

Company Registration No. 138006 (England and Wales)

SEM LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



SEM LIMITED

COMPANY INFORMATION

Directors	T Walther F Blyth M A Laming	(Appointed 1 October 2017)
Secretary	M Laming	
Company number	138006	
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

CONTENTS

	Page
Strategic report	1
Directors' report	2
Directors' responsibilities statement	3
Independent auditor's report	4 - 5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 19

SEM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report for the year ended 31 December 2017.

Fair review of the business

The operational change for SEM to be an intergroup manufacturing company is planned to be completed by the end of 2018. This will allow our new range of servomotors to be introduced within our purpose built facility. This action also resulted in a realigning of pricing which in turn affected our resulting profit. We fully expect in 2018 that our profitability will improve on this year's performance.

Principal risks and uncertainties

The outcome of the Brexit negotiations will potentially affect our ability to efficiently ship our product to the E.U. However until the final agreement is in place we can only actively support the EEF in its ability to counsel Government on this issue.

Important events

On October 1st, the management structure of the Company changed with Michael Laming stepping down as Managing Director but remaining on the Board as Chairman. Fiona Blyth and Thomas Walther were duly appointed Joint Managing Directors. Fiona Blyth, formerly our Operations Manager, and Thomas Walther, a Director, have both been with SEM for a number of years in their respective positions.

The Company received an equity investment from our parent company, which in turn reduced our intergroup loan balance.

Key performance indicators

The company remains committed to managing its operational performance by KPIs, some of which are highlighted below:

Customer service

Both the Quality and On Time delivery performance increased, and are a direct result of KPI focus within the Company.

Employee involvement

During the year the Company has continued to provide full information about the business to employees. Employees are encouraged to provide their suggestions and views on all aspects of our performance. Frequent meetings through all levels of the Company are held to promote this flow of bidirectional information.

Future developments

The first motor of our new range of market dedicated servomotors continues to be tested with positive results to date. The production hall is being prepared to facilitate these new needs.

Future outlook and business strategy

Our strategy remains to design and produce the best motor possible for our valued customers, to make it efficiently and to the highest quality. We see the outlook as very positive as long as we succeed in achieving these goals.

On behalf of the board

M A Laming

M A Laming

Director

09/02/2018

SEM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and financial statements for the year ended 31 December 2017. 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

(Appointed 1 October 2017)

Results and dividends

The results for the year are set out on page 6.

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.

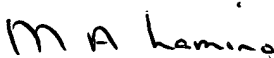
Statement of disclosure to auditor

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



M A Laming

Director

Date: 09/02/2018

SEM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 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 2017 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.

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.

Friend-James Ltd

Michelle Westbury FCCA (Senior Statutory Auditor)
for and on behalf of Friend-James Limited

09/02/2018

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 2017

	Notes	2017 £	2016 £
Turnover	3	21,823,761	21,176,195
Cost of sales		(17,397,259)	(15,002,953)
Gross profit		4,426,502	6,173,242
Distribution costs		(203,975)	(192,325)
Administrative expenses		(3,907,446)	(3,774,203)
Other operating income		137,088	99,648
Operating profit	4	452,169	2,306,362
Interest payable and similar expenses	7	(165,098)	(307,833)
Profit before taxation		287,071	1,998,529
Tax on profit	8	-	-
Profit for the financial year		287,071	1,998,529

The Income Statement has been prepared on the basis that all operations are continuing operations.

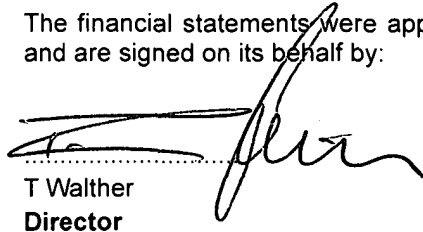
SEM LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	9	25,224,432		25,345,125	
Investments	10		378		378
		<u>25,224,810</u>		<u>25,345,503</u>	
Current assets					
Stocks	13	3,309,612		3,212,935	
Debtors	14	3,514,166		4,648,860	
Cash at bank and in hand		<u>4,342,738</u>		<u>2,699,619</u>	
		11,166,516		10,561,414	
Creditors: amounts falling due within one year	15	<u>(10,073,477)</u>		<u>(17,876,139)</u>	
Net current assets/(liabilities)		<u>1,093,039</u>		<u>(7,314,725)</u>	
Total assets less current liabilities		<u>26,317,849</u>		<u>18,030,778</u>	
Capital and reserves					
Called up share capital	17	33,900,000		25,900,000	
Profit and loss reserves		<u>(7,582,151)</u>		<u>(7,869,222)</u>	
Total equity		<u>26,317,849</u>		<u>18,030,778</u>	

The financial statements were approved by the board of directors and authorised for issue on 09/01/2018 and are signed on its behalf by:


T Walther
Director

Company Registration No. 138006

SEM LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2016		15,900,000	(9,867,751)	6,032,249
Year ended 31 December 2016:				
Profit and total comprehensive income for the year		-	1,998,529	1,998,529
Issue of share capital	17	10,000,000	-	10,000,000
Balance at 31 December 2016		25,900,000	(7,869,222)	18,030,778
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	287,071	287,071
Issue of share capital	17	8,000,000	-	8,000,000
Balance at 31 December 2017		33,900,000	(7,582,151)	26,317,849

SEM LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash absorbed by operations	21	(4,493,189)		(6,348,706)	
Interest paid		(165,098)		(307,833)	
Net cash outflow from operating activities		(4,658,287)		(6,656,539)	
Investing activities					
Purchase of tangible fixed assets		(1,709,011)		(2,812,364)	
Proceeds on disposal of tangible fixed assets		10,417		-	
Net cash used in investing activities		(1,698,594)		(2,812,364)	
Financing activities					
Proceeds from issue of shares		8,000,000		10,000,000	
Net cash generated from financing activities		8,000,000		10,000,000	
Net increase in cash and cash equivalents		1,643,119		531,097	
Cash and cash equivalents at beginning of year		2,699,619		2,168,522	
Cash and cash equivalents at end of year		4,342,738		2,699,619	

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

SEM Limited is a wholly owned subsidiary of Westec Holding Company Limited and the results of SEM Limited are included in the consolidated financial statements of Westec Holding Company Limited which are available from 200 London Road, Burgess Hill, RH16 9RD.

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.

1.2 Turnover

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

1.3 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:

Land and buildings Freehold	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.

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.4 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.

1.5 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.

1.6 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.

1.7 Cash and cash equivalents

Cash at bank and in hand 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.

1.8 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.

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 2017

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.

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 direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

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.

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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:

	2017 £	2016 £
Turnover analysed by class of business		
Turnover	21,823,761	21,176,195
	<u>21,823,761</u>	<u>21,176,195</u>
	2017 £	2016 £
Turnover analysed by geographical market		
Within European Union	20,469,268	19,775,882
Rest of the world	1,354,493	1,400,313
	<u>21,823,761</u>	<u>21,176,195</u>

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(142,145)	(274,237)
Research and development costs	134,899	155,137
Fees payable to the company's auditor for the audit of the company's financial statements	19,500	19,500
Depreciation of owned tangible fixed assets	1,821,314	1,400,928
(Profit)/loss on disposal of tangible fixed assets	(2,027)	2,323
Cost of stocks recognised as an expense	9,069,485	8,043,733
Operating lease charges	44,116	53,006
	<u>9,069,485</u>	<u>8,043,733</u>

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

5 Employees

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

	2017 Number	2016 Number
Production	173	167
Selling and distribution	4	5
Administration	28	28
	<u>205</u>	<u>200</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	6,450,973	5,830,813
Social security costs	655,099	578,026
Pension costs	275,517	257,660
	<u>7,381,589</u>	<u>6,666,499</u>

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	26,250	-
Company pension contributions to defined contribution schemes	3,283	-
	<u>29,533</u>	<u>-</u>

7 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	<u>165,098</u>	<u>307,833</u>

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8 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:

	2017 £	2016 £
Profit before taxation	287,071	1,998,529
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)	54,543	399,706
Tax effect of expenses that are not deductible in determining taxable profit	2,372	5,963
Tax effect of utilisation of tax losses not previously recognised	(9,035)	(544,522)
Permanent capital allowances in excess of depreciation	(47,880)	138,853
Taxation charge for the year	-	-

The company has estimated losses of £4.8m (2016 : £4.9m) The company has a potential deferred tax asset of £447,000 (2016: £690,000) at the balance sheet date which will be recoverable if the company becomes profitable in the future.

9 Tangible fixed assets

	Land and buildings Freehold £	Plant, machinery & fixtures £	Total £
Cost			
At 1 January 2017	20,272,823	11,533,780	31,806,603
Additions	77,503	1,631,508	1,709,011
Disposals	-	(280,366)	(280,366)
At 31 December 2017	20,350,326	12,884,922	33,235,248
Depreciation and impairment			
At 1 January 2017	1,239,939	5,221,539	6,461,478
Depreciation charged in the year	756,705	1,064,609	1,821,314
Eliminated in respect of disposals	-	(271,976)	(271,976)
At 31 December 2017	1,996,644	6,014,172	8,010,816
Carrying amount			
At 31 December 2017	18,353,682	6,870,750	25,224,432
At 31 December 2016	19,032,884	6,312,241	25,345,125

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

9 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	2017 £	2016 £
Freehold	4,900,000	4,900,000

10 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	11	2	2
Unlisted investments		376	376
		378	378

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Small Electric Motors Ltd	England	Dormant	Ordinary	100.00

12 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	2,239,648	2,794,652
Equity instruments measured at cost less impairment	376	376
Carrying amount of financial liabilities		
Measured at amortised cost	9,833,694	17,633,373

13 Stocks

	2017 £	2016 £
Raw materials and consumables	2,081,563	1,998,230
Work in progress	791,850	713,855
Finished goods and goods for resale	436,199	500,850
	3,309,612	3,212,935

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

14 Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Trade debtors	252,493	452,291
Amounts owed by group undertakings	1,840,261	2,260,536
Other debtors	311,970	312,537
Prepayments and accrued income	1,109,442	1,623,496
	<u>3,514,166</u>	<u>4,648,860</u>

15 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	1,201,425	763,447
Amounts due to group undertakings	7,570,900	14,568,574
Other taxation and social security	239,783	242,766
Other creditors	560,141	1,126,048
Accruals and deferred income	501,228	1,175,304
	<u>10,073,477</u>	<u>17,876,139</u>

16 Retirement benefit schemes

	2017	2016
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>275,517</u>	<u>257,660</u>

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.

17 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
339,000,000 Ordinary of 10p each	<u>33,900,000</u>	<u>25,900,000</u>
	<u>33,900,000</u>	<u>25,900,000</u>

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

SEM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

17 Share capital

(Continued)

Reconciliation of movements during the year:

	Ordinary Number
At 1 January 2017	25,900,000
Issue of fully paid shares	8,000,000
At 31 December 2017	<u>33,900,000</u>

18 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017 £	2016 £
Acquisition of tangible fixed assets	<u>2,180,601</u>	<u>3,567,790</u>

19 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	<u>293,275</u>	<u>274,120</u>

Remuneration above is recharged from the parent company, £259,986 (2016: £274,120).

20 Controlling party

The immediate parent company is Westec Holding Company Limited, a company registered in England and Wales, which is owned by Dr Johannes Heidenhain GmbH, a company registered in Germany. Dr Johannes Heidenhain GmbH is 100% 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 2017

21 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	287,071	1,998,529
Adjustments for:		
Finance costs	165,098	307,833
(Gain)/loss on disposal of tangible fixed assets	(2,027)	2,323
Depreciation and impairment of tangible fixed assets	1,821,314	1,400,928
Movements in working capital:		
(Increase) in stocks	(96,677)	(144,584)
Decrease/(increase) in debtors	1,069,058	(1,703,044)
(Decrease) in creditors	(7,737,026)	(8,210,691)
Cash absorbed by operations	<u>(4,493,189)</u>	<u>(6,348,706)</u>