

Company Registration No. 00138006 (England and Wales)

SEM LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

SEM LIMITED

COMPANY INFORMATION

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

SEM LIMITED

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SEM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business

From the start of 2019 SEM has predominantly operated as an intergroup manufacturing company. The facility has been structured accordingly and any new equipment necessary to further enhance efficiency, quality and ownership of key processes has been introduced.

Principal risks and uncertainties

Brexit still has the potential to affect SEM's ability to efficiently ship products to the E.U., SEM's main market. Therefore SEM has undertaken significant preparations to anticipate any likely difficulties. SEM started these in 2018 with our parent company and have taken the necessary steps to minimise the negative effects of potential delays due to border controls should a "no-deal" Brexit take place.

In addition, the ongoing international trade hostility between US-China and US-Europe combined with the BREXIT uncertainty and "Diesel-gate" were impacting the world's economic confidence and therefore investments leading to weakened business in 2019.

Important events

Due to the operational changes as a solely intergroup manufacturing facility and the market situation, employees had to be reallocated and capacity adjusted.

Key Performance Indicators

SEM remains highly committed to managing its operational performance by KPIs, and this continues to be effective.

Employee Involvement

SEM continues to involve staff with its transparent two-way communication, encouraging our employees to always contribute to the company's high standard of quality and on time delivery.

Future developments

Recent market developments have led to the decision to adjust the focus of the servomotor development as part of the future strategy. A new asynchronous motor has been introduced and its serial introduction will start at the beginning of 2020.

Future outlook and business strategy

Our strategy continues to be to remain the high quality and performance servomotor manufacturer for our intergroup customers. We continue to develop our staff's competences and their proactive and efficient intercompany communication.

Even with the current uncertainties SEM will continue to contribute to the group's ongoing future success.

On behalf of the board

T Walther
Director

31 January 2020

F Blyth
Director

31 January 2020

SEM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and financial statements for the year ended 31 December 2019. Reference should also be made to the Strategic report.

Principal activities

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

Directors

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

T Walther
F Blyth
M A Laming

Results and dividends

The results for the year are set out on page 7.

The directors do not recommend payment of an ordinary dividend.

Research and development

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

Auditor

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

Statement of disclosure to auditor

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

Going Concern

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

On behalf of the board

T Walther
Director

F Blyth
Director

31 January 2020

SEM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SEM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEM LIMITED

Opinion

We have audited the financial statements of SEM Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

SEM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SEM LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

SEM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SEM LIMITED

Use of our report

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

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

31 January 2020

Chartered Accountants
Statutory Auditor

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

SEM LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	18,426,514	22,901,384
Cost of sales		(15,227,371)	(17,301,552)
Gross profit		3,199,143	5,599,832
Distribution costs		(41,940)	(164,541)
Administrative expenses		(3,183,173)	(3,895,135)
Other operating income		113,776	195,314
Operating profit	4	87,806	1,735,470
Interest receivable and similar income	7	1,731	-
Interest payable and similar expenses	8	(36,245)	(113,403)
Profit before taxation		53,292	1,622,067
Tax on profit	9	-	-
Profit for the financial year		53,292	1,622,067

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

SEM LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10	23,332,607		23,654,855	
Investments	11		376		376
			<u>23,332,983</u>		<u>23,655,231</u>
Current assets					
Stocks	12	3,606,598		3,930,636	
Debtors	13	2,920,893		3,635,364	
Cash at bank and in hand		3,652,193		2,741,379	
		<u>10,179,684</u>		<u>10,307,379</u>	
Creditors: amounts falling due within one year	14	<u>(1,019,459)</u>		<u>(4,522,694)</u>	
Net current assets			<u>9,160,225</u>		<u>5,784,685</u>
Total assets less current liabilities			<u>32,493,208</u>		<u>29,439,916</u>
Capital and reserves					
Called up share capital	17	38,400,000		35,400,000	
Profit and loss reserves		(5,906,792)		(5,960,084)	
Total equity		<u>32,493,208</u>		<u>29,439,916</u>	

The financial statements were approved by the board of directors and authorised for issue on 31 January 2020 and are signed on its behalf by:

T Walther
Director

F Blyth
Director

Company Registration No. 00138006

SEM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Profit and loss reserves	Total
Notes	£	£	£
Balance at 1 January 2018	33,900,000	(7,582,151)	26,317,849
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	1,622,067	1,622,067
Issue of share capital	17 1,500,000	-	1,500,000
	<u>35,400,000</u>	<u>(5,960,084)</u>	<u>29,439,916</u>
Balance at 31 December 2018	35,400,000	(5,960,084)	29,439,916
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	53,292	53,292
Issue of share capital	17 3,000,000	-	3,000,000
	<u>38,400,000</u>	<u>(5,906,792)</u>	<u>32,493,208</u>
Balance at 31 December 2019	<u>38,400,000</u>	<u>(5,906,792)</u>	<u>32,493,208</u>

SEM LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	21	(259,731)		(2,637,798)	
Interest paid		(36,245)		(113,403)	
Net cash outflow from operating activities		<u>(295,976)</u>		<u>(2,751,201)</u>	
Investing activities					
Purchase of tangible fixed assets		(1,823,215)		(412,949)	
Proceeds on disposal of tangible fixed assets		91,065		-	
Interest received		1,731		-	
Net cash used in investing activities		<u>(1,730,419)</u>		<u>(412,949)</u>	
Financing activities					
Proceeds from issue of shares		3,000,000		1,500,000	
Net cash generated from financing activities		<u>3,000,000</u>		<u>1,500,000</u>	
Net increase/(decrease) in cash and cash equivalents		973,605		(1,664,150)	
Cash and cash equivalents at beginning of year		2,678,588		4,342,738	
Cash and cash equivalents at end of year		<u>3,652,193</u>		<u>2,678,588</u>	
Relating to:					
Cash at bank and in hand		3,652,193		2,741,379	
Bank overdrafts included in creditors payable within one year		-		(62,791)	

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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

1.2 Going concern

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

1.3 Turnover

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

1.4 Tangible fixed assets

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

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

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

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

1.5 Fixed asset investments

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

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

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies **(Continued)**

1.6 Impairment of fixed assets

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

1.7 Stocks

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

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

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

1.8 Cash and cash equivalents

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

1.9 Financial assets

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

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

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

Other financial assets

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

Loans and receivables

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

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

1.9 Financial liabilities

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.10 Equity instruments

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

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

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

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

1.13 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Stock

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

3 Turnover and other revenue

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

	2019	2018
	£	£
Turnover analysed by class of business		
Turnover derived from company's principal activity performed wholly in the UK	18,426,514	22,901,384
	<u>18,426,514</u>	<u>22,901,384</u>

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3	Turnover and other revenue	(Continued)	
		2019	2018
		£	£
	Other significant revenue		
	Interest income	1,731	-
		<u>1,731</u>	<u>-</u>
		2019	2018
		£	£
	Turnover analysed by geographical market		
	Within European Union	18,432,667	21,920,637
	Rest of the world	(6,153)	980,747
		<u>18,426,514</u>	<u>22,901,384</u>
4	Operating profit	2019	2018
		£	£
	Operating profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	82,224	(25,381)
	Research and development costs	134,357	136,732
	Fees payable to the company's auditor for the audit of the company's financial statements	19,800	19,460
	Depreciation of owned tangible fixed assets	2,008,208	1,950,969
	Loss on disposal of tangible fixed assets	46,190	31,557
	Operating lease charges	16,752	16,862
		<u>2,207,531</u>	<u>2,102,851</u>

5 Employees

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

	2019	2018
	Number	Number
Production	134	174
Selling and distribution	3	4
Administration	28	28
	<u>165</u>	<u>206</u>

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Employees	(Continued)	
Their aggregate remuneration comprised:		
	2019	2018
	£	£
Wages and salaries	5,364,739	6,342,233
Social security costs	596,069	622,869
Pension costs	264,705	277,484
	<u>6,225,513</u>	<u>7,242,586</u>
	<u><u>6,225,513</u></u>	<u><u>7,242,586</u></u>
6 Directors' remuneration		
	2019	2018
	£	£
Remuneration for qualifying services	176,581	121,655
Company pension contributions to defined contribution schemes	11,700	14,040
	<u>188,281</u>	<u>135,695</u>
	<u><u>188,281</u></u>	<u><u>135,695</u></u>
7 Interest receivable and similar income		
	2019	2018
	£	£
Interest income		
Interest on bank deposits	1,731	-
	<u>1,731</u>	<u>-</u>
	<u><u>1,731</u></u>	<u><u>-</u></u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	1,731	-
	<u>1,731</u>	<u>-</u>
	<u><u>1,731</u></u>	<u><u>-</u></u>
8 Interest payable and similar expenses		
	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	36,245	113,403
	<u>36,245</u>	<u>113,403</u>
	<u><u>36,245</u></u>	<u><u>113,403</u></u>

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Taxation

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

	2019 £	2018 £
Profit before taxation	53,292	1,622,067
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	10,125	308,193
Tax effect of expenses that are not deductible in determining taxable profit	-	9,221
Tax effect of utilisation of tax losses not previously recognised	(10,125)	(317,414)
Taxation charge for the year	-	-

The company has estimated losses of £2.3m (2018: £3m). The company has a potential deferred tax asset of £557,000 (2018: £497,000) at the balance sheet date.

10 Tangible fixed assets

	Freehold land and buildings £	Plant, machinery & fixtures £	Total £
Cost			
At 1 January 2019	20,385,626	13,070,475	33,456,101
Additions	(162,638)	1,985,853	1,823,215
Disposals	(91,066)	(379,823)	(470,889)
At 31 December 2019	20,131,922	14,676,505	34,808,427
Depreciation and impairment			
At 1 January 2019	2,754,070	7,047,176	9,801,246
Depreciation charged in the year	734,229	1,273,979	2,008,208
Eliminated in respect of disposals	-	(333,634)	(333,634)
At 31 December 2019	3,488,299	7,987,521	11,475,820
Carrying amount			
At 31 December 2019	16,643,623	6,688,984	23,332,607
At 31 December 2018	17,631,556	6,023,299	23,654,855

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Tangible fixed assets	(Continued)	
The carrying value of land and buildings comprises:		
	2019	2018
	£	£
Freehold	4,900,000	4,900,000
	<u>4,900,000</u>	<u>4,900,000</u>
11 Fixed asset investments		
	2019	2018
	£	£
Unlisted investments	376	376
	<u>376</u>	<u>376</u>
Movements in fixed asset investments		Investments other than loans £
Cost or valuation		
At 1 January 2019 & 31 December 2019		376
Carrying amount		
At 31 December 2019		376
At 31 December 2018		376
		<u>376</u>
12 Stocks		
	2019	2018
	£	£
Raw materials and consumables	2,430,990	2,408,909
Work in progress	716,537	826,201
Finished goods and goods for resale	459,071	695,526
	<u>3,606,598</u>	<u>3,930,636</u>

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Debtors		2019	2018
		£	£
Amounts falling due within one year:			
Trade debtors		-	58,378
Amounts owed by group undertakings		2,613,956	2,013,284
Other debtors		98,598	238,534
Prepayments and accrued income		208,339	1,325,168
		<u>2,920,893</u>	<u>3,635,364</u>
14 Creditors: amounts falling due within one year		2019	2018
	Notes	£	£
Bank loans and overdrafts	15	-	62,791
Trade creditors		224,537	1,174,427
Amounts owed to group undertakings		183,533	2,495,949
Taxation and social security		202,709	240,573
Other creditors		172	125,051
Accruals and deferred income		408,508	423,903
		<u>1,019,459</u>	<u>4,522,694</u>
15 Loans and overdrafts		2019	2018
		£	£
Bank overdrafts		-	62,791
Payable within one year		-	62,791
16 Retirement benefit schemes		2019	2018
		£	£
Defined contribution schemes			
Charge to profit or loss in respect of defined contribution schemes		264,705	277,481

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

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
384,000,000 Ordinary shares of 10p each	38,400,000	35,400,000

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

During the year the company issued 30,000,000 10p shares to the parent company Westec Holding Company Limited, paid in full.

18 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019	2018
	£	£
Acquisition of tangible fixed assets	926,272	1,806,734

19 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	209,039	166,807

20 Ultimate controlling party

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

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

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

21 Cash absorbed by operations			
		2019	2018
		£	£
Profit for the year after tax		53,292	1,622,067
Adjustments for:			
Finance costs		36,245	113,403
Investment income		(1,731)	-
Loss on disposal of tangible fixed assets		46,190	31,557
Depreciation and impairment of tangible fixed assets		2,008,208	1,950,969
Movements in working capital:			
Decrease/(increase) in stocks		324,038	(621,024)
Decrease/(increase) in debtors		714,471	(121,196)
Decrease in creditors		(3,440,444)	(5,613,574)
Cash absorbed by operations		(259,731)	(2,637,798)
		<u> </u>	<u> </u>
22 Analysis of changes in net funds			
	1 January 2019	Cash flows	31 December 2019
	£	£	£
Cash at bank and in hand	2,741,379	910,814	3,652,193
Bank overdrafts	(62,791)	62,791	-
	<u> </u>	<u> </u>	<u> </u>
	2,678,588	973,605	3,652,193
	<u> </u>	<u> </u>	<u> </u>

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