount deferred in the period	452	888	397	790
Balance at 31 March	<u>2,570</u>	<u>3,322</u>	<u>121</u>	<u>928</u>

EAL Limited deferred income of £2,448,921 (2018: £2,394,713), relating to certification, is fully asset backed.

Deferred income of £121,210 (2018: £927,664) relates to externally funded projects both from customers within and outside of UK with deliverables between 1 to 3 years.

18. PROVISIONS

	Provisions £'000
Group	
At 1 April 2018	100
Charged to profit or loss	-
At 31 March 2019	<u>100</u>

Provisions charged to profit or loss have been made for any output VAT liability that may arise on management fee income recognised in prior years.

19. CONTINGENT LIABILITIES

A loan provided to Metskill Limited was written off during the year. A decision on the tax impact of the write off has not been reached by HMRC at the date of signing of accounts, however it is deemed possible that an amount of £722,000 may become payable.

20. OBLIGATIONS UNDER LEASE AGREEMENTS

At 31 March 2019 the group has future minimum lease commitments as follows:

	2019 £'000	2018 £'000
Expiry date		
Less than one year	145	223
One to five years	242	348
	<u>387</u>	<u>571</u>

SCIENCE, ENGINEERING AND MANUFACTURING TECHNOLOGIES ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2019

21. FUNDS AND RESERVES

	2019 £'000	2018 £'000
General unrestricted reserve		
Group		
At 1 April 2018	29,402	28,585
Realised and unrealised gains on investments	370	429
Net movement in funds	1,612	388
	<u>31,384</u>	<u>29,402</u>
At 31 March 2019	<u>31,384</u>	<u>29,402</u>
Charity		
At 1 April 2018	31,716	29,963
Realised and unrealised gains on investments	370	429
Net movement in funds	(655)	1,324
	<u>31,431</u>	<u>31,716</u>
At 31 March 2019	<u>31,431</u>	<u>31,716</u>

22. PENSION COMMITMENTS

Up to the 30th September 2017 the Group contributed to a defined benefit final salary pension scheme 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 was treated as a defined contribution scheme for the purposes of these accounts.

On 01 October 2017 all employees under the defined pension scheme were transferred to the defined contributions scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The employer contribution costs to the Semta Group and charitable company was £245,985 for the year (2018: £360,419). At the close of the year the outstanding employee and employer pension contribution amounted to £39,893 (2018: £45,773).

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 2019 under Defined Contribution scheme were in the range of 4.5% to 9%.

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%).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2019

22. PENSION COMMITMENTS (continued)

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)%

Expected remaining lifetime in years (normal health pensioners):

Men

Aged 65 now	26.4	26.2
Age 65 in 20 years	29.5	29.4

Women

Aged 65 now	28.2	28.5
Age 65 in 20 years	28.2	21.7

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 30 September 2018 was estimated to be £16.3m. As Semta have no plans to withdraw from the ITB pension fund the contingent liability has not been provided for in the accounts.

23. FINANCIAL ASSETS AND LIABILITIES

	2019 £'000	2018 £'000
Group		
Financial assets measured at amortised cost	5,365	5,083
Financial liabilities measured at amortised cost	2,153	2,217

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

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

24. 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.

25. 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 £3,229 (2018: £3,647) 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 services amounting to £189,675 (2018: £187,531) from Get My First Job. The shareholder of Get My First Job is a close family member of Group's Chief Operating Officer.

During the year the group incurred cost in relation to IT services amounting to £473,570 (2018: £184,354) from Digital Works Group. The shareholder of Digital Works Group is a close family member of Group's Chief Executive Officer.

26. CAPITAL COMMITMENTS

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