

# **APEM Limited**

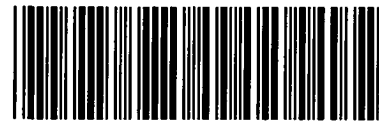
Annual Report and Financial Statements

Year Ended

31 December 2022

Company Number 02530851

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# **APEM Limited**

## **Company Information**

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<b>Directors</b>	Dr S C Clough Dr A E Williams Mrs N Hunter
<b>Company secretary</b>	N Hunter
<b>Registered number</b>	02530851
<b>Registered office</b>	Riverview A17 Embankment Business Park Vale Road Heaton Mersey Stockport SK4 3GN
<b>Independent auditor</b>	BDO LLP 3 Hardman Street Manchester M3 3AT

# APEM Limited

## Contents

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	Page
<b>Strategic Report</b>	1 - 2
<b>Directors' Report</b>	3 - 4
<b>Directors' Responsibilities Statement</b>	5
<b>Independent Auditor's Report</b>	6 - 9
<b>Statement of Comprehensive Income</b>	10
<b>Statement of Financial Position</b>	11
<b>Statement of Changes in Equity</b>	12
<b>Notes to the Financial Statements</b>	13 - 29

# APEM Limited

## Strategic Report For the Year Ended 31 December 2022

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### Introduction

The directors present their Strategic Report and the audited financial statements for the year ended 31 December 2022.

The principal activity of APEM Ltd is the provision of independent environmental consultancy providing a coherent mix of freshwater, marine, terrestrial and geospatial specialist services.

### Business review

For the financial year ended 31 December 2022, the Company's financial performance was broadly in line with the Budget agreed by the Directors. The Company's revenue has grown 36% year on year from £21.1m to £28.7m. The Company's profit before tax was £5.1m (2021: £3.8m). Statutory EBITDA (defined as operating profit after adding back depreciation and amortisation charges) increased from £4.6m to £5.9m with a Statutory EBITDA % of 20.7% (2021: 21.6%).

2022 has been another year of marked expansion for the Company, as organic revenue increased by £7.4m on 2021.

Activity is expected to expand further in 2023 and 2024 as the combined order and tender books of the Company are ahead of forecast, budget and prior year, while the tender book conversion rate remains high.

Taking the above factors into account, management have performed detailed forecasts and sensitivity analyses. The Directors have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate, and that there is no material uncertainty around Going Concern.

### Principal risks and uncertainties

The Company's activities expose it primarily to the financial risk of changes in foreign exchange rates. The Company manages this risk partly through natural hedges either at Company level or at the level of its holding company, APEM Group Ltd, and by using foreign exchange forward contracts to hedge any significant exposures.

#### ***Credit risk***

The Company's principal financial assets are bank balances, trade and other debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company aims to minimise the concentration of credit risk by contracting with a range of customers across multiple sectors. In certain circumstances a concentration of risk may arise given the nature of the Company's activity, however, customers are generally large companies in the water and power sectors. The Company mitigates credit risk by undertaking credit checks on new customers, structuring of payment terms under the contract and active collection of debts as well as regular monitoring of customer balances.

#### ***Liquidity Risk***

The Company has sufficient cash reserves. Management monitors rolling forecasts of the Company's liquidity on a regular basis.

# APEM Limited

## Strategic Report (continued) For the Year Ended 31 December 2022

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### Principal risks and uncertainties (continued)

#### **Price Risk**

The Company is exposed to the risk of price increases on the purchase of goods and services. However, the Company actively manages its suppliers in an attempt to minimise any increases. In addition, the Company will look to mitigate any increases by passing these onto customers as part of the contract negotiations.

#### **Russia/Ukraine conflict**

The directors have assessed the situation in Ukraine and do not believe that there is a material impact to these financial statements. The situation will continue to be monitored by the directors.

#### **Financial key performance indicators**

The Directors consider the most relevant key performance indicators are revenue and underlying EBITDA, which are discussed in the Business Review section above.

#### **Other key performance indicators**

The Directors consider other key performance indicators to be utilisation of fee-earning staff and tender success rate. Utilisation of staff (excluding holidays) was 70% (2021: 72%) Tender success rate is 83% which is above budget and prior year of 62%.

#### **Environmental, Social, and Governance (ESG)**

APEM Limited is committed to environmental stewardship, social responsibility, and good governance (ESG) and this has been demonstrated in an independent assessment carried out in 2022. This involved collecting data such as carbon emissions, assessing social factors such as diversity and inclusion and evaluating corporate governance such as leadership, transparency and adherence to ethical standards. APEM Limited successfully achieved a total score of 75% which is deemed as ESG Excellent.

Our strong ESG performance demonstrates our positive impact on society and the environment which contributes to a more sustainable and equitable future. By creating long terms values, we are able to improve decision-making processes, increase stakeholder engagement and drive sustainable business practices.

This report was approved by the board on 30 June 2023 and signed on its behalf.



**Dr A E Williams**  
Director

# **APEM Limited**

## **Directors' Report For the Year Ended 31 December 2022**

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The directors present their report and the audited financial statements for the year ended 31 December 2022.

### **Principal activity**

The principal activity of the Company is the provision of independent environmental consultancy providing a coherent mix of freshwater, marine, terrestrial and geospatial specialist services.

### **Results and dividends**

The profit for the year, after taxation, amounted to £4,485,587 (2021 - £3,036,521).

The Company paid dividends of £2,346,920 (2021 - £1,183,084) during the year. The Company does not propose the payment of a final dividend (2021 - £Nil).

### **Directors**

The directors who served during the year were:

Dr S C Clough  
Dr A E Williams  
Mrs N Hunter (appointed 29 April 2022)

### **Going concern**

The Company had net assets at 31 December 2022 of £11,491,957, net current assets of £9,211,787 and made a profit for the year of £4,485,587.

Cash flow and profitability forecasts prepared by the directors show that the company will generate future positive cash flows. The company has sufficient cash reserves and committed sales to generate positive future cash flows and repay its debts as they become due.

The Company continues to have a strong order book and tender pipeline to enable continued revenue growth in line with its Business Plan. Management have performed detailed forecasts and sensitivity analysis. The Directors have concluded the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

### **Future developments**

The Company has significant plans for growth in its organic activities.

### **Qualifying third party indemnity provisions**

The Company has qualifying third-party indemnity provisions for the benefit of its Directors, which remain in force at the date of this report.

### **Matters covered in the Strategic Report**

In accordance with section 414C(11), certain matters required to be detailed in the Directors' Report are detailed in the Strategic Report where the Directors consider them to be of strategic importance to the Company.

# APEM Limited

## Directors' Report (continued) For the Year Ended 31 December 2022

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### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Subsequent events

On 25 April 2023, the directors approved an interim dividend of £5,328,543.

### Auditor

The current auditor, BDO LLP, has indicated their willingness to continue as auditors for the Company and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 June 2023 and signed on its behalf.



**Dr A E Williams**  
Director

# **APEM Limited**

## **Directors' Responsibilities Statement For the Year Ended 31 December 2022**

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The directors are responsible for preparing the Strategic Report, the Directors' 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; and
- 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 to 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.

# APEM Limited

## Independent Auditor's report to the members of APEM Limited

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### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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.

We have audited the financial statements of APEM Limited ("the Company") for the year ended 31 December 2022 which comprise the Statements of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, 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).

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

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.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

# APEM Limited

## Independent Auditor's report to the members of APEM Limited (continued)

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### Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

### Other Companies Act 2006 reporting

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

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 or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 Statement of Directors' Responsibilities 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.

# APEM Limited

## Independent Auditor's report to the members of APEM Limited (continued)

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### 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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, International financial reporting standards, the UK Companies Act 2006 and those that relate to the payment of employees. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to accrued income and provision for bad and doubtful debts;
- Testing a sample of projects back to contracts, budgets and completed reports to understand judgements in stage of completion and amounts accrued/deferred
- Revenue year end cut-off procedures;
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords, manual journals to revenue and cash, and review of journals posted to least used accounts;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Review of minutes of Board meetings throughout the period;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# APEM Limited

## Independent Auditor's report to the members of APEM Limited (continued)

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### 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.

DocuSigned by:  
*Steven Roberts*  
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**Steven Roberts** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester  
United Kingdom

30 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# APEM Limited

## Statement of Comprehensive Income For the Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	28,674,418	21,139,133
Cost of sales		(15,800,696)	(12,147,254)
<b>Gross profit</b>		<b>12,873,722</b>	<b>8,991,879</b>
Administrative expenses		(7,889,629)	(5,286,168)
Other operating income	5	90,000	117,702
<b>Operating profit</b>	6	<b>5,074,093</b>	<b>3,823,413</b>
<b>Profit before tax</b>		<b>5,074,093</b>	<b>3,823,413</b>
Tax on profit	10	(588,506)	(786,892)
<b>Profit for the financial year</b>		<b>4,485,587</b>	<b>3,036,521</b>

There was no other comprehensive income for 2022 (2021 - £Nil).

The notes on pages 13 to 29 form part of these financial statements.

**APEM Limited**  
Registered number:02530851

**Statement of Financial Position**  
As at 31 December 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	12	75,700	92,774
Tangible assets	13	2,563,099	2,149,250
Investments	14	66	66
		<u>2,638,865</u>	<u>2,242,090</u>
<b>Current assets</b>			
Debtors	15	13,843,367	9,984,857
Bank and cash balances		991,220	2,455,675
		<u>14,834,587</u>	<u>12,440,532</u>
Creditors: amounts falling due within one year	16	(5,622,800)	(5,130,761)
<b>Net current assets</b>		<u>9,211,787</u>	<u>7,309,771</u>
<b>Total assets less current liabilities</b>		<u>11,850,652</u>	<u>9,551,861</u>
<b>Provisions for liabilities</b>			
Deferred tax	17	(325,110)	(166,673)
Other provisions	18	(33,585)	(31,898)
		<u>(358,695)</u>	<u>(198,571)</u>
<b>Net assets</b>		<u><u>11,491,957</u></u>	<u><u>9,353,290</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	3,218	3,218
Profit and loss account	20	11,488,739	9,350,072
<b>Total equity</b>		<u><u>11,491,957</u></u>	<u><u>9,353,290</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



**Dr A E Williams** 30 June 2023  
Director

The notes on pages 13 to 29 form part of these financial statements.

# APEM Limited

## Statement of Changes in Equity For the Year Ended 31 December 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2022	3,218	9,350,072	9,353,290
<b>Comprehensive income for the year</b>			
Profit for the year	-	4,485,587	4,485,587
<b>Total comprehensive income for the year</b>	-	4,485,587	4,485,587
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(2,346,920)	(2,346,920)
<b>Total transactions with owners</b>	-	(2,346,920)	(2,346,920)
<b>At 31 December 2022</b>	<b>3,218</b>	<b>11,488,739</b>	<b>11,491,957</b>

## Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2021	3,218	7,496,635	7,499,853
<b>Comprehensive income for the year</b>			
Profit for the year	-	3,036,521	3,036,521
<b>Total comprehensive income for the year</b>	-	3,036,521	3,036,521
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(1,183,084)	(1,183,084)
<b>Total transactions with owners</b>	-	(1,183,084)	(1,183,084)
<b>At 31 December 2021</b>	<b>3,218</b>	<b>9,350,072</b>	<b>9,353,290</b>

The notes on pages 13 to 29 form part of these financial statements.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 1. General information

APEM Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's principal activities are set out in the Directors' Report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

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 following principal accounting policies have been applied:

#### 2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of APEM Group Limited as at 31 December 2022 and these financial statements may be obtained from Riverview A17 Embankment Business Park, Vale Road Heaton Mersey, Stockport, England, SK4 3GN.

#### 2.3 Going concern

The Company had net assets at 31 December 2022 of £11,491,957, net current assets of £9,211,787 and made a profit for the year of £4,485,587.

Cash flow and profitability forecasts prepared by the directors show that the company will generate future positive cash flows. The company has sufficient cash reserves and committed sales to generate positive future cash flows and repay its debts as they become due.

The Company continues to have a strong order book and tender pipeline to enable continued revenue growth in line with its Business Plan. Management have performed detailed forecasts and sensitivity analysis. The Directors have concluded the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.4 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

#### 2.5 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. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

##### *Turnover on contracts*

Turnover on contracts is recognised according to the stage reached in the contract by reference to the value of work done split by deliverable within a project. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long-term contracts not yet taken to the Statement of Comprehensive Income less related foreseeable losses are shown in creditors as deferred income. Full provision is made for losses on all contracts in the year in which they are first foreseen, irrespective of the amount of work carried out at the Statement of Financial Position date.

#### 2.6 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the Statement of Comprehensive Income for the period.

#### 2.7 Government grants

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough').

#### 2.8 Pensions

##### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.9 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.

#### 2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit & loss except when a charge is attributable to an item recognised as other comprehensive income, or directly in equity, in which case the tax related to that item is also recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

#### 2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	5	years on a reducing balance basis
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#### 2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Plant & machinery, computer and office equipment	- 20% - 33% per annum on a straight-line basis except for camera equipment and some computer equipment which are on a reducing balance basis
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

#### 2.13 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.15 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.

#### 2.16 Cash and cash equivalents

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

#### 2.17 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.

#### 2.18 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 profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting 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.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 2. Accounting policies (continued)

#### 2.19 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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 Statement of Comprehensive Income.

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

#### 2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

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### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the reported amounts of revenues and expenses during the reporting period.

In preparing these financial statements, the directors have made the following judgements:

- Determined whether leases entered into by the Company either as a lessor or a lessee are operating 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.
- Determined whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 13)

Tangible fixed assets 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 a 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.

- Trade debtors (see note 15)

There is estimation uncertainty in calculating bad debt provisions. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable.

- Turnover

There is estimation uncertainty in determining the stage of completion for turnover contracts which is the method of recognising revenue. The Company determines the revenue to be recognised based on the value of work done split by deliverable within a project as accurately as possible although there remains a risk that the value of work done split by deliverable within a project may not be commensurate with the stage of completion. Full provision is made for losses on all contracts in the year in which they are first foreseen, irrespective of the amount of work carried out at the date of the Statement of Financial Position.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 4. Turnover

	2022 £	2021 £
United Kingdom	18,508,807	14,470,636
Rest of Europe	8,818,978	2,000,414
Rest of the world	1,346,633	4,668,083
	<u>28,674,418</u>	<u>21,139,133</u>

### 5. Other operating income

	2022 £	2021 £
Research and development tax credits	90,000	106,166
Government grants receivable	-	11,536
	<u>90,000</u>	<u>117,702</u>

Other operating income in the current year represents research and development expenditure tax credits.

The company has not directly benefited from any other forms of government assistance.

### 6. Operating profit

The operating profit is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of tangible assets	850,198	721,325
Amortisation of intangible assets	22,942	12,253
Exchange differences	(146,360)	55,420
Other operating lease rentals	296,359	298,237
	<u>823,139</u>	<u>1,087,235</u>

### 7. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	24,850	16,125
	<u>24,850</u>	<u>16,125</u>

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 8. Employees

Staff costs were as follows:

	2022 £	2021 £
Wages and salaries	12,057,614	7,562,401
Social security costs	1,139,813	718,811
Cost of defined contribution scheme	516,160	382,810
	<u>13,713,587</u>	<u>8,664,022</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Staff	<u>353</u>	<u>228</u>

### 9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	107,356	317,318
Company contributions to defined contribution pension schemes	9,994	32,466
	<u>117,350</u>	<u>349,784</u>

During the year retirement benefits were accruing to 3 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £44,586 (2021 - £172,005).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,485 (2021 - £17,609).

The Directors transferred to the payroll of APEM Group Ltd on 1 April 2022.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 10. Taxation

	2022 £	2021 £
<b>Corporation tax</b>		
Current tax on profits for the year	416,812	623,147
Adjustments in respect of previous periods	13,257	187,982
<b>Total current tax</b>	<u>430,069</u>	<u>811,129</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	163,667	(2,135)
Changes to tax rates	-	40,514
Adjustments in respect of prior periods	(5,230)	(62,616)
<b>Total deferred tax</b>	<u>158,437</u>	<u>(24,237)</u>
<b>Taxation on profit</b>	<u>588,506</u>	<u>786,892</u>

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 10. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit before tax	<u>5,074,093</u>	<u>3,823,413</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	964,078	726,448
<b>Effects of:</b>		
Fixed asset differences	(75,439)	(15,164)
Expenses not deductible for tax purposes	7,955	4,055
Adjustments to tax charge in respect of prior periods	13,257	187,982
Adjustments in respect of prior periods (deferred tax)	(5,230)	(62,616)
Research and development tax credits	(17,100)	85,995
Change in tax rates	39,280	40,001
Group relief	(338,295)	(179,809)
<b>Total tax charge for the year</b>	<u><u>588,506</u></u>	<u><u>786,892</u></u>

#### Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at 31 December 2022 has been calculated based on the tax rates expected to apply in the reporting periods when the timing differences reverse.

### 11. Dividends

	2022 £	2021 £
Dividend paid of £72.92 (2021 - £36.76) per ordinary share	<u><u>2,346,920</u></u>	<u><u>1,183,084</u></u>

The interim dividends for 2022 and 2021 were made with approval of declaration in the financial year to which they relate.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 12. Intangible assets

	Software £
<b>Cost</b>	
At 1 January 2022	105,027
Additions	5,868
At 31 December 2022	<u>110,895</u>
<b>Amortisation</b>	
At 1 January 2022	12,253
Charge for the year	22,942
At 31 December 2022	<u>35,195</u>
<b>Net book value</b>	
At 31 December 2022	<u>75,700</u>
At 31 December 2021	<u>92,774</u>

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 13. Tangible fixed assets

	Plant and machinery etc. £
<b>Cost</b>	
At 1 January 2022	6,088,851
Additions	1,268,957
Disposals	(400,921)
At 31 December 2022	<u>6,956,887</u>
<b>Depreciation</b>	
At 1 January 2022	3,939,601
Charge for the year	850,198
Disposals	(396,011)
At 31 December 2022	<u>4,393,788</u>
<b>Net book value</b>	
At 31 December 2022	<u>2,563,099</u>
At 31 December 2021	<u>2,149,250</u>

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 14. Fixed asset investments

	<b>Investments in subsidiary companies £</b>
<b>Cost and net book value</b>	
At 1 January 2022	66
At 31 December 2022	66

### Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
APEM Inc.	2603 NW 13th Street, #402, Gainesville, FL 32609-2835	Ordinary	100%

### 15. Debtors

	<b>2022 £</b>	<b>2021 £</b>
Trade debtors	4,821,307	4,095,460
Amounts owed by group undertakings	5,997,565	4,121,401
Other debtors	3,615	32,022
Prepayments and accrued income	658,625	322,402
Amounts recoverable on contracts	2,299,750	1,413,572
Tax recoverable	62,505	-
	<b>13,843,367</b>	<b>9,984,857</b>

Amounts owed by group undertakings are interest free and repayable on demand.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 16. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	2,171,901	937,562
Amounts owed to group undertakings	1,483,248	204,223
Corporation tax	-	207,426
Other taxation and social security	948,085	1,192,622
Other creditors	128,984	173,837
Accruals and deferred income	890,582	2,415,091
	5,622,800	5,130,761

Amounts owed to group undertakings are interest free and repayable on demand.

### 17. Deferred taxation

	2022 £	2021 £
At beginning of year	166,673	190,910
Charged to profit or loss	158,437	(24,237)
<b>At end of year</b>	<b>325,110</b>	<b>166,673</b>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	351,332	176,644
Short term timing differences	(26,222)	(9,971)
	325,110	166,673

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 18. Provisions

	Provision for loss making contracts £
At 1 January 2022	31,898
Charged to profit or loss	33,585
Utilised in year	(31,898)
<b>At 31 December 2022</b>	<b>33,585</b>

### 19. Share capital

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
32,184 (2021 - 32,184) Ordinary shares of £0.10 each	<u>3,218</u>	<u>3,218</u>

Each ordinary share is entitled to one vote and dividend rights. On a return of capital (other than an exit event), each share is entitled to participate in a distribution to rank pari passu. They do not confer any rights of redemption.

On a return of capital (being an exit event where the exit value is £7m or less), each share is entitled to participate pro rata. On a return of capital (being an exit event where the exit value is more than £7m), each share is entitled to participate pro rata up to £7m and the remainder distributed parri passu amongst all shares.

### 20. Reserves

The Company's capital and reserves are as follows:

#### Called up share capital

Called up share capital represents the nominal value of shares that have been issued.

#### Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid.

# APEM Limited

## Notes to the Financial Statements For the Year Ended 31 December 2022

### 21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £516,160 (2021 - £382,810). Contributions totalling £104,891 (2021 - £79,763) were payable to the fund at the reporting date and are included in creditors.

### 22. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	240,916	176,518
Later than 1 year and not later than 5 years	551,070	447,246
Later than 5 years	205,449	270,833
	<u>997,435</u>	<u>894,597</u>

### 23. Related party transactions

The Company has taken advantage of the exemption in section 33.1A FRS 102 not to disclose transactions entered into with wholly owned members of the group headed by APEM Group Limited.

### 24. Subsequent events

On 25 April 2023, the directors approved an interim dividend of £5,328,543.

### 25. Controlling party

The Company's immediate and ultimate parent company is APEM Group Limited, a company registered in England and Wales. The registered office of APEM Group Limited is Riverview A17 Embankment Business Park, Vale Road Heaton Mersey, Stockport, England, SK4 3GN.

The largest and smallest group in which the results are consolidated is that headed by APEM Group Limited. The consolidated accounts of the Company are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company is ultimately controlled by WestBridge Fund Managers Limited, the duly appointed fund manager of WestBridge II LP fund.