

Company Registration No. 04617703 (England and Wales)

RESPONSIVE ENGINEERING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2025



RESPONSIVE ENGINEERING LIMITED

COMPANY INFORMATION

Directors	I K Bell P M Langley M J Key
Secretary	K Rosenthal
Company number	04617703
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

RESPONSIVE ENGINEERING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

The directors present the strategic report for the year ended 31 December 2025.

Fair review of the business

The company operates from Armstrong Works, a 32,000sqm manufacturing facility on the bank of the River Tyne, which has been the company's home since 2014.

The company's key financial and other performance indicators during the period were as follows:

	Unit	Year ended 31 December 2025	Period ended 31 December 2024
Turnover	£000	20,344	17,115
Gross profit	£000	7,415	4,506
EBITDA	£000	(1,943)	(2,925)
Average number of employees		283	256

During the year ended 31 December 2025, Responsive Engineering Limited completed a period of significant operational change. Major investment programmes in machining and profiling capability were concluded during the year, providing the capacity required to support the commencement of series production on two significant land defence contracts. The planned production ramp-up will be seen through 2026 and subsequent periods. Recruitment within the direct labour workforce continued in order to support these activities.

As production volumes increased on land defence programmes, and with further opportunities identified within both the land and maritime sectors, the company undertook a review of its operational and commercial focus. Customers continued to recognise the specialist capabilities of Responsive Engineering operating from the Armstrong Works site. In response, the company focused on developing longer-term contractual relationships with a smaller number of strategic customers, with order intake profiles extending into future years. This resulted in a reduction in the number of smaller customer accounts and a narrowing of the range of activities undertaken.

In the fourth quarter of the year, a restructuring programme was implemented to reduce salaried headcount costs that had been required to support new product introduction activity and a broader customer base in prior periods. This resulted in a reduction in force of over thirty roles, with certain employees redeployed. At the same time, changes were made to the management structure, with selected roles centralised within the parent company (Pearson Engineering Limited) to support both organisations. These changes were implemented to improve efficiency and consistency of operating processes.

The company continued to invest in workforce development during the year, including the progression of apprentices through the welding training academy and degree apprenticeship programmes within engineering functions.

The directors consider that the company is appropriately structured and resourced to support its current order book and to pursue sustainable growth in future periods.

RESPONSIVE ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

Principal risks and uncertainties

The principal risks and uncertainties facing the company and how they might affect its performance, position or future prospects are set out below:

Competitive position

The company operated within an open market environment. Customers make their selection based upon numerous factors. These factors include price, quality, delivery, reputation and in some cases geography and place different weightings on each.

In order for the company to enhance its chances of tendering for and winning work, numerous business KPI's are monitored. These range from delivery in full on time, quality defect rates, accident frequency and quote conversion rates. These KPIs allow the company to better understand its competitive position within the market and make the necessary adjustments to the business as a result.

Working capital and liquidity risks

The company aims to maintain sufficient working capital to meet its needs and manage liquidity risk by establishing appropriate terms with its customers and suppliers to minimise working capital requirements and manage its cash resources in the most effective manner. As the business continues to invest in its growth strategy the working capital requirement is expected to increase and, as a part of a successful group, the company is well positioned to take advantage of the opportunities which exist through the financial resources available to it.

Inflation/supply chain

The company 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.

Credit risk

The company actively reviews the credit risk of current and potential new customers. The risk management programme is reviewed weekly and appropriate actions are taken to minimise these risks. Credit checks are carried out on all potential customers and initial sales are on a pro forma basis where appropriate.

Future outlook

The business continues to actively tender other major defence contracts which span the next 15 years and this underpins significant growth expectations.

The business has a clear strategy with objectives focused on People, Partners, Operational Excellence and Market Expansion. Investment in people is a strategic area of focus to ensure we are attracting and developing a strong talent pipeline. Further developing trusted partnerships with supply chain will ensure we drive efficiencies, helping to reduce our environmental impact.

Our strategic focus will drive operational performance and improve our competitive position in our markets.

Promoting the success of the company

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 company 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 year ended 31 December 2025.

Material decisions taken in the period include the tendering and acceptance of significant defence contracts, a review of its operational and commercial focus conducted by the directors as well as a restructuring programme implemented in the fourth quarter of the year.

In addition, our joint offering with the parent company, Pearson Engineering, for defence manufacturing and assembly services has continued to achieve important contract wins and will help to secure employment and retention of key skills across the companies and throughout our supply chains, whilst simultaneously leveraging the inherent capability of the Armstrong Works facility.

RESPONSIVE ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

Promoting the success of the company (continued)

In making these material decisions, the Board took conscious steps to identify and take account of the potential impacts 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, the continued implementation of the strategy approved by the Board is designed to increase shareholder value whilst also delivering increased positive social benefit through continuing to provide employment as well as contributing to the economy through our business activities.

On behalf of the board

Ian Bell

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I K Bell

Director

Date: 25/03/26
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RESPONSIVE ENGINEERING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

The directors present their annual report and financial statements for the year ended 31 December 2025. Comparative figures are drawn up for the period 5 January 2024 to 31 December 2024.

Principal activities

The principal activity of the company continued to be that of the provision of a wide range of manufacturing services including 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 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

I K Bell

R Mansfield

(Resigned 31 August 2025)

P M Langley

M J Key

(Appointed 23 February 2026)

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 company continues and that the appropriate training is arranged. It is the policy of the company 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 company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

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

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 outlook.

RESPONSIVE ENGINEERING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

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.

On behalf of the board

Ian Bell

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I K Bell

Director

25/03/26

Date:

RESPONSIVE ENGINEERING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

Opinion

We have audited the financial statements of Responsive Engineering Limited (the 'company') for the year ended 31 December 2025 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 company's affairs as at 31 December 2025 and of its loss for the year 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 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 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 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.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report 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 directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- 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 RESPONSIVE 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 most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management whether the company is in compliance with laws and regulations.

The audit engagement team identified the risk of management override of controls and revenue recognition in respect of cut off 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.

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 Clough

Steven Clough 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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25/03/26

RESPONSIVE ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Turnover	3	20,344,461	17,115,396
Cost of sales		(12,929,420)	(12,609,267)
Gross profit		<u>7,415,041</u>	<u>4,506,129</u>
Administrative expenses		(10,085,694)	(8,053,082)
Loss before taxation		<u>(2,670,653)</u>	<u>(3,546,953)</u>
Tax on loss	7	1,980,393	1,344,215
Loss for the financial year		<u><u>(690,260)</u></u>	<u><u>(2,202,738)</u></u>

RESPONSIVE ENGINEERING LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2025**

	Notes	2025		2024	
		£	£	£	£
Fixed assets					
Intangible assets	8		597,339		624,578
Tangible assets	9		3,121,205		3,126,241
			<u>3,718,544</u>		<u>3,750,819</u>
Current assets					
Stocks	10	8,611,934		3,832,404	
Debtors	11	1,365,298		3,292,492	
Cash at bank and in hand		163,634		1,042,388	
		<u>10,140,866</u>		<u>8,167,284</u>	
Creditors: amounts falling due within one year	12	(10,577,909)		(12,446,342)	
Net current liabilities			<u>(437,043)</u>		<u>(4,279,058)</u>
Total assets less current liabilities			<u>3,281,501</u>		<u>(528,239)</u>
Capital and reserves					
Called up share capital	15		138,957		138,957
Share premium account	16		30,043		30,043
Other reserves	16		10,135,353		5,635,353
Profit and loss reserves	16		(7,022,852)		(6,332,592)
Total equity			<u>3,281,501</u>		<u>(528,239)</u>

The financial statements were approved by the board of directors and authorised for issue on 25/03/26 and are signed on its behalf by:

Ian Bell

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I K Bell
Director

RESPONSIVE ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital	Share premium account	Other reserve	Profit and loss reserves	Total
Notes	£	£	£	£	£
Balance at 5 January 2024	138,957	30,043	5,635,353	(4,129,854)	1,674,499
Period ended 31 December 2024:					
Loss for the period	-	-	-	(2,202,738)	(2,202,738)
Balance at 31 December 2024	138,957	30,043	5,635,353	(6,332,592)	(528,239)
Year ended 31 December 2025:					
Loss for the year	-	-	-	(690,260)	(690,260)
Capital contribution from parent company	16	-	4,500,000	-	4,500,000
Balance at 31 December 2025	138,957	30,043	10,135,353	(7,022,852)	3,281,501

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies

Company information

Responsive Engineering Limited 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 company'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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

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

Reduced disclosures

This 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:

- 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': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Pearson Engineering Limited. These consolidated financial statements are available from Armstrong Works, Scotswood Road, Newcastle upon Tyne, NE15 6UX.

Going concern

The company meets its day to day working capital requirements through cash generated from operations and intercompany borrowings.

At 31 December 2025, the company had net current liabilities of £437,043 (2024: £4,279,058) mainly due to amounts owed to group undertakings of £6,294,498 (2024: £9,747,886). Group support has been obtained from Pearson Engineering Limited who have resources available to support the current liabilities of its subsidiary for a period of at least 12 months following approval of the financial statements.

On 12 February 2025, the immediate parent company, Pearson Engineering Limited, capitalised £4,500,000 of the amounts owed to it by Responsive Engineering Limited. The company presents amounts owed to group undertakings as creditors falling due within one year. The financial impact was therefore a reduction in creditors due within under one year, and an increase to the capital contribution reserve, improving net assets by £4,500,000.

On the basis that group support has been obtained, the directors believe they are well placed to manage its business risks, despite the current economic conditions, and are satisfied it is appropriate to adopt the going concern basis in preparing its financial statements.

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies (Continued)

Reporting period

The financial statements are drawn up to the year ended 31 December 2025. Comparative figures are drawn up for the period 5 January 2024 to 31 December 2024.

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.

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.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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	5 years straight line
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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:

Plant and machinery	2 to 13 years straight line
Fixtures and fittings	4 to 10 years straight line
Computer equipment	4 to 8 years straight line
Motor vehicles	5 years straight line

Assets in the course of construction are not depreciated.

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.

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies (Continued)

Impairment of fixed assets

At each reporting period end date, the company 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.

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.

Financial instruments

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

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

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.

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies (Continued)

Impairment of financial assets

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

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

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 company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, accruals 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.

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs.

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.

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies (Continued)

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.

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

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

Critical judgements

Impairment of fixed assets

At each reporting date, an assessment is made as to whether indicators of impairment exist in respect of fixed assets. When assessing whether indicators of impairments exist, management considers the nature and condition of fixed assets. The carrying amount of fixed assets is £3,718,544 (2024: £3,750,819).

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

2 Judgements and key sources of estimation uncertainty (Continued)

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.

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 fixed assets is £3,121,205 (2024: £3,126,241).

Valuation of work in progress

It is necessary to consider whether accumulated cost of work in progress is ultimately recoverable or whether a provision is required. When determining the need for provision, management considers the level of risk inherent in each project (which tends to be greater for more complete, unique or first in class projects and those of longer duration) and apply their best estimate of future time and material requirements. The carrying amount of work in progress is £4,358,174 (2024: £2,428,767).

3 Turnover

	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Turnover analysed by class of business		
Sale of goods	20,344,461	17,115,396
	<u>20,344,461</u>	<u>17,115,396</u>
	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Turnover analysed by geographical market		
UK	20,344,461	17,115,396
	<u>20,344,461</u>	<u>17,115,396</u>

4 Employees

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

	Year ended 31 December 2025 Number	Period ended 31 December 2024 Number
Production	196	167
Administrative	87	89
Total	<u>283</u>	<u>256</u>

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

4 Employees (Continued)

Their aggregate remuneration comprised:

	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Wages and salaries	10,887,457	9,954,802
Social security costs	1,185,732	1,048,869
Pension costs	1,174,540	380,957
	<u>13,247,729</u>	<u>11,384,628</u>

5 Directors' remuneration

	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Remuneration for qualifying services	108,160	239,497
Company pension contributions to defined contribution schemes	17,949	7,800
Compensation for loss of office	121,680	-
	<u>247,789</u>	<u>247,297</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2024: 1).

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

	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Remuneration for qualifying services	229,840	239,497
Company pension contributions to defined contribution schemes	17,949	7,800
	<u>247,789</u>	<u>247,297</u>

One of the directors is an employee of and remunerated through the immediate parent company, Pearson Engineering Limited. This director received £300,725 (2024: £286,038) from Pearson Engineering Limited during the year, and it is not practicable to allocate this between their services as an employee of Pearson Engineering Limited and a director of Responsive Engineering Limited.

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

6 Operating loss

	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	17,023	-
Fees payable to the company's auditor for the audit of the company's financial statements	42,500	41,000
Depreciation of owned tangible fixed assets	578,969	621,524
Profit on disposal of tangible fixed assets	-	(6,281)
Amortisation of intangible assets	149,335	-
Impairment of stocks recognised or reversed	(72,550)	436,449
	<u> </u>	<u> </u>

7 Taxation

	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Current tax		
Adjustments in respect of prior periods	(287,999)	955,785
Group tax relief	(1,983,000)	(2,300,000)
Total current tax	<u>(2,270,999)</u>	<u>(1,344,215)</u>
Deferred tax		
Origination and reversal of timing differences	325,243	-
Adjustment in respect of prior periods	(34,637)	-
Total deferred tax	<u>290,606</u>	<u>-</u>
Total tax credit	<u>(1,980,393)</u>	<u>(1,344,215)</u>

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

7 Taxation (Continued)

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Loss before taxation	(2,670,653)	(3,546,953)
Expected tax credit based on the standard rate of corporation tax in the UK of 25.00% (2024: 25.00%)	(667,663)	(886,738)
Tax effect of expenses that are not deductible in determining taxable profit	1,146	7,646
Change in unrecognised deferred tax assets	(991,240)	879,092
Adjustments in respect of prior years	(322,636)	955,785
Group relief	-	(2,300,000)
Taxation credit for the year	(1,980,393)	(1,344,215)

At the balance sheet date, the company has unutilised trading losses of £8,611,095 (2024: £13,230,583) 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 £988,996 (2024: £1,247,756).

The remaining unrecognised deferred tax asset of approximately £1,163,778 (2024: £2,059,890) exists in respect of these losses, which the directors have not recognised until such time as their recovery can be assessed with reasonable certainty.

8 Intangible fixed assets

	Software £
Cost	
At 1 January 2025	712,681
Additions	122,096
At 31 December 2025	834,777
Amortisation and impairment	
At 1 January 2025	88,103
Amortisation charged for the year	149,335
At 31 December 2025	237,438
Carrying amount	
At 31 December 2025	597,339
At 31 December 2024	624,578

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

9 Tangible fixed assets

	Assets under construction	Plant and machinery	Fixtures and fittings	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2025	321,247	15,419,725	477,252	817,583	58,320	17,094,127
Additions	5,199,607	466,712	322,751	24,105	-	6,013,175
Disposals	(5,439,242)	-	-	-	-	(5,439,242)
At 31 December 2025	81,612	15,886,437	800,003	841,688	58,320	17,668,060
Depreciation and impairment						
At 1 January 2025	-	12,715,665	460,354	750,415	41,452	13,967,886
Depreciation charged in the year	-	528,404	19,745	24,072	6,748	578,969
At 31 December 2025	-	13,244,069	480,099	774,487	48,200	14,546,855
Carrying amount						
At 31 December 2025	81,612	2,642,368	319,904	67,201	10,120	3,121,205
At 31 December 2024	321,247	2,704,060	16,898	67,168	16,868	3,126,241

10 Stocks

	2025	2024
	£	£
Raw materials and consumables	3,991,065	1,290,624
Work in progress	4,358,174	2,428,767
Finished goods and goods for resale	262,695	113,013
	8,611,934	3,832,404

11 Debtors

	2025	2024
	£	£
Amounts falling due within one year:		
Trade debtors	143,141	993,478
Corporation tax recoverable	-	147,753
Amounts owed by group undertakings	137,697	1,099,815
Other debtors	563,441	325,193
Prepayments and accrued income	338,751	253,379
	1,183,030	2,819,618
Deferred tax asset (note 13)	182,268	472,874
	1,365,298	3,292,492

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

11 Debtors (Continued)

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

12 Creditors: amounts falling due within one year

	2025	2024
	£	£
Trade creditors	2,035,748	197,437
Amounts owed to group undertakings	6,294,498	9,747,886
Taxation and social security	394,128	273,923
Other creditors	899,478	848,414
Accruals and deferred income	954,057	1,378,682
	<u>10,577,909</u>	<u>12,446,342</u>

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

13 Deferred taxation

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

	Assets 2025	Assets 2024
	£	£
Balances:		
Accelerated capital allowances	(832,480)	(784,359)
Tax losses	988,996	1,247,756
Short-term timing differences	25,752	9,477
	<u>182,268</u>	<u>472,874</u>

	2025
	£
Movements in the year:	
Asset at 1 January 2025	(472,874)
Charge to profit or loss	290,606
Asset at 31 December 2025	<u>(182,268)</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period, in exchange for consideration from the parent entity.

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

14 Retirement benefit schemes

	Year ended 31 December 2025 £	Period ended 31 December 2024 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	1,174,540	388,757

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

15 Share capital

	2025 Number	2024 Number	2025 £	2024 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 10p each	1,389,570	1,389,570	138,957	138,957

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

16 Reserves

Share premium

The share premium represents the excess of the nominal value of shares issued over their consideration.

Other reserves

Other reserves represent historic capital contributions made by Pearson Engineering Limited, the parent company, to its subsidiary. On 12 February 2025, an additional capital contribution was made which arose from the capitalisation of a £4,500,000 loan that was owed by Responsive Engineering Limited to its parent. The financial impact was therefore a significant reduction in creditors due within one year at the year end.

Profit and loss reserves

The profit and loss reserve records the cumulative profit and loss net of distribution to shareholders.

17 Operating lease commitments

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

	2025 £	2024 £
Within one year	66,798	41,177
Between one and five years	112,471	95,307
	<u>179,269</u>	<u>136,484</u>

RESPONSIVE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

18 Capital commitments

Amounts contracted for but not provided in the financial statements:

	31 December 2025	31 December 2024
	£	£
Acquisition of tangible fixed assets	312,205	-

19 Financial commitments, guarantees and contingent liabilities

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

20 Ultimate controlling party

The company's immediate parent is Pearson Engineering Limited, incorporated in England & Wales.

The most senior parent entity producing publicly available financial statements is Pearson Engineering Limited. These financial statements are available upon request from Armstrong Works, Scotswood Road, Newcastle upon Tyne, NE15 6UX.

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