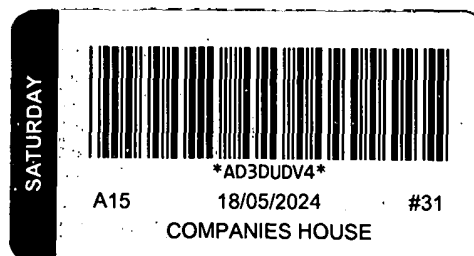


Company Registration No. 01876136 (England and Wales)

PEARSON ENGINEERING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
4 JANUARY 2024



PEARSON ENGINEERING LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | Y A Aron R Gozali J M Hutton N Pope I Bell |
| Secretary | L Shechter Nakash |
| Company number | 01876136 |
| Registered office | Armstrong Works Scotswood Road Newcastle upon Tyne NE15 6UX |
| Auditor | RSM UK Audit LLP Chartered Accountants 1 St. James' Gate Newcastle upon Tyne United Kingdom NE1 4AD |

PEARSON ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 4 JANUARY 2024

The directors present the strategic report for the period ended 4 January 2024.

Fair review of the business

Pearson Engineering Limited is a business operating in the defence sector that designs and manufactures a range of counter mine, counter IED and mine clearance equipment, as well as combat engineering equipment that increases the capability of armoured fighting and engineer vehicles. It also provides services for armoured vehicle manufacturing, assembly, integration and testing.

Pearson Engineering owns the two subsidiaries Pearson Engineering Inc and Responsive Engineering Limited. Pearson Engineering Inc. is based in the USA and provides services to the US defence market. Responsive Engineering Limited is based in the UK and provides manufacturing services including specialist welding, fabrication, assembly and testing, precision CNC machining and laser and waterjet cutting. The group's strategy is to grow the business through organic growth, research and development, acquisition (where appropriate) and the development of its world class manufacturing and assembly facility.

Key performance indicators

The group's key financial and other performance indicators during the year were as follows:

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 Restated £000 |
|-----------------------------|--|--|
| Turnover | 55,355 | 38,479 |
| Operating profit/(loss) | 10,713 | (1,870) |
| Turnover per employee | 185 | 136 |
| Average number of employees | 300 | 283 |

Pearson Engineering performed well during the year, securing a number of important contracts, both in the UK and internationally. Looking ahead, the company has a significant contract backlog and a strong pipeline of opportunities.

FY2023 proved to be a pivotal year for both Pearson Engineering and Responsive Engineering. The year saw increased production on-site, in part due to continuing strong demand for products across the UK MoD and internationally. Improvements to efficiency across Responsive Engineering has allowed some increased output, this coupled with customer delivery time needs led to a significant output, especially in the final quarter of FY2023 as both Pearson and Responsive reacted to Government spend profiles. In-year investment, matched to future investment in capital equipment and process improvements will enable this momentum to continue into FY2024 and future years as backlog continues to increase year-on-year. Increasing capacity across Armstrong Works will enable demand need to be met and will firmly cement both Pearson and Responsive as an integral part of the UK Land manoeuvre community/partnership on strategic vehicle programmes long into the future.

FY2023 also saw the resignation of the managing Director, Mr Craig Priday. At the time of signature, the new Group CEO, Mr Ian Bell, having replaced Mr Priday, on 2 April 2024 has signed off the FY2023 accounts under UK GAAP. It is anticipated that FY2024 will see the migration to accounting procedures under IFRS.

In summary, FY2023 proved a successful year and set the tempo and standard for future design, manufacture, production and delivery expectations.

Responsive Engineering successfully executed a number of critical, high value contracts in the year. The company has a full order book and healthy sales pipeline. A new senior management team is in place and the company has a clear plan to achieve improved financial performance, to match its world class quality and manufacturing capabilities. Both companies are actively recruiting to meet the forecast, high demand for products and services. There were a number of one-off costs in the year, predominantly associated with acquisition activities.

PEARSON ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

Key performance indicators (continued)

There continues to be strong interest in our defence manufacturing and services business stream and we are supporting a number of important UK defence programmes. We remain well positioned to support a wide range of active and planned UK defence programmes.

The group ethos includes a commitment to invest in research and development with the objective of developing the best products in our sector and actively developing the market for those products. To this end the group continues to invest considerable sums in research and development ('R&D'). The R&D programme is active and growing and includes traditional business areas as well as emerging technologies. Some of these projects are long term developments which will take some time to bring into service.

The group continues to be a strong supporter of STEM Initiatives promoting engineering as a career, working with local primary and secondary schools.

Principal risks and uncertainties

The main risks associated with the company's financial assets and liabilities are set out below:

Credit risk

The majority of group debtors relate to amounts owed as set out in agreed legal contracts, and many of the debtors are owed from government related bodies. Historically the group has not considered there to be a significant credit risk however this is evaluated on a contract by contract basis and credit insurance is taken if considered necessary.

Liquidity risk

The group aims to mitigate liquidity risk by managing cash in the most effective manner. It is group policy to invoice amounts due on contracts as soon as possible; all amounts owed by debtors are collected promptly and all major capital expenditure must be approved by the directors.

Foreign currency risk

The group has significant trade in foreign currencies with its customers. To protect the business against the movement in exchange rate, between the date of order acceptance and payment of the debt, the group takes out forward exchange contracts.

Working capital

The group will seek to establish terms which minimise the working capital requirement. However, it is inevitable that under some contracts the group will be required to provide finance for the initial purchases before payments from the customer commence.

Bank risk

The group continuously monitors the position of all banks where it holds funds.

Interest rate risk

All cash is invested in interest bearing bank accounts at either a variable or fixed rate. Therefore, whilst financial assets, liabilities, interest charges and interest income and cash flows can be affected by movements in interest rates, these are managed by continually reviewing where cash is held and moving funds as appropriate.

Inflation/supply chain

The group carefully monitors inflationary pressures, the impact on purchase prices and the availability of parts/raw materials. Where we see potential risk, we look to mitigate as far as possible by widening our supply chain base and buying ahead of programme requirements. We also seek to limit the commercial risk to selling prices, caused by market volatility.

Future developments

The company has an active and growing investment and R&D programme. Significant capital expenditure has been approved, which will enhance capabilities in bending high strength materials. New and enhanced products are being developed for both manned and unmanned platforms, broadening the range of defence applications. The company has also invested significantly in the areas of threat detection and AI.

PEARSON ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

Section 172 statement

The board consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s.172 (a-f) of the Companies Act 2006) in the decisions taken during the period ended 4 January 2024.

Material decisions taken in the year include the restructuring of Board of Directors, the appointment of a new managing director for Responsive Engineering and the approval of significant capital expenditure.

In making these material decisions, the board took conscious steps to identify and take account of the potential impact (both positively and negatively) on key stakeholder groups (such as shareholders, employees, suppliers, customers and society as a whole) and concluded that the decisions taken and the anticipated outcomes were aligned with promoting the success of the company for the benefit of its members. In particular, continued funding of our R&D programmes and collaboration with Responsive Engineering will increase shareholder value whilst also delivering increased positive social benefit through continuing to provide employment, as well as contributing to the economy through business activities. In addition, we continue to support our employees through a range of initiatives related to personal development and wellbeing, particularly in the current environment which has seen staff having to adapt to new ways of working.

On behalf of the board

Ian K Bell

.....
I Bell

Director

16/05/24
Date:

PEARSON ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 4 JANUARY 2024

The directors present their annual report and financial statements for the period ended 4 January 2024.

Principal activities

The principal activity of the company and group continued to be that of a business operating in the defence sector that designs and manufactures a range of counter mine, counter IED and mine clearance equipment as well as combat engineering equipment that increases the capability of armoured fighting and engineer vehicles. It also provides services for armoured vehicle manufacturing, assembly, maintenance, overhaul, repair, specialist welding, fabrication, assembly and testing, precision CNC machining and laser and waterjet cutting.

Results and dividends

The results for the period are set out on page 12.

Directors

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

Y A Aron

R Gozali

J M Hutton

N Pope

C Priday

I Bell

(Resigned 2 April 2024)

(Appointed 2 April 2024)

Financial instruments

Objectives and policies

The group finances its activities using its cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the group's operating activities. The group also enters into derivative transactions, principally forward currency contracts. The purpose is to manage currency risks arising from the group's operations and its sources of finance.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the group plays a major role in maintaining its performance. The group encourages the involvement of employees by means of regular management team briefings, regular training and feedback sessions and employee suggestion schemes.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

PEARSON ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

Energy and carbon reporting

Introduction and site information

Pearson Engineering Limited is the holding company for two operations at their Armstrong Works site (Pearson Engineering Limited & Responsive Engineering Limited). Site activities are the design, production, and processing of a range of light and heavy manufacturing, as well as fabrication to serve the target market with other general administration, finance, and sales/marketing facilities.

To deliver and comply with environmental legislation and commitment to Net Zero, Pearson Engineering Limited, as a minimum, will seek to be compliant with all applicable environmental laws and regulatory permissions relevant to its operations.

Site data and activity

| Area | Main Activity | Floor Area (m ²) | Floor Area (%) |
|---------------------------------|-------------------------------------|------------------------------|----------------|
| Production Floor | Manufacturing | 33,000 | 85 |
| PEL Offices | Admin / Finance / R&D / Engineering | 4,000 | 10 |
| REL Offices | Admin / Finance / Engineering | 720 | 2 |
| Storage and Ancillary buildings | Storage | 900 | 3 |
| Total | | 38,620 | 100 |

Metric

To understand our environmental performance, the following intensity metric will be used for this report.

| Company Level Metric | Metric Type | Number (GIFA-ft ²) |
|-----------------------------|---------------------------------------|--------------------------------|
| Pearson Engineering Limited | kgCO ₂ e / ft ² | 415,702 |

Energy Usage Data

Absolute energy consumption

| Activity | Scope | Unit | Period ended 4 January 2024 | Year ended 31 December 2022 |
|---------------------------|-------|-----------|--------------------------------|--------------------------------|
| Natural Gas | 1 | kWh | 1,228,351 | 1,498,035 |
| LPG | 1 | Kg or kWh | 3,660 or 26,045 | 1,402 or 17,889 |
| Grid supplied Electricity | 2 | kWh | 4,008,038 | 3,430,129 |
| Transportation | 1 & 3 | kWh | 110,511 | 17,920 |
| Total | | | 5,372,945 | 5,700,516 |

Absolute Green House Gas emissions (GHG) tCO₂ e.

| Activity | Scope | Unit | Period ended 4 January 2024 | Year ended 31 December 2022 |
|---------------------------|-------|--------------------|--------------------------------|--------------------------------|
| Natural Gas | 1 | tCO ₂ e | 222 | 273 |
| LPG | 1 | tCO ₂ e | 5.058 | 4.000 |
| Grid supplied Electricity | 2 | tCO ₂ e | 806 | 690 |
| Transportation | 1 & 3 | tCO ₂ e | 27 | 58 |
| Total | | | 1,060 | 1,025 |

Pearson Engineering Limited's energy intensity (year on year analysis)

| Company Level Metric | Metric Type | Number (GIFA -ft ²) | Period ended 4 January 2024 | Year ended 31 December 2022 |
|-----------------------------|---------------------------------------|---------------------------------|--------------------------------|--------------------------------------|
| Pearson Engineering Limited | kgCO ₂ e / ft ² | 415,702 | 2.5 | 2.4 |

PEARSON ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

Streamlined energy and carbon reporting

From financial years beginning on or after 1 April 2019, the government issued a new policy known as the Streamlined Energy and Carbon Reporting (SECR) which requires companies to publicly report on their UK energy use and carbon emissions within the Directors' report. This new requirement has been implemented by the Department for Business, Energy, and Industrial Strategy (BEIS).

Scope 1

Direct emissions - are sources resulting from company owned machinery, facilities, and vehicles.

Scope 2

Indirect emissions - are sources associated with the generation of electricity, heat, steam and/or cooling.

Scope 3

Indirect emissions – are sources resulting from all other activities not covered in scope 2; includes business travel, commuting, waste, and third-party deliveries.

Energy Savings Opportunity Scheme

The Energy Savings Opportunity Scheme (ESOS) is a mandatory energy assessment scheme for large organisations based in the UK. ESOS requires organisations that meet the qualification criteria and period to audit and report on at least 90% of their energy usage to the environment agency every four years.

The latest audit was completed in February 2023 and a summary of findings will be issued, along with recommendations that Pearson Engineering Limited will review and act upon accordingly.

Pearson Engineering Limited Energy and Environmental Reduction Commitment and Target Planning

Our longer-term goal is to become climate neutral at the latest by 2050 in line with government plans and reduce our emissions up to 50% by 2030 compared to 2020.

By using defined and tested methodology, industry techniques and energy performance indicators (EnPI) will help us to see a clear link between energy use and the activities that directly influence consumption and waste. This will enable us to determine how efficiently our organisation is using energy as it accounts for changes in the activity metric which will aid with visualisation towards our goals.

By implementing (REPOC) Resource, Efficiency, Process, Optimization & Cost reduction techniques will allow us to consider and explore energy efficiency savings when procuring new plant / equipment that is within any capital expenditure plan, as well as efficiency within our production processes.

The group aims to focus on the top three energy saving initiatives:

1. Compressed Air Leakage Management

- Perform a Compressed Air Leakage audit either with internal TPM or by appointed vendor.

2. Implement Shut down procedures for operations (daily / weekend)

- Group machine & equipment and apply stickers in green, yellow & red
- Employee Training Module (energy efficiency)
- Define and apply switch-off strategy for all machines, equipment and peripheral.

3. Introduce Energy Awareness Campaign

- Pearson Engineering Limited goes green.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial risk management of the company.

The company has also chosen to include the required disclosures on stakeholder engagement as part of the s172 statement in the strategic report. This information is considered to have strategic importance and including only in the strategic report avoids duplication.

PEARSON ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

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, each director has taken all the necessary steps that they ought to have taken as a director 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

The group meets its day to day working capital requirements through cash generated from operations.

Having considered the current cash forecasts of the group, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of a least twelve months from the date of signing these financial statements. The group therefore continues to adopt the going concern basis in preparing the financial statements.

On behalf of the board

Ian K Bell

.....
I Bell

Director

Date: 16/05/24

PEARSON ENGINEERING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 4 JANUARY 2024

The directors are responsible for preparing the Strategic Report and 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 group and company, and of the profit or loss of the group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARSON ENGINEERING LIMITED

Opinion

We have audited the financial statements of Pearson Engineering Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 4 January 2024 which comprise the consolidated Statement of Comprehensive Income, consolidated and company Statement of Financial Position, consolidated and company Statement of Changes in Equity, consolidated Statement of Cashflow and notes to the financial statements, including 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 group's and of the parent company's affairs as at 4 January 2024 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group and parent 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

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 group's or the parent 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 period 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.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 set out on page 8, 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 group's and the parent 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 group or the parent 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The group audit engagement team identified the risk of management override of controls, revenue recognition in respect of cut off and valuation of work in progress as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied in the financial statements. With regard to revenue recognition in respect of cut off we have tested transactions around the year end to supporting documentation to ensure appropriate cut off applied. With regard to valuation of work in progress we have tested the associated cost for completed elements and assessed the appropriateness of the year end valuation.

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

Use of our report

This report is made solely to the 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.

Steven Cleugh

Steven Cleugh FCCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
United Kingdom, NE1 4AD

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16/05/24

PEARSON ENGINEERING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 4 JANUARY 2024

| | Notes | Period ended 4 January 2024 £000 | Year ended 31 December 2022 as restated £000 |
|---|-----------|--|---|
| Turnover | 4 | 55,355 | 38,479 |
| Cost of sales | | (21,597) | (17,808) |
| Gross profit | | 33,758 | 20,671 |
| Distribution costs | | (1,058) | (1,225) |
| Administrative expenses | | (22,002) | (21,316) |
| Other operating income | | 15 | - |
| Operating profit/(loss) | 7 | 10,713 | (1,870) |
| Interest receivable and similar income | 9 | 5 | 2,155 |
| Interest payable and similar expenses | 10 | (947) | (105) |
| Profit before taxation | | 9,771 | 180 |
| Tax on profit | 11 | (1,337) | 25 |
| Profit for the financial period | | 8,434 | 205 |
| Other comprehensive income net of taxation | | | |
| Currency translation differences | | 1 | 1 |
| Cash flow hedges gain/(loss) reclassified to profit or loss | | - | (32) |
| Total comprehensive income for the period | | 8,435 | 174 |

Profit for the financial period is all attributable to the owners of the parent company.

Total comprehensive income for the period is all attributable to the owners of the parent company.

PEARSON ENGINEERING LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 4 JANUARY 2024**

| | | 4 January 2024 | | 31 December 2022 as restated | |
|---|-------|----------------|---------------|---------------------------------|---------------|
| | Notes | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Intangible assets | 13 | | 60 | | 90 |
| Tangible assets | 14 | | 6,020 | | 2,747 |
| | | | <u>6,080</u> | | <u>2,837</u> |
| Current assets | | | | | |
| Stocks | 17 | 30,485 | | 9,904 | |
| Debtors | 18 | 26,812 | | 18,788 | |
| Cash at bank and in hand | | 19,018 | | 5,955 | |
| | | | <u>76,315</u> | <u>34,647</u> | |
| Creditors: amounts falling due within one year | 19 | (54,508) | | (18,012) | |
| Net current assets | | | <u>21,807</u> | | <u>16,635</u> |
| Total assets less current liabilities | | | <u>27,887</u> | | <u>19,472</u> |
| Provisions for liabilities | 21 | | (363) | | (383) |
| Net assets | | | <u>27,524</u> | | <u>19,089</u> |
| Capital and reserves | | | | | |
| Called up share capital | 24 | | - | | - |
| Merger reserve | 25 | | (1,082) | | (1,082) |
| Profit and loss reserves | 25 | | 28,606 | | 20,171 |
| Total equity | | | <u>27,524</u> | | <u>19,089</u> |

The financial statements were approved by the board of directors and authorised for issue on 16/05/24 and are signed on its behalf by:

Ian K Bell

.....
I Bell
Director

PEARSON ENGINEERING LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 4 JANUARY 2024**

| | | 4 January 2024 | | 31 December 2022 as restated | |
|---|-------|----------------|---------------|---------------------------------|---------------|
| | Notes | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Intangible assets | 13 | | 60 | | 90 |
| Tangible assets | 14 | | 2,066 | | 239 |
| Investments | 15 | | 1,343 | | 1,252 |
| | | | <u>3,469</u> | | <u>1,581</u> |
| Current assets | | | | | |
| Stocks | 17 | 28,118 | | 7,945 | |
| Debtors | 18 | 30,553 | | 21,555 | |
| Cash at bank and in hand | | 18,720 | | 5,535 | |
| | | <u>77,391</u> | | <u>35,035</u> | |
| Creditors: amounts falling due within one year | 19 | (52,512) | | (17,276) | |
| Net current assets | | | <u>24,879</u> | | <u>17,759</u> |
| Total assets less current liabilities | | | <u>28,348</u> | | <u>19,340</u> |
| Provisions for liabilities | 21 | | (363) | | (383) |
| Net assets | | | <u>27,985</u> | | <u>18,957</u> |
| Capital and reserves | | | | | |
| Called up share capital | 24 | | - | | - |
| Profit and loss reserves | 25 | | 27,985 | | 18,957 |
| | | | <u>27,985</u> | | <u>18,957</u> |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £9,028,000 (2022 - £436,000 as restated).

The financial statements were approved by the board of directors and authorised for issue on 16/05/24 and are signed on its behalf by:

Ian K. Bell

.....
I Bell
Director

PEARSON ENGINEERING LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 4 JANUARY 2024**

| | Notes | Share capital £000 | Hedging reserve £000 | Merger reserve £000 | Profit and loss reserves £000 | Total £000 |
|---|-------|-----------------------|----------------------------|---------------------------|-------------------------------------|---------------|
| Balance at 1 January 2022 as previously reported | | - | 32 | (1,082) | 38,006 | 36,956 |
| Effect of prior year restatement | | - | - | - | (1,313) | (1,313) |
| As restated | | - | 32 | (1,082) | 36,693 | 35,643 |
| Year ended 31 December 2022: | | | | | | |
| Profit for the year (as restated) | | - | - | - | 205 | 205 |
| Other comprehensive expense net of taxation: | | | | | | |
| Currency translation differences | | - | - | - | 1 | 1 |
| Cash flow hedges gains reclassified to profit or loss | | - | (32) | - | - | (32) |
| Total comprehensive income for the year (as restated) | | - | (32) | - | 206 | 174 |
| Dividends | 12 | - | - | - | (16,728) | (16,728) |
| Balance at 31 December 2022 (as restated) | | - | - | (1,082) | 20,171 | 19,089 |
| Period ended 4 January 2024: | | | | | | |
| Profit for the period | | - | - | - | 8,434 | 8,434 |
| Other comprehensive expense net of taxation: | | | | | | |
| Currency translation differences | | - | - | - | 1 | 1 |
| Total comprehensive income for the period | | - | - | - | 8,435 | 8,435 |
| Balance at 4 January 2024 | | - | - | (1,082) | 28,606 | 27,524 |

PEARSON ENGINEERING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 4 JANUARY 2024

| | Notes | Share capital £000 | Hedging reserve £000 | Profit and loss reserves £000 | Total £000 |
|---|-------|-----------------------|-------------------------|----------------------------------|---------------|
| Balance at 1 January 2022 as previously reported | | - | 32 | 36,562 | 36,594 |
| Effect of prior year restatement | | - | - | (1,313) | (1,313) |
| As restated | | - | 32 | 35,249 | 35,281 |
| Year ended 31 December 2022: | | | | | |
| Profit for the year (as restated) | | - | - | 436 | 436 |
| Other comprehensive expense net of taxation: | | | | | |
| Cash flow hedges gains reclassified to profit or loss | | - | (32) | - | (32) |
| Total comprehensive income for the year (as restated) | | - | (32) | 436 | 404 |
| Dividends | 12 | - | - | (16,728) | (16,728) |
| Balance at 31 December 2022 (as restated) | | - | - | 18,957 | 18,957 |
| Period ended 4 January 2024: | | | | | |
| Profit and total comprehensive income for the period | | - | - | 9,028 | 9,028 |
| Balance at 4 January 2024 | | - | - | 27,985 | 27,985 |

PEARSON ENGINEERING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 4 JANUARY 2024

| | Notes | Period ended 4 January 2024 £000 | £000 | Year ended 31 December 2022 £000 | £000 |
|---|-------|--|---------|--|----------|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 26 | | 20,026 | | 5,350 |
| Interest paid | | | (712) | | (105) |
| Income taxes paid | | | (2,282) | | (225) |
| Net cash inflow from operating activities | | | 17,032 | | 5,020 |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (4,060) | | (639) | |
| Proceeds on disposal of tangible fixed assets | | 85 | | 37 | |
| Interest received | | 5 | | 2 | |
| Net cash used in investing activities | | | (3,970) | | (600) |
| Financing activities | | | | | |
| Dividends paid to equity shareholders | | - | | (16,728) | |
| Net cash used in financing activities | | | - | | (16,728) |
| Net increase/(decrease) in cash and cash equivalents | | | 13,062 | | (12,308) |
| Cash and cash equivalents at beginning of period | | | 5,955 | | 18,262 |
| Effect of foreign exchange rates | | | 1 | | 1 |
| Cash and cash equivalents at end of period | | | 19,018 | | 5,955 |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 4 JANUARY 2024

1 Accounting policies

Company information

Pearson Engineering Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Armstrong Works, Scotswood Road, Newcastle upon Tyne, NE15 6UX.

The group consists of Pearson Engineering Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

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 £000.

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

Reduced disclosures

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues';
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Pearson Engineering Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

The group financial statements have been prepared using the merger method of accounting.

The merger method of accounting is applied to group reconstructions as if the entities had always been combined. The total comprehensive income, assets and liabilities of the entities are amended, where necessary, to align the accounting policies. The carrying values of the entities assets and liabilities are not adjusted to fair value.

Any difference between the nominal value of shares issued plus the fair value of other consideration and the nominal value of shares received taken to other reserves in equity, Any existing balances on the share premium accounts or capital redemption reserve of the legal subsidiary are shown as movement on other reserves.

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

1 Accounting policies (Continued)

All financial statements are made up to 4 January 2024. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

Going concern

The group meets its day to day working capital requirements through cash generated from operations.

The directors have considered the group's financial performance for the period to December 2024. Cashflow forecasts have been prepared for the group that cover at least 12 months following approval of the financial statements which show that the group has adequate resources to continue in operational existence for this time. As such the financial statements have been prepared on a going concern basis.

Reporting period

The financial statements are drawn up to 4 January 2024. Comparative figures are drawn up to 31 December 2022.

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.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually when the goods are physically delivered to the customer or when the customer is notified that the goods are ready for collection, depending on the agreed terms of the sale), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grant will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation 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:

| | |
|----------------------|------------------------|
| Software | 4 years straight line |
| Patents and licences | 10 years straight line |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

1 Accounting policies (Continued)

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:

| | |
|------------------------------|--------------------------|
| Leasehold land and buildings | 40 years straight line |
| Plant and equipment | 5-13 years straight line |
| Fixtures and fittings | 2-5 years straight line |
| Computers | 3 years straight line |
| Motor vehicles | 4 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.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries 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 group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

1 Accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

Financial instruments

The group 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 when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

Basic financial assets

Basic financial assets, which include trade and other debtors, cash and bank balances and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 group 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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and amounts owed to group undertakings, 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 payments discounted at a market rate of interest.

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of 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 group.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

1 Accounting policies (Continued)

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.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

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.

Product warranties

Product warranties - The provision is made for rectification costs under warranty. This provision requires management's best estimate of the costs that will be required, based on contractual requirements and historical experience. The carrying amount of product warranties is £363,000 (31 December 2022 - £383,000).

Useful economic lives of tangible assets

The annual depreciation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The carrying amount of tangible assets is £6,020,000 (31 December 2022 - £2,747,000).

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

3 Prior period adjustment

Following a review of the revenue recognition policy under UK GAAP, the directors identified that revenue recognised had been overstated in the comparative period for the company and group. The error has been corrected by restating each of the affected financial line items for the prior periods. Revenue had been overstated in periods prior to the comparative reporting period end date, and as such there was an impact of £1,313,000 at the opening date of the comparative year (1 January 2022). This impact is shown in the consolidated and company statement of changes in equity.

The table below summarises the impact on the company and group comparative financial statements:

Changes to the statement of financial position - group

| | As previously reported £000 | Adjustment £000 | As restated at 31 Dec 2022 £000 |
|--|-----------------------------------|--------------------|---------------------------------------|
| Current assets | | | |
| Stocks | 8,382 | 1,522 | 9,904 |
| Creditors due within one year | (15,193) | (2,819) | (18,012) |
| Net current assets | <u>17,932</u> | <u>(1,297)</u> | <u>16,635</u> |
| Total assets less current liabilities | <u>20,769</u> | <u>(1,297)</u> | <u>19,472</u> |
| Net assets | <u>20,386</u> | <u>(1,297)</u> | <u>19,089</u> |
| Capital and reserves | | | |
| Profit and loss | <u>21,468</u> | <u>(1,297)</u> | <u>20,171</u> |
| Total equity | <u>20,386</u> | <u>(1,297)</u> | <u>19,089</u> |

Changes to the income statement - group

| | As previously reported £000 | Adjustment £000 | As restated £000 |
|--------------------------------------|-----------------------------------|--------------------|---------------------|
| Period ended 31 December 2022 | | | |
| Turnover | 38,275 | 204 | 38,479 |
| Cost of sales | <u>(17,620)</u> | <u>(188)</u> | <u>(17,808)</u> |
| Gross profit | <u>20,655</u> | <u>16</u> | <u>20,671</u> |
| Operating loss | <u>(1,886)</u> | <u>16</u> | <u>(1,870)</u> |
| Profit before taxation | <u>164</u> | <u>16</u> | <u>180</u> |
| Profit for the financial period | <u>189</u> | <u>16</u> | <u>205</u> |
| Total comprehensive income | <u>158</u> | <u>16</u> | <u>174</u> |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

3 Prior period adjustment (Continued)

Changes to the statement of financial position - company

| | As previously reported £000 | Adjustment £000 | As restated at 31 Dec 2022 £000 |
|--|-----------------------------------|--------------------|---------------------------------------|
| Current assets | | | |
| Stocks | 6,423 | 1,522 | 7,945 |
| Creditors due within one year | (14,457) | (2,819) | (17,276) |
| Net current assets | 19,056 | (1,297) | 17,759 |
| Total assets less current liabilities | 20,637 | (1,297) | 19,340 |
| Net assets | 20,254 | (1,297) | 18,957 |
| Capital and reserves | | | |
| Profit and loss | 20,254 | (1,297) | 18,957 |
| Total equity | 20,254 | (1,297) | 18,957 |

4 Turnover and other revenue

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 as restated £000 |
|---|---|--|
| Turnover analysed by class of business | | |
| Sales of goods | 55,355 | 38,479 |

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 as restated £000 |
|---|---|--|
| Turnover analysed by geographical market | | |
| UK | 13,580 | 9,322 |
| Europe | 1,736 | 3,029 |
| Rest of the world | 40,039 | 26,128 |
| | 55,355 | 38,479 |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

5 Employees

The average monthly number of persons (including directors) employed during the period was:

| | Group | | Company | |
|----------------|--------------|-------------|--------------|-------------|
| | Period ended | Year ended | Period ended | Year ended |
| | 4 January | 31 December | 4 January | 31 December |
| | 2024 | 2022 | 2024 | 2022 |
| | Number | Number | Number | Number |
| Production | 174 | 160 | 13 | 9 |
| Administrative | 127 | 123 | 70 | 70 |
| Total | <u>301</u> | <u>283</u> | <u>83</u> | <u>79</u> |

Their aggregate remuneration comprised:

| | Group | | Company | |
|-----------------------|---------------|---------------|---------------|--------------|
| | Period ended | Year ended | Period ended | Year ended |
| | 4 January | 31 December | 4 January | 31 December |
| | 2024 | 2022 | 2024 | 2022 |
| | £000 | £000 | £000 | £000 |
| Wages and salaries | 17,368 | 15,355 | 8,912 | 5,767 |
| Social security costs | 1,935 | 1,841 | 1,048 | 658 |
| Pension costs | 527 | 484 | 274 | 245 |
| | <u>19,830</u> | <u>17,680</u> | <u>10,234</u> | <u>6,670</u> |

6 Directors' remuneration

| | Period ended | Year ended |
|---|--------------|--------------|
| | 4 January | 31 December |
| | 2024 | 2022 |
| | £000 | £000 |
| Remuneration for qualifying services | 607 | 1,789 |
| Company pension contributions to defined contribution schemes | - | 33 |
| | <u>607</u> | <u>1,822</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2022 - 4).

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

6 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|--------------------------------------|---|---|
| Remuneration for qualifying services | 474 | 598 |
| | <u> </u> | <u> </u> |

7 Operating profit/(loss)

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|--|---|---|
| Operating profit/(loss) for the period is stated after charging/(crediting): | | |
| Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss | 486 | (357) |
| Research and development costs | 324 | 626 |
| Depreciation of owned tangible fixed assets | 716 | 897 |
| Profit on disposal of tangible fixed assets | (14) | (21) |
| Amortisation of intangible assets | 30 | 50 |
| Operating lease charges | 4 | 65 |
| | <u> </u> | <u> </u> |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

8 Auditor's remuneration

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|---|---|---|
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 50 | 45 |
| Audit of the financial statements of the company's subsidiaries | 38 | 35 |
| | <u>88</u> | <u>80</u> |
| For other services | | |
| Other assurance services | 45 | - |
| All other non-audit services | 16 | 26 |
| | <u>61</u> | <u>26</u> |

9 Interest receivable and similar income

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|--|---|---|
| Other interest income | 5 | 2 |
| Other income from investments | | |
| Gains on financial instruments measured at fair value through profit or loss | - | 2,153 |
| Total income | <u>5</u> | <u>2,155</u> |
| Investment income includes the following: | | |
| Gains on financial assets measured at fair value through profit or loss | <u>-</u> | <u>2,153</u> |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

10 Interest payable and similar expenses

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|---|---|---|
| Interest payable to group undertakings | 604 | 105 |
| Other interest on financial liabilities | 108 | - |
| | <u>712</u> | <u>105</u> |
| Other finance costs: | | |
| Loss on financial instruments measured at fair value through profit or loss | 235 | - |
| | <u>947</u> | <u>105</u> |

11 Taxation

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|--|---|---|
| Current tax | | |
| UK corporation tax on profits for the current period | 1,753 | (43) |
| Adjustments in respect of prior periods | (303) | 333 |
| | <u>1,450</u> | <u>290</u> |
| | | |
| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
| Deferred tax | | |
| Origination and reversal of timing differences | (113) | - |
| Adjustment in respect of prior periods | - | 158 |
| Tax losses carried forward | - | (473) |
| | <u>(113)</u> | <u>(315)</u> |
| | | |
| Total tax charge/(credit) | <u>1,337</u> | <u>(25)</u> |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

11 Taxation (Continued)

The total tax charge/(credit) for the period included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 as restated £000 |
|--|---|--|
| Profit before taxation | 9,771 | 180 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%) | 2,298 | 34 |
| Tax effect of expenses that are not deductible in determining taxable profit | 156 | 222 |
| Tax effect of income not taxable in determining taxable profit | - | (411) |
| Change in unrecognised deferred tax assets | (806) | - |
| Adjustments in respect of prior years | (303) | 333 |
| Deferred tax adjustments in respect of prior years | - | 158 |
| Foreign tax credits | - | (24) |
| Capital allowances | - | (145) |
| Tax losses | - | (192) |
| Benefits of superdeduction | (1) | - |
| Tax rate changes | (7) | - |
| Taxation charge/(credit) | 1,337 | (25) |

In the March 2021 Budget it was announced that the standard rate of corporation tax would remain at 19%, increasing to 25% from 1 April 2023.

At the balance sheet date, the group has unutilised trading losses of £13,461,298 (31 December 2022 - £9,876,525) available to carry forward against future taxable profits. The deferred tax in respect of some of these losses has been recognised as a deferred tax asset of £472,874 (31 December 2022 - £472,874).

The remaining unrecognised deferred tax asset of approximately £2,288,477 (31 December 2022 - £1,996,258) exists in respect of these losses, which the directors have not recognised until such time as their recovery can be assessed with reasonable certainty. The unrecognised deferred tax asset has been based on tax rates substantively enacted by the balance sheet date, being 25% (31 December 2022 - 25%).

12 Dividends

| | Period ended 4 January 2024 Per share £000 | Year ended 31 December 2022 Per share £000 | Period ended 4 January 2024 Total £000 | Year ended 31 December 2022 Total £000 |
|--|--|--|--|--|
| Recognised as distributions to equity holders: | | | | |
| Ordinary shares | | | | |
| Final paid | - | 167.28 | - | 16,728 |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

13 Intangible fixed assets

| Group | Software | Patents and licences | Total |
|--------------------------------------|----------|---------------------------------|-------|
| | £000 | £000 | |
| Cost | | | |
| At 1 January 2023 and 4 January 2024 | 88 | 348 | 436 |
| Amortisation and impairment | | | |
| At 1 January 2023 | 88 | 258 | 346 |
| Amortisation charged for the period | - | 30 | 30 |
| At 4 January 2024 | 88 | 288 | 376 |
| Carrying amount | | | |
| At 4 January 2024 | - | 60 | 60 |
| At 31 December 2022 | - | 90 | 90 |
| Company | | Patents and licences | |
| | | £000 | |
| Cost | | | |
| At 1 January 2023 and 4 January 2024 | | | 348 |
| Amortisation and impairment | | | |
| At 1 January 2023 | | | 258 |
| Amortisation charged for the period | | | 30 |
| At 4 January 2024 | | | 288 |
| Carrying amount | | | |
| At 4 January 2024 | | | 60 |
| At 31 December 2022 | | | 90 |

The amortisation charge for the year is recognised within administrative expenses

PEARSON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 4 JANUARY 2024**

14 Tangible fixed assets

| Group | Leasehold land and buildings £000 | Assets under construction £000 | Plant and equipment £000 | Fixtures and fittings £000 | Computers £000 | Motor vehicles £000 | Total £000 |
|------------------------------------|--|---|---|---|---------------------------|------------------------------------|-----------------------|
| Cost | | | | | | | |
| At 1 January 2023 | - | 235 | 13,778 | 901 | 1,186 | 542 | 16,642 |
| Additions | 1,660 | 1,749 | 156 | 162 | 165 | 168 | 4,060 |
| Disposals | - | - | - | - | - | (178) | (178) |
| At 4 January 2024 | 1,660 | 1,984 | 13,934 | 1,063 | 1,351 | 532 | 20,524 |
| Depreciation and impairment | | | | | | | |
| At 1 January 2023 | - | - | 11,576 | 821 | 1,146 | 352 | 13,895 |
| Depreciation charged in the period | - | - | 567 | 35 | 43 | 71 | 716 |
| Eliminated in respect of disposals | - | - | - | - | - | (107) | (107) |
| At 4 January 2024 | - | - | 12,143 | 856 | 1,189 | 316 | 14,504 |
| Carrying amount | | | | | | | |
| At 4 January 2024 | 1,660 | 1,984 | 1,791 | 207 | 162 | 216 | 6,020 |
| At 31 December 2022 | - | 235 | 2,202 | 80 | 40 | 190 | 2,747 |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

14 Tangible fixed assets (continued)

| Company | Leasehold land and buildings £000 | Fixtures and fittings £000 | Computers £000 | Motor vehicles £000 | Total £000 |
|------------------------------------|--|----------------------------------|-------------------|---------------------------|---------------|
| Cost | | | | | |
| At 1 January 2023 | - | 435 | 442 | 410 | 1,287 |
| Additions | 1,660 | 42 | 153 | 141 | 1,996 |
| Disposals | - | - | - | (178) | (178) |
| At 4 January 2024 | 1,660 | 477 | 595 | 373 | 3,105 |
| Depreciation and impairment | | | | | |
| At 1 January 2023 | - | 400 | 425 | 223 | 1,048 |
| Depreciation charged in the period | - | 2 | 31 | 65 | 98 |
| Eliminated in respect of disposals | - | - | - | (107) | (107) |
| At 4 January 2024 | - | 402 | 456 | 181 | 1,039 |
| Carrying amount | | | | | |
| At 4 January 2024 | 1,660 | 75 | 139 | 192 | 2,066 |
| At 31 December 2022 | - | 35 | 17 | 187 | 239 |

The addition to leasehold land and buildings relates to the deposit paid on the Armstrong Works facility. This building is currently leased to the group, but is due to be purchased outright in 2024. As such, no depreciation has yet been charged on this asset.

15 Fixed asset investments

| | Notes | Group | | Company | |
|-----------------------------|-------|---|---|---|---|
| | | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
| Investments in subsidiaries | 16 | - | - | 1,343 | 1,252 |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

15 Fixed asset investments (Continued)

Movements in fixed asset investments

| Company | Shares in group undertakings £000 |
|--------------------------------------|--|
| Cost or valuation | |
| At 1 January 2023 | 6,797 |
| Additions | 91 |
| | <hr/> |
| At 4 January 2024 | 6,888 |
| | <hr/> |
| Impairment | |
| At 1 January 2023 and 4 January 2024 | 5,545 |
| | <hr/> |
| Carrying amount | |
| At 4 January 2024 | 1,343 |
| | <hr/> <hr/> |
| At 31 December 2022 | 1,252 |
| | <hr/> <hr/> |

16 Subsidiaries

Details of the company's subsidiaries at 4 January 2024 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct |
|--|---|---|-------------------------|------------------|
| Pearson Engineering Inc | 87 Amlajack Way, Newnan, GA 30265, USA | Servicing and testing of engineering equipment | Ordinary | 100.00 |
| Responsive Engineering Limited | Armstrong Works, Scotswood Road, Newcastle upon Tyne, NE15 6UX | Manufacturing services | Ordinary | 100.00 |
| Pearson Engineering Singapore PTE Ltd | 297 South Bridge Road, Singapore 058839 | Business development | Ordinary | 100.00 |

17 Stocks

| | Group | | Company | |
|-------------------------------------|-------------------|------------------------------------|-------------------|------------------------------------|
| | 4 January 2024 | 31 December 2022 as restated | 4 January 2024 | 31 December 2022 as restated |
| | £000 | £000 | £000 | £000 |
| Raw materials and consumables | 1,966 | 1,515 | 732 | 706 |
| Work in progress | 10,565 | 6,867 | 9,588 | 5,717 |
| Finished goods and goods for resale | 17,954 | 1,522 | 17,798 | 1,522 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 30,485 | 9,904 | 28,118 | 7,945 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

18 Debtors

| | Group | | Company | |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | 4 January 2024 £000 | 31 December 2022 £000 | 4 January 2024 £000 | 31 December 2022 £000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 20,281 | 15,002 | 18,890 | 14,315 |
| Corporation tax recoverable | 832 | - | 662 | - |
| Amounts owed by group undertakings | - | - | 6,434 | 4,381 |
| Derivative financial instruments | 1,918 | 2,153 | 1,918 | 2,153 |
| Other debtors | 1,544 | 204 | 1,149 | 38 |
| Prepayments and accrued income | 1,651 | 956 | 1,387 | 668 |
| | <u>26,226</u> | <u>18,315</u> | <u>30,440</u> | <u>21,555</u> |
| Deferred tax asset (note 22) | 586 | 473 | 113 | - |
| | <u>26,812</u> | <u>18,788</u> | <u>30,553</u> | <u>21,555</u> |

19 Creditors: amounts falling due within one year

| | Notes | Group | | Company | |
|------------------------------------|-------|---------------------------|--|---------------------------|--|
| | | 4 January 2024 £000 | 31 December 2022 as restated £000 | 4 January 2024 £000 | 31 December 2022 as restated £000 |
| Trade creditors | | 4,284 | 2,404 | 3,392 | 1,464 |
| Amounts owed to group undertakings | | 12,708 | 8,105 | 13,769 | 9,969 |
| Other taxation and social security | | 1,300 | 597 | 1,055 | 433 |
| Deferred income | | 28,577 | 2,819 | 28,252 | 2,819 |
| Other creditors | | 659 | 551 | - | - |
| Accruals | | 6,980 | 3,536 | 6,044 | 2,591 |
| | | <u>54,508</u> | <u>18,012</u> | <u>52,512</u> | <u>17,276</u> |

The company has entered into a Revolving Credit Facility with BNP Paribas during the period ended 4 January 2024. Interest is charged at SONIA plus 2%, and repayment is required 3-months after drawdown. There was no amount drawn down on the facility as at the period end.

20 Financial instruments

| | Group | | Company | |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | 4 January 2024 £000 | 31 December 2022 £000 | 4 January 2024 £000 | 31 December 2022 £000 |
| Instruments measured at fair value through profit or loss | <u>1,918</u> | <u>2,153</u> | <u>1,918</u> | <u>2,153</u> |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

20 Financial instruments (Continued)

The company enters into forward foreign currency contracts and foreign currency swaps to mitigate the exchange rate risk for certain foreign currency receivables. At 4 January 2024, the outstanding contracts all mature within 15 months (2022: 18 months) of the year end.

The company is committed to sell US\$ 34,422,496 and €5,488,920 and receive a fixed sterling amount.

The forward currency contracts and swaps are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:USD and GBP:EUR.

The company has no interest rate derivative financial instruments (2022: none).

21 Provisions for liabilities

| | Group | | Company | |
|--------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | 4 January 2024 £000 | 31 December 2022 £000 | 4 January 2024 £000 | 31 December 2022 £000 |
| Warranty provision | 363 | 383 | 363 | 383 |

Movements on provisions:

| Group | Warranty provision £000 |
|-----------------------------------|-------------------------------|
| At 1 January 2023 | 383 |
| Additional provisions in the year | 157 |
| Utilisation of provision | (177) |
| At 4 January 2024 | 363 |

| Company | Warranty provision £000 |
|-----------------------------------|-------------------------------|
| At 1 January 2023 | 383 |
| Additional provisions in the year | 157 |
| Utilisation of provision | (177) |
| At 4 January 2024 | 363 |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

22 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

| | Assets 4 January 2024 £000 | Assets 31 December 2022 £000 |
|---------------------------------|---|---|
| Group | | |
| Accelerated capital allowances | (513) | - |
| Tax losses | 1,077 | 473 |
| Short term timing differences | 22 | - |
| | <u>586</u> | <u>473</u> |
| | <u><u>586</u></u> | <u><u>473</u></u> |
| | Assets 2024 £000 | Assets 2022 £000 |
| Company | | |
| Accelerated capital allowances | 91 | - |
| Short term timing differences | 22 | - |
| | <u>113</u> | <u>-</u> |
| | <u><u>113</u></u> | <u><u>-</u></u> |
| | Group 2024 £000 | Company 2024 £000 |
| Movements in the period: | | |
| Asset at 1 January 2023 | (473) | - |
| Credit to profit or loss | (113) | (113) |
| | <u>(586)</u> | <u>(113)</u> |
| Asset at 4 January 2024 | <u><u>(586)</u></u> | <u><u>(113)</u></u> |

The deferred tax asset set out above is expected to reverse within 12 months.

23 Retirement benefit schemes

| | Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|---|---|---|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 527 | 484 |
| | <u>527</u> | <u>484</u> |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 4 JANUARY 2024

24 Share capital

| | Group and Company | | | |
|-----------------------------|-------------------|---------------------|-------------------|---------------------|
| | 4 January 2024 | 31 December 2022 | 4 January 2024 | 31 December 2022 |
| | | | £ | £ |
| Ordinary shares of 10p each | 1,000 | 1,000 | 100 | 100 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The ordinary shares carry the right to vote at general meetings.

25 Reserves

Merger reserve

The difference between the nominal value of shares issued plus the fair value of other consideration and the nominal value of shares received for group reconstructions accounted for using the merger method of accounting.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

26 Cash generated from group operations

| | Period ended 4 January 2024 | Year ended 31 December 2022 as restated |
|---|-----------------------------------|--|
| | £000 | £000 |
| Profit for the period after tax | 8,434 | 205 |
| Adjustments for: | | |
| Taxation charged/(credited) | 1,337 | (25) |
| Finance costs | 712 | 105 |
| Loss on financial instruments measured at fair value through profit or loss | 235 | - |
| Investment income | (5) | (2,155) |
| Gain on disposal of tangible fixed assets | (14) | (21) |
| Amortisation and impairment of intangible assets | 30 | 50 |
| Depreciation and impairment of tangible fixed assets | 716 | 897 |
| Decrease in provisions | (20) | (102) |
| Movements in working capital: | | |
| Increase in stocks | (20,581) | (712) |
| Increase in debtors | (7,314) | (1,788) |
| Increase in creditors | 10,738 | 9,100 |
| Increase/(decrease) in deferred income | 25,758 | (204) |
| | <u> </u> | <u> </u> |
| Cash generated from operations | <u>20,026</u> | <u>5,350</u> |

PEARSON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 4 JANUARY 2024

27 Analysis of changes in net funds - group

| | 1 January 2023 £000 | Cash flows £000 | Exchange rate movements £000 | 4 January 2024 £000 |
|--------------------------|---------------------------|--------------------|------------------------------------|---------------------------|
| Cash at bank and in hand | 5,955 | 13,062 | 1 | 19,018 |

28 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Group Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 | Company Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|----------------------------|---|--|---|--|
| Within one year | 59 | 59 | - | - |
| Between one and five years | 138 | 183 | - | - |
| In over five years | - | 14 | - | - |
| | 197 | 256 | - | - |

29 Financial commitments, guarantees and contingent liabilities

Santander UK plc has fixed and floating charges over the undertaking and all assets owned by the group.

The group has a trade guarantee facility of £6.5m in place with Santander UK plc. At the year-end, the group was utilising £5,323,463 (2022: £4,227,832) of this facility.

30 Capital commitments

Amounts contracted for but not provided in the financial statements:

| | Group Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 | Company Period ended 4 January 2024 £000 | Year ended 31 December 2022 £000 |
|--------------------------------------|---|--|---|--|
| Acquisition of tangible fixed assets | 17,803 | - | 14,686 | - |

31 Controlling party

The ultimate controlling party is Rafael Advanced Defense Systems Limited, a company incorporated in Israel.