

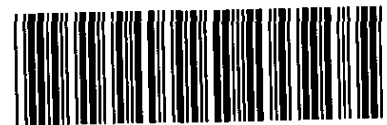
Kellogg Brown & Root Limited

Annual report and consolidated
financial statements

Registered number 645125

31 December 2020

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Kellogg Brown & Root Limited
Annual report and consolidated financial statements
31 December 2020

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Strategic Report

Principal activities

The Kellogg Brown & Root Limited (KBR) Group provides a wide range of professional services and the management of our business is heavily focused on major projects or programmes within each of our reportable segments. At any given time, a relatively small number of projects, government programmes and joint ventures represent a substantial part of our operations.

Our business is organised into three segments:

- *Government Solutions*
- *Energy Solutions*
- *Technology Solutions*

Government Solutions (GS). Our GS business segment provides full life-cycle support solutions to defence, aviation, infrastructure and other programs and missions for military and other government agencies in the U.K. and EMEA region. KBR services cover the full spectrum through systems engineering and integration to operations support, readiness and logistics.

Energy Solutions (ES). Our ES business segment provides full life-cycle support solutions across the upstream, midstream and downstream energy markets. Global events and the associated market disruptions have accelerated KBR's transition to becoming a solutions-oriented business and a migration away from lump-sum EPC and commoditized services.

Technology Solutions (TS). Our TS business segment combines KBR's proprietary technologies, equipment and catalyst supply, digital solutions and associated knowledge-based services into a global business for ammonia/fertilizers, nitric acid, refining, petrochemicals, inorganic and specialty chemicals refining. Licensing and engineering/design services are typically provided during the front-end planning stage of both green- and brown-field capital projects, and proprietary equipment is delivered and installed as part of facility construction.

In 2020, we initiated a strategic transition from the current three-core business segment model to a two-core business segment model comprised of Government Solutions and Sustainable Technology Solutions. We expect to begin reporting under this model in fiscal year 2021. The new Sustainable Technology Solutions segment is anchored by our innovative, proprietary process technologies. It will also include our highly synergistic advisory practice focused on energy transition and net-zero carbon ambitions as well as our technology-led industrial solutions focused on innovative digital operations and maintenance ("O&M") solutions and advanced remote operations capabilities to improve throughput, reliability and environmental.

Business Strategy

The Group delivers science, technology and engineering solutions to governments and companies around the world. Drawing from its rich 100-year history and culture of innovation and mission focus, KBR creates sustainable value by helping clients meet their most pressing challenges today and into the future. Our key areas of strategic focus are as follows:

- **Government Solutions:** A wide range of professional services across defence, programme management and consulting, operational and platform support, logistics and facilities, training and security. This business segment focuses on long-term service contracts particularly for U.K. Government agencies and NATO.
- **Energy Solutions:** KBR is a leading provider of complex program management, engineering services, front-end consulting and feasibility studies, small capital and sustaining capital construction programs, turnarounds,

Strategic Report *(continued)*

maintenance services and more, serving the upstream, midstream, and downstream sectors. We deliver solutions from conceptual design, through front end engineering to execution planning and project management.

- **Technology Solutions** : A broad spectrum of front-end services and solutions, including licensing of technologies, basic engineering and design services.

Competitive Advantages

We operate in global markets with customers who demand added value, know-how, technology and delivery solutions, and we seek to differentiate ourselves in areas in which we believe we have a competitive advantage, including:

- **Health, Safety, Security & Environment and Sustainability**
 - Safe and responsible operations are essential, and our Zero Harm culture prioritizes the safety and security of our people as well as the active management of our environmental impact.
 - As an industry leader, we have and will continue to invest in the development of disruptive, innovative clean energy solutions that promote a sustainable world.
- **Technical Excellence and Digital Solutions**
 - Quality, world-class technology, know-how and solutions.
 - Designing and implementing innovative digital solutions to diagnose and solve complex problems, including applying machine learning and artificial intelligence to predictive maintenance.
 - Creating virtual and augmented reality visualizations to provide greater perspectives and insights in a controlled environment.
- **People**
 - Distinctive, competitive and customer-focused culture, through our people ('One KBR').
 - Deep domain expertise resident in nationally recognized subject matter experts, many with U.K. government security clearance.
- **Customer Relationships**
 - Customer objectives are placed at the centre of our planning and delivery.
 - Close relationship with UK Government as part of our designation as a Strategic Supplier with the Crown Commercial Office
 - Decades of enduring relationships across our government services clients and with major oil and gas and industrial customers.
- **Project Delivery**
 - A reputation for disciplined and successful delivery of large, complex and difficult projects globally – using world-class processes including program management.
- **Full Life-cycle Asset Support**
 - Comprehensive asset services through long-term contracts.
- **Financial Strength**
 - Diverse portfolio of multi-year, mission critical programmes creating stability and resilience.
 - Low capital-intensive business model generating favourable operating cash flows.
 - Strong liquidity with ample capacity for growth.

Strategic Report *(continued)*

Significant Joint Ventures and Alliances

We enter into joint ventures and alliances with other reputable industry participants to capitalize on the strengths of each party and provide greater flexibility in delivering our services based on cost and geographical efficiency, increase the number of opportunities that can be pursued and reduce exposure and diversify risk.

Our significant joint ventures and alliances are described below. All joint venture ownership percentages presented are stated as of December 31, 2020.

Aspire Defence Limited is a joint venture currently owned by KBR and two financial investors to upgrade and provide a range of services to the British Army's garrisons at Aldershot and around the Salisbury Plain in the U.K. We own a 45% interest in Aspire Defence Limited. During 2018 we acquired 100% of the interest in the two entities that provide the construction and related support services to Aspire Defence Limited. As a result, KBR assumed operational management and control of these entities and began consolidating their financial results in its financial statements.

In 2016, we established the Affinity Flying Training Services Limited joint venture with Elbit Systems Ltd to procure, operate and maintain aircraft, and aircraft-related assets over a 17-year contract period, in support of the UKMFTS project. KBR owns a 50% interest in Affinity. In addition, KBR owns a 50% interest in the two joint ventures, Affinity Capital Works and Affinity Flying Services, which provide procurement, operations and management support services under subcontracts with Affinity.

KBR also owns 25% interest in several Road Management Services joint ventures operating in U.K. for the transportation authorities and 50% interest in the heavy equipment transportation joint venture Fastrax providing services to the U.K. Ministry of Defence.

The full list of the Group's joint ventures is provided in the note 30 (see p.76).

Results

The Group's turnover for the year was £732,668,000 (2019: £868,227,000). The Group's profit for the year, after taxation and non-controlling interest, was £61,094,000 (2019: profit £75,611,000). During the year there was a pension guarantee provision increase of £13,271,000 (2019: increase of £3,303,000 in provision).

We have summarised our revenues by business activities as follows:

	2020 £000	2019 £000
Government Solutions	516,290	594,783
Energy Solutions	214,709	254,620
Technology Solutions	1,669	18,824
	732,668	868,227

Strategic Report (continued)

Business Review

Government Solutions

The Government Solutions (“GS”) segment continued successful delivery of ongoing programmes during 2020. As described below, the decrease in year-over-year revenue was driven primarily by the expected wind-down of construction activities on the Aspire PFI.

The GS segment continued to provide construction and facilities management services to Aspire Defence Limited (“ADL”). Revenue related to these services continued to be the main part of the GS segment’s revenue, contributing more than 60%.

During 2020, the GS segment continued to deliver construction projects under the ADL contract, though at a lower volume. Construction works are expected to be substantially completed by the end of 2021, while the delivery of hard and soft services will continue to 2041.

During 2020, the GS segment continued to execute the project for the Ministry of Defence to provide maintenance, upkeep and training services in connection with the deployed communications network for the Saudi Arabian National Guard – project SANGCOM. The work is performed almost exclusively inside Saudi Arabia with the initial term of 3 years.

During 2019, the GS segment was awarded a project by Sellafield Limited, the company owned by the UK Government’s Nuclear Decommissioning Authority to act as one of its delivery partners on a major program to manage the safe decommissioning of the Sellafield nuclear site. The program will be performed over 20 years. Both GS and ES segments of the Group were executing this project during 2020.

The 7 year contract by the Metropolitan Police for a Facilities Management Integrator service, which started in 2014, was in a stable service delivery state in 2020. The Group was successfully executing the project for the Dorset Police on the transformation of forensics.

KBR’s joint venture with Elbit Systems - Affinity Flying Training Services Limited continued to work on its 17 year contract to procure and operate a fleet of 33 training aircraft in support of the UK Ministry of Defence’s Military Flying Training System (“MFTS”). The “capex” phase was successfully completed in 2019 and the flying services for the third and fourth aircraft platforms continued during 2020.

Energy Solutions

The principal engineering & construction activities accounted for in Energy Solutions (ES) in these financial statements included services for Front End Engineering and Design (FEED), Detailed Design Engineering, Procurement services, Project Management and Construction and Commissioning services related to Onshore and Offshore Oil & Gas production facilities, Liquefied Natural Gas (LNG), Refining and Petrochemical processing. Key clients supported by this segment included BP, Saudi ARAMCO, Woodside Energy and State Oil Company of Azerbaijan.

Projects were contracted under reimbursable schedules of rates as well as on a fixed price basis.

Strategic Report (continued)

In 2020 the Group executed numerous projects, the most significant of which were:

- Azeri Central East (ACE) – the Execute phase of the project continued during 2020.
- Absheron Early Production contract – provision of detailed Engineering for platform topsides and Procurement services. The project was in its completion phase during 2020.
- JV Gas – EPC management services contract based in Algeria. Project commenced in 2017 and is expected to run through until mid 2021
- BP's Tortue West Field Development – pre-FEED contract was awarded in 2018 for Phase 1 Tortue field Hub/Terminal development located on the maritime border between Senegal and Mauritania.
- Woodside Energy's Browse Transition Engineering contract continued in 2020.
- Through its subsidiary in Saudi Arabia the Group continued to provide engineering services to Saudi Aramco during 2020.

Technology Solutions

The Technology Solutions (TS) segment remains a relatively small part of the Group's business, but is very important as a result of the high profitability of technology licensing projects.

The segment continued work on implementation of the refining technologies including Residuum Oil Supercritical Extraction (ROSE) and Fluid Catalytic Cracking (FCC), as well as several Syngas Technology projects.

Covid-19

During 2020, our Zero Harm culture was epitomized in our response to the COVID-19 pandemic, where our response prioritized taking action for the safety of our people, families and customers and to do our part to slow the spread of the virus. We activated a special executive task force in January 2020 to monitor and respond to developments in real time, implementing travel restrictions to protect our people and customers, alongside practical, accessible training and support, including resources available through our Employee Assistance Program. We quickly deployed local emergency response plans and continued to operate throughout the year to enable employees working remotely or on site to continue to deliver the same outstanding service and attention to our customers.

This pivot to remote work allowed our employees to maintain a high level of productivity and efficiency while transitioning to new ways of working, and gave us the chance to reimagine how we deliver as a more flexible, agile business, where our people, operating model and culture enable rapid change and value creation, and establish a source of competitive advantage. A global task force was established to reimagine our culture, work practices and workplaces, resulting in what we believe will be sustainable changes with clear benefits, including offering more flexible working arrangements to help establish KBR as a global employer of choice and support a more diverse workforce.

To support the transition to this new work environment, we ran a series of virtual training events focused on the skills required by employees and managers in this new world and held regular 'virtual coffees' with experts and leaders in KBR to help our people stay connected as part of an adaptable network and to reinforce our Team of Teams ethos. Enhancement to our workplaces, upgrades to our flexible working policy and easy access to digital tools and resources have all contributed to our new ways of working.

Strategic Report (continued)

We recognize that mental health and wellbeing affects everyone, and during the pandemic this has proved even more critical. Building on our commitment to Zero Harm, we aim to create a workplace where employees can thrive, and to inspire and enable our employees to proactively improve their own mental fitness.

During 2020, KBR established a global Mental Health & Wellbeing Committee to help steer our strategy and to give our people the support and resources they need. We have raised awareness and encouraged conversations about mental health and fitness through ongoing communications, including webinars with KBR and external experts, supported by highly visible leadership. A broad range of training and support materials were made available to employees and managers, and we upgraded our Employee Assistance Program to provide free counselling, advice and resources for employees and their families in multiple languages.

Over the year, we developed further plans to help employees improve their mental fitness and resilience, including access to themed training and resources, provision of bespoke management training, global expansion of our Wellbeing Ambassadors program, and launch of a new mobile application providing employees with 24/7 access to a personalized mental health and wellbeing platform, which we expect to formally launch in 2021.

During 2020, the Covid-19 pandemic had very limited impact on the GS business segment, however it contributed to a sharp drop in prices for oil in the first quarter of 2020 with demand falling even more sharply. These market conditions made it difficult to our energy sector customers to accurately forecast and plan future business trends. As a result, these customers reduced their capital expenditure in 2020. Demand for LNG and other facilities for which we provide services decreased and some project expenditures were deferred.

The significant decrease in ES business segment activity made it necessary to considerably restructure this segment including a considerable reduction in workforce.

Legal Entity Reduction Programme

KBR, Inc.'s management continues to review the global legal entity structure and will likely continue liquidating unused or unneeded entities, including entities included in or related to the Group's companies. During 2020 several Group companies were put into liquidation. Details are provided in the Directors' Report.

Provision for Pension Guarantee movement

Kellogg Brown & Root Limited acts as a guarantor (Second Additional Guarantor) for the Kellogg Brown & Root (U.K.) Limited defined benefit pension plan scheme, along with Kellogg Brown & Root Holdings Limited (Principal Guarantor) and Kellogg Brown & Root Holdings (U.K.) Limited (First Additional Guarantor). In 2020 the provision for the pension liability guarantee has increased by £13,271,000 to £52,470,000 (2019 increased by £3,303,000 to £39,199,000) (note 18). The increase in scheme's deficit resulted from the change in market conditions and changes in assumptions. The main change in assumptions relates to the decrease in the discount rate used to calculate the present value of future pension liabilities.

Contribution to the Pension Plan

During 2016, Kellogg Brown & Root Limited made a contribution of £42.1m to the Kellogg Brown & Root (U.K.) Limited defined benefit pension plan as part of an Asset-Backed Funding arrangement, involving transfer of the property by a fellow subsidiary of KBR, Inc. to the newly created KBR Property Holdings LP, a Scottish Limited Partnership, created with a purpose of partially funding the defined benefit pension plan using rental income. Rental payments transferred to the pension plan during 2020 amounted to £3.6m (2019: 3.6m).

Deferred tax

At 31 December 2020 the deferred tax assets of the Group totalled £16.3m (2019: £10.8m) related to expenses in tax assessments different from those in which they are recognised in financial statements (timing differences). These deferred tax assets are recognised as it is probable that they will be recovered against future taxable profits of the Group.

Strategic Report (continued)

Future outlook

The Group will continue to focus on opportunities and to capitalise on leadership positions in its markets. This will include selectively pursuing new projects to enhance profitability and mitigate risk by maintaining a balanced and diversified portfolio.

The Company is well-positioned in growing end markets – advancing national security priorities, defence modernization, energy transition and sustainability. Operating performance is good and there is continued confidence in our business model. With a foundation of enduring long-term contracts and market conditions that align with our expertise, we are confident that the company is well positioned for sustainable growth and value creation.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are considered to relate to the following:

Cash flow risk

Cash flow is dependent on large scale projects and often the timing of new project awards is unpredictable and the uncertainty of contract award timing can also present difficulties in matching workforce size with contract needs. Our results of operations and cash flows may therefore be subject to significant period fluctuations. Any decrease in the magnitude of work done for the MoD, decrease in capital spending for infrastructure, or other projects, could have a material adverse effect on our business and cash flows. However, the Group maintains a large cash-in-bank balance that exceeds the 12 month average working capital needs.

Pricing risk

A portion of our projects are on a fixed or agreed price basis, subjecting the company to risk associated with cost over-runs, operating cost inflation and any potential claims for liquidated damages. If our long-term contracts are on a fixed price basis, any failure to accurately estimate the resources and time required to complete our contractual obligations within the time frame and costs committed could have a material adverse effect on the business, results of operations and financial condition, since the company would bear the risk.

Our projects are frequently awarded through a competitive bidding process which is standard in the industry. Hence there is constant competition for project awards based on pricing and breadth and technical sophistication of our services. Any increase in competition or reduction in our competitive capabilities could have an adverse impact on the margins we generate from our projects or our ability to retain market share.

Credit and liquidity risk

Customers may require the company to provide credit enhancements including bonds, letters of credit or financial guarantees. In line with industry practice, we are often required to provide performance and surety bonds to customers. These bonds indemnify the customer should we fail to perform our obligations under the contract. If a bond is required for a particular project and we are unable to obtain this we may be unable to pursue that project. Because of liquidity and other issues, we may at times be unable to provide necessary letters of credit. In addition, future projects may require the company to obtain letters of credit that extend beyond the terms of our current credit facility. Further, our credit facility limits the amount of new letters of credit and other debt we can incur outside of the credit facility, which could adversely affect our ability to bid competitively on future projects.

Strategic Report (continued)

Other key risks include:

- A highly competitive market, with many competitive factors affecting sales such as price, product and service and quality delivery which could reduce market share and profits.
- Attracting and maintaining a sufficient number of trained engineers and other skilled workers may affect the ability of the business to pursue projects and costs may increase.
- Exchange rate risks due to fluctuating currencies and large foreign currency balances.
- Operations in some countries may be adversely affected by unsettled political conditions, acts of terrorism and civil unrest together with exchange control and currency problems. However, due to the geographical diversification of the business activities the risk is reduced to minimise the effect of a loss of operations in any one country.
- Demand for services depends on capital spending by customers in their target markets, many of which are cyclical in nature.
- We operate in highly regulated markets requiring adherence to laws with risk areas including bribery and corruption, government contracting regulations and international trade laws and sanctions.
- The potential ongoing effect of Brexit on the Group's financial position should be limited as the Group has only insignificant operations in the European Union. It is impossible to predict the scale of possible future implications of Brexit for the group. The directors are not presently aware of any adverse legislative changes which may impact the Group's financial position.

Impact of COVID-19 pandemic

The spread of COVID-19 across the globe has negatively affected worldwide economic and commercial activity, disrupted global supply chains, and created significant volatility and disruption of financial and commodity markets. Our business and operational plans may be adversely affected by the COVID-19 pandemic due to a number of factors outside of our control, including:

- the health or availability of our workforce, including contractors and subcontractors, and restrictions that we and our customers, contractors and subcontractors impose, including limiting worksite access and facility shutdowns, to ensure the safety of employees and others;
- the ability or willingness of our vendors and suppliers to provide the equipment, parts or raw materials for our operations or otherwise fulfil their contractual obligations, which in turn could impair our ability to perform under our contracts or to deliver products on a timely basis;
- recommendations of, or restrictions imposed by, government and health authorities, including travel bans, quarantines, and shelter-in-place orders to address the COVID-19 outbreak;
- potential contract delays, modifications or terminations;
- increased costs of operation in relation to the COVID-19 outbreak, which costs may not be fully recoverable or adequately covered by insurance; and
- long-term disruption of the U.K. and global economy and financial and commodity markets.

The spread of COVID-19 has caused us to modify our business practices (including limiting employee and contractor presence at our work locations), and we may continue to take further actions as may be required by government authorities or that we determine are in the best interests of our employees, contractors, customers, suppliers and communities.

As the ongoing potential effects of COVID-19 are difficult to predict, the duration of any potential business disruption or the extent to which COVID-19 may negatively affect our operating results is uncertain. Any potential impact will depend on future developments and new information that may emerge regarding the spread, severity and duration of the COVID-19 pandemic and the actions taken by authorities to contain it or treat its impact, all of which are beyond our control. These potential effects, while uncertain, could adversely affect our business, financial condition, results of operations and/or cash flows, as well as our ability to pay dividends to our shareholders.

Strategic Report (continued)

Other matters

The US Department of Justice (DOJ), Securities and Exchange Commission (SEC) and UK Serious Fraud Office (SFO) had been conducting investigations of Unaoil, a Monaco based company, in relation to international projects involving several global companies, including KBR. The DOJ, SEC and SFO have informed us that their investigations with regard to KBR are now closed.

Key performance indicators

The key performance indicators used to review and monitor the business are set by the directors of the Group. The Senior Management team and the Board regularly monitor the performance of the Group through a range of key performance indicators, which are related to financial performance, health and safety performance and a number of operational metrics. The main areas are as follows:

- **Backlog**

Backlog is commonly used as a key indicator of financial performance. It represents the amount of revenue the Group expects to realise in the future as a result of performing work on contracts awarded and in progress. Expected revenue is generally included in backlog when a contract is awarded or the scope is defined. In many instances, arrangements included in backlog are complex, non-repetitive in nature, and may fluctuate depending on expected revenue and timing. Where contract duration is indefinite, projects included in backlog are limited to the estimated amount of expected revenue within the following twelve months. Certain contracts provide maximum limits with actual authorisation to perform work under the contract being agreed upon on a periodic basis with the customer. In these arrangements, only the amounts authorised are included in backlog. For projects where the Group acts solely in a project management capacity, only the management fee revenue of each project is included in backlog.

At 31 December 2020 the backlog totalled £5,558 million (2019: £6,085 million).

- **Profit before tax**

The level of profitability is a key measure of performance. The Group's profit before tax was £73,954,000 (2019: profit £90,440,000).

Strategic Report (continued)

- **Accident frequency rate**

Paramount to KBR is our commitment to Zero Harm to people, property and the environment. At KBR, Zero Harm means a culture in which we make safety conscious decisions that are governed by personal values. We make a personal choice to work safely and to look out for each other in a true interdependent culture.

A Zero Harm culture embraces the courage to care through intervention and engagement in safety-related conversations with our peers. This culture is one in which all incidents are intolerable, and there is a desire and commitment to make sure we do everything in our power to avoid any situation that could put our employees, subcontractors or clients at risk of being hurt or cause harm to the environment.

The common measure of safety performance is the lost time (1 day plus) incident accident frequency rate. In 2020 the Group experienced 0.20 hours lost time incidents per 1 million man hours worked (2019: 0.43 hours lost time accidents per 1 million man hours worked).

Section 172(1) Statement

The Directors continue to have regard to the matters set out in sections 172(1) (a) to (f) of the Companies Act 2006, thereby promoting the success of the Company for the benefit of its stakeholders as a whole, including the likely consequences of their decisions in the longer term, and how they have taken wider stakeholders' needs into account.

During the year ended 31 December 2020, the Board reviewed its stakeholder mapping to assess whether the identification of key stakeholders remains appropriate. It was concluded that the key stakeholders remain the Company's customers, the Company's ultimate parent company KBR, Inc., the company's and its subsidiaries' employees as well as the employees of the sister payroll company Kellogg Brown & Root (U.K.) Limited working for the Group, Kellogg Brown & Root (U.K.) Limited's Pension Scheme, sub-contractors and vendors.

The Company is also aware of its impact on the local communities where it operates, and its wider social and environmental responsibilities.

In order to place stakeholders' considerations at the heart of the Board's decision-making process, the Directors receive regular feedback and insights on the Company's key stakeholders during their Board meetings, town halls with employees, meetings with employees' representatives, clients and pension plan trustees. The Directors recognise the importance of proactive engagement with the Company's stakeholders in order to understand their perspectives first-hand and to maintain positive and effective relationships.

During the year, the Directors discussed service delivery and other strategic matters with senior members of the customer organisations during formal meetings, informal correspondence and attendance at strategic boards. Directors responsible for the GS segment have regular contact with senior officials of U.K. Government departments. Directors responsible for the ES and TS segments have regular communications and meetings with private clients.

The Directors participate in regular (monthly or quarterly) sponsor meetings held on most of our projects with the client leadership teams and business leadership in attendance. Client relationships are managed and developed and should a client wish to speak with executive management, that is arranged. Client complaints are investigated, responded to and logged on the project as well as with local and regional Operations leadership and through Legal and Commercial teams. There are also regular internal project reviews attended by the Directors. By way of example, the following issues are escalated: safety, compliance, client feedback (positive and negative), performance, potential financial impacts and all matters about which there is doubt.

Strategic Report *(continued)*

The Company's ultimate parent's board regularly receives information regarding the Company's and Group's performance. The Company remains aligned with the strategic and business development objectives of KBR, Inc.

The directors manage and control strict compliance with the KBR Code of Business Conduct in all areas of the Company's and Group's activity by employees and contract personnel.

The Directors regularly engage with clients, and they recognise the importance of visiting the Company's and Group's sites where its services are being delivered. During the year, the Directors undertook numerous site visits during which they met with employees and the subcontractors' employees and management teams, to review operations first-hand and to assure themselves of the adequacy of resources, employment conditions, facilities, safety arrangements and compliance with all relevant regulations.

The Company reviews the subcontractors' supply chain arrangements, to confirm the continuation of effective relationships and the transparency of transactions, including the flow down of the KBR Code of Business Conduct and ethics, and support of the Company's statements on the Modern Slavery Act and prompt payment procedures. In addition, the Directors have made available an independent whistleblowing facility which can be accessed on the Company's website.


The Directors review and approve the Payment Practices reports filed twice a year by the Company. Qualified members of the Group regularly review data on the timing of payments and do their best to maintain the Company's Prompt Payment Code membership status.

The Directors maintain the Company's and Group's culture regarding staff members and contractors which involves equity in reward and recognition, job satisfaction, career development and a positive work environment. The Company's Zero Harm policy in the area of health and safety is their top priority.

The Company and Group members play an active role in the life of local communities, supporting charities, local schools and providing employment opportunities.

Responsibility for environmental protection is a key priority of the Company's Board. The Company successfully eliminated the use of disposable plastic on its premises, supports the cycle to work scheme and has installed charging points for electric cars of personnel and visitors.

The report was approved by the board of directors on 20 December 2021 and signed on behalf of the board by:

DocuSigned by:

EF0DDD166CD74D2
M O Daly
Director

Registered office:
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Springfield Drive
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KT22 7NL
Company Registration Number: 645125

Directors' Report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2020.

Proposed dividend

There were dividends paid during the year of £nil (2019: £ nil).

The directors recommend that no final dividend be paid (2019: £nil) and that the remaining Group's profit after tax be transferred to reserves.

Directors

The directors who held office during the year were as follows:

J A Barrett
J E Lewis
F Mujib
D L Gibson
R F Sullivan
M Simmonite
J E Braendeland
J J Ibrahim
S J Bradie
A J Barrie
M O Daly

S J Bradie was appointed as a director on 29 April 2020
A J Barrie was appointed as a director on 7 April 2020
M O Daly was appointed as a director on 7 April 2020
A Al-Dadah was appointed as a director on 14 July 2020 and resigned as a director on 27 July 2020
J A Barrett resigned as a director on 31 July 2020
J E Braendeland resigned as a director on 7 April 2020
D L Gibson resigned as a director on 7 April 2020
J E Lewis resigned as a director on 7 April 2020
F Mujib resigned as a director on 7 April 2020
M Simmonite resigned as a director on 27 July 2020
R F Sullivan resigned as a director 7 April 2020

Charitable and political donations

During the year the Group made no political donations (2019: £nil) and charitable donations of £9,500 (2019: £46,635).

Employment policies

Each company in the Group is encouraged to implement comprehensive employment policies designed to enable employees to associate their achievements with those of the company.

Employee involvement and communication programmes continue to be developed and the group provides equal opportunity to all its employees, irrespective of sex, race or religion. Each company endeavours to provide equality of opportunity in recruiting, training, promoting and developing the careers of disabled persons.

Employee involvement

The Group has continued the regular distribution to employees of news bulletins and parent company publications. It is the Group's continuing policy to seek improvements to the existing channels of communication.

Directors' Report (continued)

The community and education

The Group continues to be committed to maintaining an active role in the community. It has established a UK-wide community relations programme aimed at developing partnerships with the voluntary and public sectors, and education. It supports numerous charity initiatives giving priority to the local communities where it has business operations. The group is particularly active in developing links with education and supports initiatives to raise awareness in science and technology and the promotion of careers in engineering. Encouraging employee involvement is at the core of its community programme.

Employment of disabled persons

In pursuit of its equal opportunity policy, the Group gives full and fair consideration to the employment of disabled persons, taking into account the degree of disablement, proposed job function and working environment. An employee who becomes disabled whilst in the Group's employment will continue where possible in the employment in which he or she was engaged prior to the disablement. Training and development is undertaken by the Group for all employees including disabled persons.

Energy and Carbon Reporting Disclosure

The Group is committed to minimising any adverse environmental effects resulting from the operations of its business and engages in environmental audits to demonstrate compliance to its environmental requirements. The Group ensures that this policy is communicated and understood by its employees and subcontractors. The Group works with its customers and supply chain to promote best practice environmental management.

The Group ensures that its core environmental principles are implemented through its business processes as part of the management system. Its management system complies with the requirements of BS EN ISO14001.

Within this policy framework, during 2020 some Group companies installed new LED lighting, electricity sub metering and a new building management system at their offices. Trials are ongoing of electric vehicles to assess the opportunity to increase the number of them in the group's vehicle fleet.

We address environmental aspects of our work at planning and delivery stages in order to minimise the significant environmental impact of our operations relating to the prevention of pollution, the conservation of natural resources and the minimisation of waste. We establish meaningful objectives and targets to monitor and report our environmental performance. The Group's Management Systems provide the framework for setting and reviewing these objectives and targets.

The consumption and emissions data for 2020 is summarised below:

Energy Consumption	
Gas	3,161,193 kWh
Diesel	2,298,051 kWh
Electricity	4,284,133 kWh
Total energy consumption	9,743,377 kWh
Emissions	
Combustion of Gas (Scope 1)	1,175.30 tCO ₂ e
Combustion of Diesel from Group fleet (Scope 1)	579.31 tCO ₂ e
Purchased Electricity (Scope 2)	1,629.25 tCO ₂ e
Combustion of Fuel from business travel claims (Scope 3)	2,565.52 tCO ₂ e
Total gross emissions for which SECR reporting is required	5,949.38 tCO₂e

In 2020 this represented an intensity ratio of 8.1 tCO₂e per £1m sales revenue.

Directors' Report *(continued)*

Legal Entity Reduction programme

During the year 2020, the following companies, which are members of the Group had been put into liquidation:

Granherne International Holdings Limited

Kellogg Brown & Root Qatar Limited

KBR Construction Limited

Kellogg Brown & Root Energy Services Limited

Kellogg Brown & Root DH Limited

Kellogg Brown & Root London Holdings Limited

Kellogg Brown & Root London Limited

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.


Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The report was approved by the board of directors on 20 December 2021 and signed on behalf of the board by:

DocuSigned by:

EF0DD166CD74D2

M O Daly

Director

Registered office:
Hill Park Court
Springfield Drive
Leatherhead
Surrey
KT22 7NL

Company Registration Number: 645125

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELLOGG BROWN & ROOT LIMITED

Opinion

We have audited the financial statements of Kellogg Brown & Root Limited ("the company") for the year ended 31 December 2020 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated Statement of changes in equity, the Consolidated cash flow statement, the Company statement of financial position and the Company statement of changes in equity and related notes, including the accounting policies in note 1.

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 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes, and
- Using analytical procedures to identify any unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by the auditing standards, and taking into account possible pressures to meet profit and revenue targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular around recognition of sales being recorded in the incorrect period, that sales subject to a percentage of completion measure have been appropriately reported and the risk that management may be in a position to make inappropriate accounting entries.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on high risk criteria and comparing the identified entries to supporting documentation.
- Testing revenue recognised in the year in respect of the contract and testing estimates used by management to determine revenue recognition, these are forecast costs, revenue escalation and warranties. This included evaluating managements estimation method, calculation, data and assumptions used.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELLOGG BROWN & ROOT LIMITED *(continued)*

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the Directors (as required by auditing standards) and discussed with Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequence of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, GDPR compliance employment law and certain aspects of company legislation recognizing the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and management and inspection of regulatory and legal correspondence, if any. Therefore, if a branch of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with the auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report.
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 17, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELLOGG BROWN & ROOT LIMITED *(continued)*

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Malcolm Footer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

20 December 2021

Consolidated Income Statement
for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Turnover	2	732,668	868,227
Cost of sales		(618,260)	(767,107)
		<hr/>	<hr/>
Gross profit		114,408	101,120
Administrative expenses	3	(93,993)	(74,995)
		<hr/>	<hr/>
Group operating profit		20,415	26,125
Group's share of profit in			
Joint Ventures	12	13,836	16,023
Other interest receivable and similar income	6	48,913	59,471
Other finance expenses		(169)	(426)
Interest payable and similar charges	7	(9,041)	(10,753)
		<hr/> 53,539	<hr/>
Profit before taxation		73,954	90,440
Tax on profit	8	(12,099)	(13,543)
		<hr/>	<hr/>
Profit after taxation		61,855	76,897
		<hr/> <hr/>	<hr/> <hr/>
<i>Profit attributable to</i>			
Shareholders of the parent company		61,094	75,611
Non-controlling interests		761	1,286
		<hr/>	<hr/>
Profit for the financial year		61,855	76,897
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 30 to 81 form an integral part of this Consolidated Income Statement.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	2020 £000	2019 £000
Profit for the year	61,855	76,897
Revaluation of intangibles other than goodwill	-	-
Foreign exchange differences on translation of foreign operations	(13,884)	(12,662)
Remeasurement of the net defined benefit plan liability	(41)	538
Deferred tax movement on the net defined benefit plan liability	8	(94)
Fair value movements on cash flow hedges instrument	(109)	(21)
Reclassification from fair value reserve to profit & loss on cash flow hedges	77	(52)
Deferred tax on gain on cash flow hedges	14	22
Group's share of other comprehensive income of income of joint ventures	(163)	(302)
Other comprehensive income for the year, net of income tax	(14,098)	(12,571)
Total comprehensive income for the year	47,757	64,326
<i>Profit attributable to</i>		
Shareholders of the parent company	61,094	75,611
Non-controlling interests	761	1,286
Total profit	61,855	76,897
<i>Total comprehensive income attributable to</i>		
Shareholders of the parent company	47,016	63,077
Non-controlling interests	741	1,249
Total comprehensive income	47,757	64,326

The accompanying notes on pages 30 to 81 form an integral part of this Consolidated Statement of Comprehensive Income.

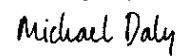
Kellogg Brown & Root Limited
Annual report and consolidated financial statements
31 December 2020

Consolidated Statement of Financial Position

At 31 December 2020	Note	2020 £000	2019 £000
Fixed assets			
<i>Intangible assets</i>			
Goodwill	9	16,855	17,698
Negative goodwill	9	(10,970)	(12,271)
		<u>5,885</u>	<u>5,427</u>
Other intangibles	9	157,955	163,335
<i>Tangible assets</i>			
Investments	11	7,818	11,189
Investments in equity affiliates	12	16	16
Investments in Joint Ventures	12	67,599	66,914
		<u>233,388</u>	<u>241,454</u>
Current assets			
Stocks		469	702
Debtors	13	1,595,706	1,505,791
Cash at bank and in hand	14	<u>322,938</u>	<u>362,666</u>
		1,919,113	1,869,159
Creditors: amounts falling due within one year	15	<u>(382,042)</u>	<u>(418,603)</u>
Net current assets		1,537,071	1,450,556
Total assets less current liabilities		<u>1,776,344</u>	<u>1,697,437</u>
Creditors: amounts falling due after more than one year	16	<u>(24,007)</u>	<u>(31,601)</u>
Provisions for liabilities			
Other provisions	18	(135,739)	(95,906)
Net assets/liabilities excluding net defined benefit pension plan liability		<u>1,616,598</u>	<u>1,569,930</u>
Net defined benefit pension plan liability		(310)	(111)
Net assets		<u>1,616,288</u>	<u>1,569,819</u>
Capital and reserves			
Called up share capital	19	91	91
Share premium account		309,432	309,432
Business combination reserve		29,162	29,162
Revaluation reserve		86,321	86,321
Capital contribution from parent		75,899	75,899
Share based payments contribution from parent		2,156	2,156
Foreign exchange differences on translation of subsidiary undertakings		(23,573)	(9,709)
Cash flow hedge reserve		(1,097)	(916)
Profit and loss account		1,137,020	1,075,959
Equity attributable to the parent's shareholders		<u>1,615,411</u>	<u>1,568,395</u>
Non-controlling interests		877	1,424
Shareholders' funds		<u>1,616,288</u>	<u>1,569,819</u>

The accompanying notes on pages 30 to 81 form an integral part of this Consolidated Statement of Financial Position.

These financial statements were approved by the board of directors on 20 December 2021 and were signed on its behalf by:

DocuSigned by:

EF0DD166CD74D2
M. Daly
Director

Company registered number: 645125

Company Statement of Financial Position

At 31 December 2020

	Note	2020 £000	2019 £000	Restated* 2019 £000	£000
Fixed assets					
<i>Intangible assets</i>					
Other intangibles	10	13,039		8,198	
Tangible assets	11	789		761	
Investments	12	729,805		571,042	
			743,633		580,001
Current assets					
Debtors (including £nil (2019 : £nil) due after more than one year)	13	955,804		1,064,364	
Cash at bank and in hand		199		711	
Creditors: amounts falling due within one year	15	(786,335)		(799,763)	
Net current assets		169,668		265,312	
Total assets less current liabilities			913,301		845,313
Creditors: amounts falling due after more than one year	16	(8,244)		(9,698)	
Provisions for liabilities					
Other provisions	18	(266,652)		(237,910)	
		(274,896)		(247,608)	
Net assets			638,405		597,705
Capital and reserves					
Called up share capital	19		91		91
Share premium account			309,432		309,432
Capital contribution from parent			2,200		2,200
Share based payments contribution from parent			2,156		2,156
Cash flow hedge reserve			-		-
Profit and loss account			324,526		283,826
Shareholders' funds			638,405		597,705

*Company financial statements have been restated to reflect correction in the Provisions for audit exempt companies guarantees (see note 29).

The accompanying notes on pages 30 to 81 form an integral part of this Company Statement of Financial Position. These financial statements were approved by the board of directors on and were signed on 20 December 2021 and were signed on its behalf by:

DocuSigned by:

Michael Daly

EF0DD166CD74D2

Mr M Daly

Director

Company registered number: 645125

Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Business combination reserve £000	Revaluat ion reserve £000	Capital contribution reserve £000	Share based payments contribution from parent £000	Foreign exchange translation reserve £000	Cash flow hedge reserve £000	Profit & loss account £000	Total shareholder's equity £000	Non- controlling interests £000	Total equity £000
Balance at 1 January 2019	91	309,432	29,162	86,321	75,899	2,156	2,916	(563)	999,904	1,505,318	302	1,505,620
Total comprehensive income for the period												
Profit for the year	-	-	-	-	-	-	-	-	75,611	75,611	1,286	76,897
Other comprehensive income	-	-	-	-	-	-	(12,625)	-	-	(12,625)	(37)	(12,662)
- Foreign exchange differences on translation of subsidiary undertakings	-	-	-	-	-	-	-	-	538	538	-	538
- Remeasurement of the net defined benefit pension plan liability	-	-	-	-	-	-	-	-	(94)	(94)	-	(94)
- Deferred tax on the remeasurement of the net defined benefit pension plan liability	-	-	-	-	-	-	-	-	-	-	-	-
- Group's share of other comprehensive income of joint ventures	-	-	-	-	-	-	-	(302)	-	(302)	-	(302)
- Fair value movements on cash flow hedges	-	-	-	-	-	-	-	(21)	-	(21)	-	(21)
- Reclassification from cash flow hedge reserve to profit & loss	-	-	-	-	-	-	-	(52)	-	(52)	-	(52)
- Deferred tax on gain on cash flow hedges	-	-	-	-	-	-	-	22	-	22	-	22
Total comprehensive income for the period	-	-	-	-	-	-	(12,625)	(353)	76,055	63,077	1,249	64,326
Distributions to owners	-	-	-	-	-	-	-	-	-	-	(127)	(127)
Total investments by and distributions to owners												
Balance at 31 December 2019	91	309,432	29,162	86,321	75,899	2,156	(9,709)	(916)	1,075,959	1,568,395	1,424	1,569,819

The accompanying notes on pages 30 to 81 form an integral part of this Consolidated Statement of Changes in Equity.

Consolidated Statement of Changes in Equity (continued)

	Called up share capital £000	Share premium account £000	Business combination reserve £000	Revaluat ion reserve £000	Capital contribution reserve £000	Share based payments contribution from parent £000	Foreign exchange translation reserve £000	Cash flow hedge reserve £000	Profit & loss account £000	Total shareholder's equity £000	Non- controlli ng interests £000	Total equity £000
Balance at 1 January 2020	91	309,432	29,162	86,321	75,899	2,156	(9,709)	(916)	1,075,959	1,568,395	1,424	1,569,819
Total comprehensive income for the period												
Profit for the year	-	-	-	-	-	-	-	-	61,094	61,094	761	61,855
Other comprehensive income												
- Foreign exchange differences on translation of subsidiary undertakings	-	-	-	-	-	-	(13,864)	-	-	(13,864)	(20)	(13,884)
- Remeasurement of the net defined benefit pension plan liability	-	-	-	-	-	-	-	-	(41)	(41)	-	(41)
- Deferred tax on the remeasurement of the net defined benefit pension plan liability	-	-	-	-	-	-	-	-	8	8	-	8
- Group's share of other comprehensive income of joint ventures	-	-	-	-	-	-	-	(163)	-	(163)	-	(163)
- Fair value movements on cash flow hedges	-	-	-	-	-	-	-	(109)	-	(109)	-	(109)
- Reclassification from cash flow hedge reserve to profit & loss	-	-	-	-	-	-	-	77	-	77	-	77
- Deferred tax on gain on cash flow hedges	-	-	-	-	-	-	-	14	-	14	-	14
Total comprehensive income for the period	-	-	-	-	-	-	(13,864)	(181)	61,061	47,016	741	47,757
Distributions to owners	-	-	-	-	-	-	-	-	-	-	(1,288)	(1,288)
Total investments by and distributions to owners	-	-	-	-	-	-	-	-	-	-	(1,288)	(1,288)
Balance at 31 December 2020	91	309,432	29,162	86,321	75,899	2,156	(23,573)	(1,097)	1,137,020	1,615,411	877	1,616,288

The accompanying notes on pages 30 to 81 form an integral part of this Consolidated Statement of Changes in Equity.

Company Statement of Changes in Equity

	Called up share capital	Share premium account	Capital contribution from parent	Share based payments contribution from parent	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2019	91	309,432	2,200	2,156	(58)	193,341	507,162
Total comprehensive income for the period							
Profit or loss (as previously reported)	-	-	-	-	-	(8,436)	(8,436)
Other comprehensive income							
- Reclassification from cash flow hedge reserve to profit & loss	-	-	-	-	58	-	58
Total comprehensive income for the period (as previously reported)	-	-	-	-	58	(8,436)	(8,378)
Total investments by and distribution to owners							
Balance at 31 December 2019 (as previously reported)	91	309,432	2,200	2,156	-	184,905	498,784
Prior period adjustments	-	-	-	-	-	98,921	98,921
Balance at 31 December 2019 (restated)*	91	309,432	2,200	2,156	-	283,826	597,705

*Company financial statements have been restated to reflect correction in the Provisions for audit exempt companies guarantees (see note 29).
The accompanying notes on pages 30 to 81 form an integral part of this Company Statement of Changes in Equity.

Company Statement of Changes in Equity (continued)

	Called up share capital	Share premium account	Capital contribution from parent	Share based payments contributi on from parent	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2020 (restated)*	91	309,432	2,200	2,156	-	283,826	597,705
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	40,700	40,700
Other comprehensive income							
Total comprehensive income for the period	-	-	-	-	-	40,700	40,700
Total investments by and distribution to owners	-	-	-	-	-	-	-
Balance at 31 December 2020	91	309,432	2,200	2,156	-	324,526	638,405

*Company financial statements have been restated to reflect correction in the Provisions for audit exempt companies guarantees (see note 29).

The accompanying notes on pages 30 to 81 form an integral part of this Company Statement of Changes in Equity.

Consolidated Cash Flow Statement
for year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the year		61,855	76,897
<i>Adjustments for:</i>			
Depreciation and amortisation		14,534	16,210
Income from joint ventures		(13,673)	(16,023)
Foreign exchange losses		(2,732)	(3,213)
Interest receivable and similar income		(48,913)	(59,471)
Interest payable and similar charges		9,041	11,179
Loss on sale of tangible fixed assets		391	58
Equity settled share-based payment expenses		1,658	632
Taxation expense/(income)		12,099	13,543
		34,260	39,812
Decrease/(Increase) in trade and other debtors		(66,354)	111,817
Decrease/ in stocks		233	620
Decrease in trade and other creditors		(55,621)	(170,981)
Increase in provisions and employee benefits		40,032	30,757
		(47,450)	12,025
Interest received		17,728	17,742
Interest paid		(6,271)	(5,194)
Tax refunds received		-	4,156
Tax paid		(5,405)	(8,991)
Net cash from operating activities		(41,398)	19,738
Cash flows from investing activities			
Dividends received		13,002	14,389
Acquisition of intangible fixed assets		(5,627)	
Acquisition of tangible fixed assets		(1,095)	(9,211)
Net cash from investing activities		6,280	5,178
Cash flows from financing activities			
Dividends paid		(1,288)	(127)
Net cash from financing activities		(1,288)	(127)
Net increase in cash and cash equivalents		(36,406)	24,789
Cash and cash equivalents at 1 January		362,666	342,837
Effect of exchange rate fluctuations on cash held		(3,322)	(4,960)
Cash and cash equivalents at 31 December	<i>15</i>	322,938	362,666

The accompanying notes on pages 30 to 79 form an integral part of this Consolidated Statement of Cash Flow.

Notes

(forming part of the financial statements)

1 Accounting policies

Kellogg Brown & Root Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England and Wales in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in March 2018 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group and the Company has made measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2014 have not been restated.
- Lease arrangements – in order to determine whether an arrangement contains a lease, the Group and Company has analysed facts and circumstances existing at 1 January 2014 rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before 1 January 2014 the Group and Company continued to account for lease incentives under previous UK GAAP.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group and Company has not retrospectively changed its accounting under old UK GAAP for de-recognition of financial assets and liabilities before the date of transition, hedge accounting for any hedging relationships that no longer existed at the date of transition, accounting estimates or discontinued operations.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, as modified by the recognition of certain financial assets and liabilities measured at fair value.

1.2 Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 13. The directors have considered the future profitability of the Group and its ability to continue as a going concern and have prepared profit forecasts into the future.

The ES business segment was significantly impacted in 2020 by the dual effects of COVID-19 and the downturn in global oil prices. This led to the shut-down or deferral of several critical customer projects. In response, the business unit executed a broad-based restructuring plan that resulted in the write-down of certain assets along with significant regional redundancies. However, with the exception of severance costs, these restructuring expenses were largely non-cash charges.

The GS business was largely unaffected by COVID-19 during 2020, as the UK government made efforts to continue accelerated payments for most projects, even when services could not be performed. As a result, the Group's GS business is forecast to meet its original 2021 budgeted income figures.

The Company has historically elected to keep most profits generated by group companies in the UK in order to have sufficient liquidity in-country to satisfy long term pension obligations. As a result, the Group companies have a significant amount of cash on hand which is significantly higher than forecast working capital needs for the Group for 2022 and would be sufficient to cover estimated payroll and pension contribution obligations for the full year even in case of no income or cash flow from continuing operations.

In line with KBR's corporate strategy, both GS and TS have project portfolios consisting mainly of lower risk, reimbursable projects. As a result, neither BU has material loss-making projects within the Group. The focus on reimbursable projects also allows additional flexibility to add or subtract variable costs, including staff, in line with increases or reductions in project volumes. This allows for considerable resiliency even in the face of stress testing the budget.

Management of all the business segments have recently prepared forward looking budgets and cash forecasts for a period covering at least 12 months from the date of approval of the financial statements. The margins are forecast to remain largely in line with previous years. At the same time, the Group's management has prepared 5 year strategic plans through to year 2025. These plans, noting the impact of improved economic conditions expected in 2022, as well as the changes in business strategy, show growth of revenue and operating income especially in the Government Solutions business.

For the ES business, the recent downward trend was due largely to low oil prices and the resulting reduced spending on new projects across the industry. Leadership of the business segment took steps during 2020 to address the reduced demand by reducing staffing levels across the region. Significant improvement of the energy market in 2021 resulted in higher level of activity of the segment.

For the GS business, the downward trend has been forecast for several years, as 2021 marks the end of the large Army Basing Programme in the UK. Business unit revenues have been further impacted by delays in project awards caused by COVID-19. The longer-term strategic forecasts show improvements to both revenue and income in 2022, following the potential award of several large projects currently awaiting decision. The bulk of the remaining GS project portfolio for 2022, however, represents fully funded projects with little downside risk.

Notes *(continued)*

1 Accounting policies *(continued)*

Operating cash flows from the business segments' operations are generally expected to be in line with their operating income.

The Group has few long-term liabilities, other than the obligation related to the Kellogg Brown & Root (U.K.) Limited's defined benefit pension scheme.

The Group does not have any significant legal claims or other matters that would impact liquidity.

KBR, Inc.'s management continues to review the global legal entity structure and will likely continue liquidating unused or unneeded entities, including entities included in or related to the Group's companies. These actions are not anticipated to have a material impact on the Group's ability to continue as a going concern.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2020. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method or proportional consolidation method respectively.

In respect of its interest in a jointly controlled asset, the Company recognises in its financial statements:

- (a) its share of the jointly controlled assets, classified according to the nature of the assets;
- (b) any liabilities that it has incurred;
- (c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;

Notes (continued)

1 Accounting policies (continued)

(d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and

(e) any expenses that it has incurred in respect of its interest in the joint venture.

All such amounts are measured in proportion to the Company's interest in the joint asset.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation of foreign operations are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised in Other Comprehensive Income.

Foreign currency gains and losses are reported on a net basis.

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost less any impairment losses in the case of trade debtors.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes (continued)

1 Accounting policies (continued)

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Subsequent to initial recognition they are recognised at transaction price. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves). If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.8 Hedge accounting

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.8 Hedge accounting

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in cost of sales. Amounts recognised in OCI are transferred to profit and loss when the hedges transaction affects profit or loss such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy) or if its designation as a hedge is revoked or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 2.5-10%
- plant and equipment 3 to 17 years
- leasehold buildings and improvements 2% or length of lease if shorter

Fixed assets under construction are held at cost until completion at which time they are capitalised and depreciated accordingly.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.10 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

the fair value of the consideration (excluding contingent consideration) transferred; plus

estimated amount of contingent consideration (see below); plus

the fair value of the equity instruments issued; plus

directly attributable transaction costs; less

the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Where control is achieved following a series of transactions, the cost of the business combination is the aggregate the fair values of the assets given, liabilities assumed, and equity instruments issued by the acquirer at the date of each transaction in the series.

At the acquisition date, any non-controlling interest in acquiree is stated at the non-controlling interest's share of the net amount of the identifiable assets, liabilities and provisions for contingent liabilities so recognised.

The changes in parent's controlling interest in a subsidiary that do not result in a loss of control are treated as transactions with equity holders in line with FRS102.22.19. Accordingly, the carrying amount of the non-controlling interest is adjusted to reflect the change in the parent's interest in the subsidiary's net assets. Any difference between the amount by which the non-controlling interest is so adjusted and the fair value of the consideration paid or received, if any, is recognised directly in equity. The gain or loss on these changes is not recognised. The purchase of non-controlling interest in subsidiary as a result of business combination achieved in stages is recognised in the business combination reserve.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 1 January 2014. In respect of acquisitions prior to this, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Notes (continued)

1 Accounting policies (continued)

1.11 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

The cost of intangible asset acquired in a business combination is capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

During 2010, the Company and Group capitalised the costs of acquiring the right to sell VEBA Combination Cracking licences (VCC) to third parties. The resulting intangible asset is being amortised in equal annual instalments over 25 years, as it is the period for which the group has acquired the right to sell VCC licences to third parties.

During 2018, the group acquired the Aspire Services business and capitalised its contract intangibles and recognised goodwill on acquisition. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life:

- Goodwill - Over 276 months
- Contracts - Over 276 months

During 2018, the Group acquired the Aspire Construction business with the useful life of the contract intangibles of 48 months.

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. When there is no finite useful life of goodwill is estimated to be 5 years. This is the period during which the directors estimate that benefits may reasonably be expected to arise.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 of FRS 102 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Notes (continued)

1 Accounting policies (continued)

1.12 Investments

Company - Investments in incorporated undertakings are stated in the company's financial statements at cost less amounts written off/ impairments. Dividends received and receivable are credited to the company's profit and loss account. Investments in unincorporated joint ventures are accounted for using the proportional consolidation method.

Group - In the Group's accounts, investments in associates and joint ventures are accounted for using the equity method. The investments in unincorporated joint ventures are accounted for using the proportional consolidation method. The consolidated profit and loss account includes the group's share of associates' and joint ventures' profits less losses, while the group's share of net assets of the associates and joint ventures is shown in the consolidated statement of financial position.

1.13 Long-term contract debtors

Long-term contract debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the entity's contract activities based on normal operating capacity.

Long-term contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

1.14 Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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

Notes (continued)

1 Accounting policies (continued)

1.14 Impairment (continued)

the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1.15 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

The Kellogg Brown & Root Holdings Limited group (the smallest group in which the Kellogg Brown & Root Limited group is consolidated) operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Kellogg Brown & Root Holdings Limited group.

The group companies are members of that pension scheme. There is no contractual agreement or stated policy for charging the net defined benefit cost of a defined benefit plan as a whole measured in accordance with FRS 102 to individual group entities. The Group recognises the net defined benefit cost of defined benefit plan so charged, but is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the parent's profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Share-based payment transactions

Where the company's parent grants rights to its equity instruments to the group's or the company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the group or the company as the case may be account for these share-based payments as equity-settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to the profit and loss account over the vesting period.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on a company specific observable market data using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

Notes (continued)

1 Accounting policies (continued)

1.16 Provisions

A provision is recognised in the balance sheet when the entity has a present, legal or constructive, obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.17 Turnover

Turnover comprises sales in the ordinary course of business to external customers of goods supplied and services rendered (excluding sales related taxes) and in the case of long-term contracts, the proportion of contract revenue applicable to the period. Progress is generally based upon physical progress, man-hours or costs incurred depending on the type of job. Revenues recognised in excess of amounts billed are classified as amounts recoverable on contracts and are included within debtors. Amounts billed in excess of revenues recognised to date are classified as payments on account and are included in creditors.

1.18 Basis of accounting for contracts

Income from engineering, project management, construction and procurement service contracts is recognised in the period in which those services are performed. The Group follows the generally accepted practice of reporting income from long-term construction, engineering and project management contracts on the percentage of completion basis as costs are incurred and provides for all known or anticipated losses on such contracts when they become evident.

1.19 Accounting for pre-contract costs

Pre-contract costs incurred in anticipation of a specific contract award are deferred only if the costs can be directly associated with a specific anticipated contract and their recoverability from that contract is probable. Pre-contract costs related to unsuccessful bids are written off no later than the period of being informed that specific contract had not been awarded. Costs related to one-time activities such as introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or commencing new operations are expensed when incurred.

1.20 Expenses

Operating lease

The Group enters into operating leases as described in note 23. Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Notes (continued)

1 Accounting policies (continued)

Interest receivable and Interest payable

Interest payable and similar charges include borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.21 Dividend income

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.22 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

	2020	2019
	£000	£000
Rendering of services	629,362	612,155
Construction services	103,306	256,072
	<hr/>	<hr/>
Total turnover	732,668	868,227
	<hr/>	<hr/>
By activity:		
Government solutions	516,290	594,783
Energy solutions	214,709	254,620
Technology solutions	1,669	18,824
	<hr/>	<hr/>
	732,668	868,227
	<hr/>	<hr/>
By geographical market:		
	2020	2019
United Kingdom	366,359	489,166
Rest of Europe	89,793	110,161
Middle and Far East	212,911	193,032
Rest of World	63,605	75,868
	<hr/>	<hr/>
	732,668	868,227
	<hr/>	<hr/>

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020 £000	2019 £000
Depreciation of tangible fixed assets	3,985	4,855
Staff costs	48,038	45,672
Amortisation of goodwill	(458)	349
Amortisation of other intangible assets	11,007	11,006
Loss on sale of fixed assets	391	58
Other operating lease rentals: Buildings	8,185	8,384
Auditor remuneration - audit of these financial statements (company £222,000, 2019: £222,000)	806	431
Gain on foreign exchange	(2,732)	(3,213)
Impairment of debtors	(408)	-
	<u>48,038</u>	<u>45,672</u>

Included within administrative expenses is a provision made of £13,272,000 (2019: provision made of £3,303,000) relating to the pension guarantee provision. See note 18 for more details.

Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Operations	666	679
Administration	432	443
	<u>1,098</u>	<u>1,122</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	40,022	39,028
Share based payments expense	1,658	632
Social security costs	3,515	3,432
Contributions to defined contribution plans	2,773	2,578
Termination benefits	70	2
	<u>48,038</u>	<u>45,672</u>

In addition to the above, the average number of persons working under contracts for services within the Group was 502 (2019: 675).

Notes (continued)**4 Directors' remuneration**

	2020	2019
	£000	£000
Directors' remuneration	1,486	897
Company contributions to money purchase pension plans	56	53

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £714,170 (2019: £351,163), and company pension contributions of £9,239 (2019: £16,544) were made to a money purchase scheme on his behalf. During the year, the highest paid director exercised 6,250 share options and received no shares under a long-term incentive scheme.

5 Other Director Information

Number of directors

	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	6	7
Defined benefit schemes	4	1
The number of directors who exercised share options was	1	-
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	6	7

6 Other interest receivable and similar income

	2020	2019
	£000	£000
Interest from Affiliated undertakings	37,008	47,679
Interest on cash and cash equivalents	11,905	11,711
Gain on financial instruments	-	81
Total interest receivable and similar income	48,913	59,471

Affiliated undertakings include members of the KBR, Inc. Group and undertakings in which the Group has participating interest.

Notes (continued)

7 Interest payable and similar charges

	2020 £000	2019 £000
Interest on bank loans and overdrafts	(6,271)	(5,194)
Interest payable to Affiliated undertakings	(2,371)	(5,025)
Net Finance Costs in respect of defined benefit pension plan	(3)	(17)
Loss on financial instruments	(33)	-
Other interest	<u>(363)</u>	<u>(517)</u>
Total other interest payable and similar charges	<u>(9,041)</u>	<u>(10,753)</u>

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2020 £000	£000	2019 £000	£000
<i>Current tax</i>				
Current tax on income for the period	12,732		13,907	
Adjustments in respect of prior periods	9		201	
Double tax relief	(3)		(3)	
Foreign current tax on income for the year	3,033		1,924	
Adjustments to foreign tax in respect of prior years	280		1,186	
Total current tax		<u>16,051</u>		<u>17,215</u>
<i>Deferred tax (see note 17)</i>				
Origination and reversal of timing differences	(5,843)		(3,412)	
Change in tax rate	1,895		-	
Adjustments to deferred taxation in respect of prior years	(19)		(188)	
Total deferred tax		<u>(3,967)</u>		<u>(3,600)</u>
Total tax		<u>12,084</u>		<u>13,615</u>

Notes (continued)

8 Taxation (continued)

	2020 £000	2020 £000	2020 £000	2019 £000	2019 £000
	Current tax	Deferred tax	Total tax	Current tax	Total tax
Recognised in Profit and loss account	16,051	(3,952)	12,099	17,215	(3,672)
Recognised in Other Comprehensive Income	-	(15)	(15)	-	72
Total tax	16,051	(3,967)	12,084	17,215	(3,600)

Analysis of current tax recognised in profit and loss

	2020 £000	2019 £000
UK corporation tax	12,741	14,102
Double taxation relief	(3)	(3)
Foreign tax	3,313	3,116
Total current tax recognised in profit and loss	16,051	17,215

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit for the year	61,855	76,897
Tax on profit on ordinary activities	12,099	13,543
Profit before taxation	73,954	90,440
Tax using the UK corporation tax rate of 19% (2019: 19%)	14,052	17,184
Group's share of profit in Joint Ventures	(2,629)	(3,044)
Effect of tax rates in foreign jurisdictions	1,284	1,337
Goodwill amortisation	(87)	67
Rate difference between current and deferred tax	-	390
Rate change on deferred tax balances	1,895	-
Deferred tax prior year adjustment	64	-
Effect of capital allowances & depreciation	-	122
Losses/(income) not recognised for tax	-	(69)
Foreign branch exemption adjustments	(1,171)	(1,128)
Group relief claimed for nil consideration	(3,471)	(2,781)
Other non-deductible expenses	1,873	73
Under / (over) provided in prior years	289	1,392
Total tax expense included in profit or loss	12,099	13,543

For the years ended 31 December 2020 and 31 December 2019, any taxable losses made by group companies are surrendered to other group companies as group relief, for which no payments are made except for the companies in with net liabilities where losses are surrendered in exchange for the intercompany receivables.

Notes (continued)**8 Taxation (continued)****Factors that may affect future tax expense**

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. If this rate change had been substantively enacted at the current balance sheet date the net deferred tax liability would have been increased by £ 3.4m.

9 Intangible assets and goodwill (Group)

	Technology	Software	Client Contracts	Goodwill	Negative goodwill	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2020	16,071	4,305	172,644	138,824	(14,817)	317,027
Additions	5,000	627	-	-	-	5,627
At 31 December 2020	21,071	4,932	172,644	138,824	(14,817)	322,654
Amortisation						
At 1 January 2020	7,873	1,991	19,821	121,126	(2,546)	148,265
Charge for the year	502	384	10,121	843	(1,301)	10,549
At 31 December 2020	8,375	2,375	29,942	121,969	(3,847)	158,814
Net book value						
At 31 December 2020	12,696	2,557	142,702	16,855	(10,970)	163,840
At 31 December 2019	8,198	2,314	152,823	17,698	(12,271)	168,762

During the year the Group paid an exclusivity fee of £5,000,000 to Mura Technology Limited and invested in a new Costpoint software system.

Client Contracts relate to the 2018 Aspire Defence business combination.

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2020 £000	2029 £000
Administrative expenses	10,549	11,355

Notes (continued)

10 Intangible assets and goodwill – Company

	Technology £000	Software £000	Total £000
Cost			
At 1 January 2020	13,214	352	13,566
Additions	5,000	343	5,343
At 31 December 2020	18,214	695	18,909
Amortisation			
At 1 January 2020	5,016	352	5,368
Charge for the year	502	-	502
At 31 December 2020	5,518	352	5,870
Net book value			
At 31 December 2020	12,696	343	13,039
At 31 December 2019	8,198	-	8,198

The intangibles balance for technology relates to VEBA Combination Cracking licences (VCC). The Company acquired the right to sell licenses to use this technology to third parties. The technology is being amortised in equal annual instalments over 25 years.

During the year the Company paid an exclusivity fee of £5,000,000 to Mura Technology Limited and invested in a new Costpoint software system.

Notes *(continued)***11 Tangible fixed assets**

<i>Group</i>	Land & Buildings Freehold £000	Land & buildings Leasehold £000	Machinery, equipment & vehicles £000	Total £000
Cost				
Balance at 1 January 2020	4,025	15,846	21,691	41,562
Acquisitions	-	521	574	1,095
Disposals	-	(612)	(757)	(1,369)
Effect of movements in foreign exchange	-	(429)	(149)	(578)
Balance at 31 December 2020	4,025	15,326	21,359	40,710
Depreciation and impairment				
Balance at 1 January 2020	2,269	9,939	18,165	30,373
Depreciation charge for the year	82	2,202	1,701	3,985
Disposals	-	(221)	(757)	(978)
Effect of movements in foreign exchange	-	(370)	(118)	(488)
Balance at 31 December 2020	2,351	11,550	18,991	32,892
Net book value				
At 1 January 2020	1,756	5,907	3,526	11,189
At 31 December 2020	1,674	3,776	2,368	7,818

Notes (continued)

11 Tangible fixed assets (continued)

Company

	Leasehold land & buildings £000	Machinery, equipment & vehicles £000	Total £000
Cost			
Balance at 1 January 2020	2,184	10,028	12,212
Additions	521	52	573
Disposals	-	(675)	(675)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	2,705	9,405	12,110
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
Balance at 1 January 2020	2,030	9,421	11,451
Depreciation charge for the year	46	499	545
Disposals	-	(675)	(675)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	2,076	9,245	11,321
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 January 2020	154	607	761
	<hr/>	<hr/>	<hr/>
At 31 December 2020	629	160	789
	<hr/>	<hr/>	<hr/>

Notes (continued)**12 Fixed asset investments****Fixed asset investments – Group**

	Interests in Joint Ventures	Investments in equity affiliates	Total
	£000	£000	£000
Group			
<i>Cost</i>			
At beginning of year	7,515	16	7,531
Additions	14	-	14
	<hr/>	<hr/>	<hr/>
At end of year	7,529	16	7,545
	<hr/>	<hr/>	<hr/>
<i>Share of post acquisition reserves</i>			
At beginning of year	59,399	-	59,399
Retained profits less losses	13,836	-	13,836
Other comprehensive income	(163)	-	(163)
Distributions	(13,002)	-	(13,002)
Consolidation of joint venture	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	60,070	-	60,070
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2020	67,599	16	67,615
	<hr/>	<hr/>	<hr/>
At 31 December 2019	66,914	16	66,930
	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Fixed asset investments (continued)

Fixed asset investments – Company

	Shares in group undertakin gs £000	Participating interests £000	Total £000
Company			
Cost			
At beginning of year	733,313	7,464	740,777
Additions	168,991	14	169,005
-			
At end of year	<u>902,304</u>	<u>7,478</u>	<u>909,782</u>
Provisions			
At beginning of year	(169,427)	(308)	(169,735)
Impairment charge	(10,242)	-	(10,242)
At end of year	<u>(179,669)</u>	<u>(308)</u>	<u>(179,977)</u>
Net book value			
At 31 December 2020	<u>722,635</u>	<u>7,170</u>	<u>729,805</u>
At 31 December 2019	<u>563,886</u>	<u>7,156</u>	<u>571,042</u>

On 17 March 2020 the Company entered into a 50% Limited Liability partnership with KBR NIPI contributing 7,500,000 tenge (£14,143).

On 1 October 2020, the Company made a non-cash capital contribution inter-company receivable from Laurel Financial Services B V in the amount of £81,681,911 to its subsidiary Kellogg Brown & Root International (MWK) Limited.

On 19 October 2020, the Company purchased 490 Ordinary 'A' shares of £1 each and 400 ordinary 'B' shares of £1 each in Kellogg Brown & Root (Greenford) Ltd from Kellogg Brown & Root (DH) Limited for £87,561,831 payable by way of inter-company debt at completion.

On 11 December 2020, the Company purchased 100 Ordinary shares of 1,000 Saudi Ryals each in KBR Arabia Limited for £16,899 from Kellogg Brown & Root (DH) Limited, payable by way of intercompany debt at completion.

During the year the company's investment in KBR International (MWK) Limited was impaired by £9,305,000 and its investment in KBR (Greenford) Limited was impaired by £937,000.

Notes (continued)**13 Debtors**

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	41,780	54,601	25,752	36,333
Amounts recoverable on long term contracts	18,398	29,115	6,370	11,164
Amounts owed by affiliated undertakings	1,362,609	1,260,428	823,736	939,314
Amounts owed by undertakings in which the company has a participating interest	124,226	121,894	53,990	53,100
Corporation tax	3,882	8,422	16,806	7,304
Other debtors	15,622	12,026	10,274	4,943
Prepayments and accrued income	12,913	8,522	6,118	2,887
Deferred tax asset (see note 17)	16,276	10,777	12,758	9,319
Derivative financial assets	-	6	-	-
	<u>1,595,706</u>	<u>1,505,791</u>	<u>955,804</u>	<u>1,064,364</u>

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Amounts owed by undertakings in which the company has a participating interest	45,839	47,371	-	-

14 Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	322,938	362,666
Cash and cash equivalents per cash flow statements	<u>322,938</u>	<u>362,666</u>

Notes (continued)**15 Creditors: amounts falling due within one year**

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank overdrafts	-	-	175,905	220,849
Payments received on account for contract work	41,980	58,605	38,731	55,419
Trade creditors	20,012	24,956	5,634	436
Amounts owed to group undertakings	235,011	178,419	544,110	500,133
Amounts owed to undertakings in which the entity has a participating interest	22	1,654	22	1,654
Taxation and social security	9,224	4,738	1,626	1,756
Other creditors	2,697	2,988	254	282
Accruals and deferred income	69,421	137,805	17,175	18,297
VAT	24	-	-	-
Corporation tax	2,508	7,649	-	-
Overseas tax	1,034	1,679	2,878	937
Derivative financial liabilities	109	110	-	-
	382,042	418,603	786,335	799,763

An arrangement is in place with two banks to offset cash and overdraft balances between the company and its subsidiary undertakings.

16 Creditors: amounts falling after more than one year

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Accruals and deferred income	9,749	13,745	8,244	9,698
Amounts owed to group undertakings	9,907	13,226	-	-
Derivative financial liability	-	-	-	-
Employees defined benefit pension	4,351	4,630	-	-
	24,007	31,601	8,244	9,698

Included within accruals and deferred income are amounts repayable after five years by instalments of £4,921,000 (2019: £5,554,000) and Company: £4,921,000 (2019: £5,554,000).

Notes (continued)**17 Deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

Group

	2020	2019
	£000	£000
Accelerated capital allowances	382	1,006
Pension guarantee provision	9,969	6,664
Intangibles on business combination	(26,815)	(25,978)
Other	5,483	3,430
	<hr/>	<hr/>
Tax liabilities	(10,981)	(14,878)
	<hr/>	<hr/>
Deferred Tax in debtors	16,276	10,777
Deferred Tax in provisions	(27,257)	(25,655)
	<hr/>	<hr/>
Net tax liabilities	(10,981)	(14,878)
	<hr/> <hr/>	<hr/> <hr/>

Company

	2020	2019
	£000	£000
Accelerated capital allowances	818	788
Pension guarantee provision	9,969	6,664
Other	1,971	1,867
	<hr/>	<hr/>
Tax assets	12,758	9,319
	<hr/>	<hr/>
Net tax assets	12,758	9,319
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)**18 Provisions**

Group	Restructuring Provision	Pension guarantee	Deferred Tax	Warranty provision	Gainshare Provision	Provision for JV losses	Onerous leases	Total
	£000	£000	£000	£'000	£000	£000	£000	£000
Balance at 1 January 2020	-	39,199	25,655	11,915	17,746	1,391	-	95,906
Provisions made during the year	4,150	13,271	1,991	146	15,458	-	6,880	41,896
Provisions used during the year	-	-	221	(1,635)	-	(9)	-	(1,423)
Provisions reversed during the year	-	-	(610)	-	-	(30)	-	(640)
Balance at 31 December 2020	4,150	52,470	27,257	10,426	33,204	1,352	6,880	135,739

Company	Provision for audit exempt companies (restated)* £000	Pension guarantees £000	Subsidiaries guarantees £000	Onerous contracts £000	Restructu ring £000	Total (restated)* £000
Balance at 1 January 2020 (restated)*	193,284	39,199	5,427	-	-	237,910
Reclassification	5,427	-	(5,427)	-	-	-
Provisions made during the year	4,441	13,271	-	6,880	4,150	28,742
Balance at 31 December 2020	203,152	52,470	-	6,880	4,150	266,652

*Company financial statements have been restated to reflect correction in the Provisions for audit exempt companies guarantees (see note 29).

Provision for Pension Guarantee

Kellogg Brown & Root Limited acts as a guarantor (Second Additional Guarantor) for the Kellogg Brown & Root (U.K.) Limited defined benefit pension plan scheme, along with Kellogg Brown & Root Holdings Limited (Principal Guarantor) and Kellogg Brown & Root Holdings (U.K.) Limited (First Additional Guarantor).

The Co-Guarantors have jointly and severally guaranteed that if the assets of the plan become insufficient to secure the benefits in full to the beneficiaries, each beneficiary would receive the benefits to which he or she is entitled to in full. The liability included within the above provision is £52,470,000 (2019: £39,199,000). This represents 20% of the net pension liability of £262,350,000 (2019: £195,993,000). The remaining liability is split in the proportions 20% and 60% between Kellogg Brown & Root Holdings (U.K.) Limited and Kellogg Brown & Root Holdings Limited respectively in accordance with an arrangement reached between these companies.

Provision for Audit Exempt Companies

The company has guaranteed the liabilities of certain group companies to enable them to take the audit exemption under section 479A of the Companies Act 2006. These are detailed in note 29.

Notes (continued)

18 Provisions (continued)

Warranty Provision

The warranty provision relates to the potential cost of carrying out rectification works to defects identified during the 12 year defect liability period following the completion of each asset. Construction has taken place in two phases: PAC (2006 to 2013) and Army Basing Programme (ABP) (2016 to 2022) and as such the defect liability periods end in 2025 and 2032 respectively.

Each year, Aspire Defence Limited carries out a series of detailed surveys on the assets that are approaching the end of their 12 year defect liability period (known as Project Silk) to identify any potential defects that require the company's rectification. This informs the estimates used to derive the warranty provision for the PAC assets. The ABP provision is calculated using a % of the PAC provision over total PAC contract costs and then applying that % to the ABP contract costs incurred to date.

The warranty provision value is built up using best estimates of probable defect rectification costs utilising information known as at 31 December 2020. However it is worth noting that these are a series of estimates with a range of possible outcomes and the unlikely amounts considered remote are not included.

One issue, the Fire Barriers could have a possible rectification cost in the region £10-£20 million more than the current £1,200,000 provision, although we consider this outcome to be unlikely.

During 2020, £1,635,000 of the provision held for warranty (Silk) against the PAC assets was utilised due to planned rectification works being carried out across the estate, leaving £6,202,000 in the PAC provision. This includes modular costs of remediation, of which a significant amount (£4.1 million) is the remediation of the risers that are costed by Aspire Defence Services Limited. The PAC provision also includes probable staff costs of £2 million with the remainder works such as render on certain buildings, Sarnafil Roofing and Fire socks.

Gainshare Provision

ABP includes a gainshare clause with the customer, whereby savings made on the contract are shared with the customer. Management make an estimate of gainshare to be paid based on the current total forecast costs. When gainshare is applied and calculated the amount reduces recognised revenue and is held as a gainshare provision to be paid at the end of the contract. The provision is generated when the out-turn margin rate exceeds 7.25% for net build value (does not include staff, design, or preliminary costs) on assets with a fixed and firm price category.

During 2020, the provision has increased by £15,458,000 because of improvements in the expected out-turn position.

Provision for Subsidiaries Guarantees

The company has guaranteed the liabilities of certain subsidiaries with net liabilities.

Restructuring Provision & Onerous Leases

During 2020 the management initiated and approved a broad restructuring plan in response to the dislocation of energy market resulting from the decline in oil prices and the COVID-19 pandemic. As part of the plan, management approved strategic business restructuring activities. Corresponding provisions were created to allow for severance payments across the various business units and the calculation of lease abandonment costs.

Notes *(continued)*

19 Capital and reserves

Share capital

	2020	2019
	£000	£000
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Issued, allotted, called-up and fully paid</i>		
91,095 (2019: 91,095) ordinary shares of £1 each	91	91
	<hr/>	<hr/>

Notes (continued)

19 Capital and reserves (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium account. This reserve includes the amounts received for the shares of the company in excess of their par value.

Business combination reserve. This reserve was created as a result of applying merger accounting during group reconstructions.

Revaluation reserve. This reserve was created as a result of revaluation of the joint ventures' net assets to their fair value done at the acquisition of the remaining interest by the Group.

Capital contribution from parent. This is a reserve created through the cash contributions from the parent, Kellogg Brown & Root Holdings (U.K.) limited to the Company.

Share based payments contribution from parent. This reserve includes the amounts of company's ultimate parent's shares issued to the employees working for the Group.

Foreign exchange differences on translation of subsidiary. This is the reserve which comprises foreign exchange differences due to the translation of the financial statements of the members of the Group which are presented in currencies other than pound sterling.

Cash flow hedge reserve. The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Profit and loss account. This reserve contains retained earnings and accumulated losses of the Group.

The reconciliations of the reserves is provided in the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity on pages 25 to 28.

20 Financial instruments

Carrying amounts of financial assets and liabilities include:

	2020	2019
	£000	£000
Assets measured at fair value through profit or loss	-	6
Assets measured at amortised cost	1,486,835	1,382,322
Assets measured at cost less impairment	16	16
Liabilities measured at fair value through profit or loss	(109)	(110)
Liabilities measured at amortised cost	(244,940)	(193,299)

The Group has entered into derivatives designated as hedging instruments through the use of foreign exchange forward contracts to manage some of its foreign currency transaction exposures. The foreign currency exchange forward contracts are designated as cash flow hedges and are entered into for periods consistent with the foreign currency exposure of the underlying transactions.

Foreign exchange forward contracts measured at fair value through OCI are cash flow hedges of forecast purchases and sales in US Dollars, Euros and Omani Rials.

Notes (continued)

20 Financial instruments (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models:

2020	Carrying amount £000	Expected cash flows £000	1 year or less £000	1-2 years £000	2-5 years £000
Forward exchange contracts					
Assets	-	-	-	-	-
Liabilities	(109)	(3,501)	(3,501)	-	-
	<u>(109)</u>	<u>(3,501)</u>	<u>(3,501)</u>	<u>-</u>	<u>-</u>
Total	<u>(109)</u>	<u>(3,501)</u>	<u>(3,501)</u>	<u>-</u>	<u>-</u>
2019	Carrying amount £000	Expected cash flows £000	1 year or less £000	1-2 years £000	2-5 years £000
Forward exchange contracts					
Assets	6	578	578	-	-
Liabilities	(110)	(4,021)	(4,021)	-	-
	<u>(104)</u>	<u>(3,443)</u>	<u>(3,443)</u>	<u>-</u>	<u>-</u>
Total	<u>(104)</u>	<u>(3,443)</u>	<u>(3,443)</u>	<u>-</u>	<u>-</u>

The Company has not elected to separately account for the time value of the hedges. Hence only the intrinsic value of the foreign exchange spot rate component will be considered for effectiveness. During the period ended 31 December 2020, a net loss of £33,000 (2019: gain of £53,000) was recorded in the profit and loss relating to the time value of hedges and ineffectiveness.

The amount of the change in fair value of the hedging instruments recognised in other comprehensive income for the year is a loss of £109,000 (2019: £21,000 loss). The amount reclassified from equity to profit and loss for the year is a loss of £77,000 (2019: £52,000 gain).

Notes (continued)

21 Employee benefits

Share based payments

The Company's parent grants rights to its equity instruments to the Group's or the company's employees. These are accounted for as equity-settled in the consolidated accounts of the Group. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to the profit and loss account over the vesting period.

The fair value of share options is estimated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted, and the fair value of restricted shares is derived from fair market value of the associated common stock on the date of grant.

Previously, certain KBR employees participated in Halliburton compensation plans and received grants under these plans in 2002 through 2005. Certain of these restricted shares and options remained unvested or unexercised at 1 January 2007. Those unvested shares and unexercised options were converted to KBR share-based compensation, in accordance with the KBR Transitional Stock Adjustment Plan. This occurred on 7 April 2007, immediately following our parent company's separation from Halliburton. In addition, share based compensation was granted to the company's employees in 2011 under KBR stock-based compensation plans. KBR employees participate in the share based payment scheme, which is considered to be a benefit to company employees, and therefore Kellogg Brown & Root Limited recognises the associated expense.

Halliburton share based payment plans

1993 Stock and Incentive Plan

Halliburton has stock-based employee compensation plans in which, prior to KBR's separation from Halliburton on 5 April 2007, certain key employees of KBR participated. In accordance with KBR's Transitional Stock Adjustment Plan and upon our complete separation from Halliburton, unexercised stock options and unvested restricted stock awards previously granted to KBR employees under Halliburton's 1993 Stock and Incentive Plan (the "Halliburton Plan") were converted to stock options and restricted stock awards associated with KBR common stock.

Restricted shares issued under the Halliburton Plan are restricted as to sale or disposition. These restrictions lapse periodically over an extended period of time not exceeding 10 years. Restrictions may also lapse upon qualifying retirement or upon other conditions in accordance with Halliburton's established policies. Upon termination of employment, shares on which restrictions have not lapsed must be returned to Halliburton, resulting in restricted stock forfeitures. The fair market value of the stock on the date of grant is amortized and ratably charged to income over the period during which the restrictions lapse.

All stock options granted under the Halliburton plan were granted at the fair market value of the common stock on the date of grant. However, there were no Halliburton restricted shares granted to KBR employees in 2020 or 2019 and no Halliburton options granted to KBR employees in 2020 or 2019. Subsequent to our separation from Halliburton and as of 31 December 2020, UK KBR employees held no unvested Halliburton restricted shares and no unexercised Halliburton Options.

KBR Transitional Stock Adjustment Plan

The Transitional Stock Adjustment Plan provides for stock options to purchase KBR common stock and for restricted shares of the Company's common stock that would be issued to holders of outstanding options and restricted shares under the Halliburton 1993 Stock and Incentive Plan. The plan was adopted solely for the purpose of converting Halliburton equity awards to KBR equity awards. No new awards can be made under the plan. The converted equity awards are subject to substantially the same terms as they were under the Halliburton 1993 Stock and Incentive Plan prior to conversion.

KBR 2006 Stock and Incentive Plan

In November 2006, KBR established the KBR 2006 Stock and Incentive Plan (the "KBR 2006 Plan") which provides for the grant of the following types of share-based awards:

Notes (continued)**21 Employee benefits (continued)**

- Stock options, including incentive stock options and nonqualified stock options;
- Stock appreciation rights, in tandem with stock options or freestanding;
- Restricted stock;
- Restricted stock units;
- Performance awards, and
- Stock value equivalent awards.

In accordance with the KBR 2006 Plan, effective as of the closing date of the 2006 KBR initial public offering, stock options were granted; with an exercise price not less than the fair market value of the common stock on the date of the grant and a term no greater than 10 years. The option terms and vesting periods are established at the discretion of the Compensation Committee at the time of each grant.

Restricted shares were also issued under the KBR 2006 Plan. These shares carry restrictions that lapse periodically over an extended period of time not exceeding 10 years. Restrictions may also lapse upon qualifying retirement or in the presence of other conditions established under KBR's policies. Upon retirement, unvested restricted shares must be returned, resulting in restricted stock forfeitures.

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date / employees entitled	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life
Restricted stock settled award to KBRUKL* employees granted by parent on 26 February, 13 May, 18 September and 25 November 2020.	Equity	111,754	Vest over 5 years	No greater than 10 years
No stock options were awarded to KBRUKL* employees during the year	Equity	-	Vest over 3 years	No greater than 10 years

The number and weighted average grant date values of restricted KBR shares are as follows:

Restricted Stock

	Weighted average grant date value per share (\$)	Number of shares	Weighted average grant date value per share (\$)	Number of shares
	2020	2020	2019	2019
Non-vested shares at the beginning of the year	17.93	130,922	15.26	119,800
Forfeited during the year	22.01	(16,117)	17.79	(15,854)
Vested during the year	17.49	(52,570)	14.84	(52,885)
Granted during the year	22.06	111,754	19.16	93,243
Adjustments	-	-	-	-
Transfers to /(from) KBRUKL *	17.18	26,053	14.95	(13,382)
	<hr/>	<hr/>	<hr/>	<hr/>
Non-vested shares at the end of the year	19.93	200,042	17.93	130,922
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)**21 Employee benefits (continued)**

The number and weighted average exercise prices of KBR share options are as follows:

Stock Options

	Weighted average exercise price per share (\$) 2020	Number of options 2020	Weighted average exercise price per share (\$) 2019	Number of options 2019
Outstanding at the beginning of the year	28.23	246,173	24.78	459,647
Forfeited during the year	-	-	-	-
Exercised during the year	19.72	(56,418)	17.18	(67,879)
Granted during the year	-	-	-	-
Expired during the year	26.30	(26,175)	18.19	(31,354)
Adjustments	-	-	-	-
Transfers to /(from) KBRUKL*	24.74	87,833	23.68	(114,241)
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	28.85	251,413	28.23	246,173
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at the end of the year	28.85	204,371	28.23	246,173
	<hr/>	<hr/>	<hr/>	<hr/>

* Kellogg Brown & Root (U.K.) Limited, a sister undertaking of the Company.

The weighted average fair value of share options granted during the year was \$nil (2019: \$nil)

The options outstanding at the year-end have an exercise price in the range of \$15.05 - \$38.33 and a weighted average contractual life of 2.29 years.

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	2020 £000	2019 £000
Total share based payment expense	1,658	632
	<hr/>	<hr/>

22 Pension commitment**Defined contribution pension scheme**

Aspire Defence Services Limited operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £1,540,000 (2019: £1,341,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes (continued)

22 Pension commitment (continued)

Defined benefit pension scheme

Aspire Defence Services Limited also operates a pension scheme providing benefits based on final pensionable pay which started in April 2008. The latest full actuarial valuation was carried out as at 5 April 2019 by a qualified independent actuary. The latest FRS102 valuation was carried out as at 31 December 2020 by a qualified independent actuary.

The pension scheme was reviewed as part of a due diligence review by Aspire and the Pension Trustee.

The estimated GMP equalisation impact for the scheme in an increase of 0.03% of the value of the scheme liabilities. Following discussion with the Company's actuary, the Directors consider that the potential range of impact for the scheme to be between 0.02% and 0.1% of the total value of the scheme liabilities. Due to the immaterial impact of the increase in liability (c£5,000), no amendment has been made by the Directors in respect of GMP.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

▪ Net pension liability

	2020 £000	2019 £000
Defined benefit obligation	(21,908)	(20,307)
Plan assets	21,598	20,196
Net pension liability	(310)	(111)

▪ Movements in present value of defined benefit obligation

	2020 £000	2019 £000
At 1 January	20,307	17,707
Current service cost	1,002	955
Expenses	81	89
Interest expense	423	514
Actuarial (gains)/losses	490	1,438
Contributions by members	58	64
Benefits paid	(453)	(460)
At 31 December	21,908	20,307

▪ Movements in fair value of plan assets

	2020 £000	2019 £000
At 1 January	20,196	17,153
Interest income	419	497
Contributions by employer	929	966
Contributions by members	58	64
Benefits paid	(453)	(460)
Actuarial (losses)/gains	449	1,976
At 31 December	21,598	20,196

Notes (continued)

22 Pension commitment (continued)

▪ *Expense recognised in the profit and loss account*

	2020 £000	2019 £000
Current service cost	(1,002)	(955)
Expenses	(80)	(89)
Net interest (payable)/receivable on net defined benefit liability	(4)	(17)
	<hr/>	<hr/>
Total expense recognised in profit or loss	(1,086)	(1,061)
	<hr/>	<hr/>

▪ The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value £000	2019 Fair value £000
Equities	13,713	13,091
Corporate bonds	7,707	7,041
Other	178	64
	<hr/>	<hr/>
	21,598	20,196
	<hr/>	<hr/>

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2020 %	2019 %
Discount rate	1.45	2.05
Future salary increases	2.50	2.50
Inflation (RPI)	2.95	3.00
	<hr/>	<hr/>

Last full actuarial valuation was performed as at 5 April 2019. The actuarial valuation for the purpose of these accounts was undertaken by a qualified actuary applying appropriate economic assumptions to value liabilities and assets.

In valuing the liabilities of the pension fund at 31 December 2020, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 60-year-old to live for a number of years as follows:

- Current pensioner aged 60: 25.3 years (male), 27.9 years (female).
- Future retiree upon reaching 60: 26.8 years (male), 29.4 years (female).

Notes (continued)

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Less than one year	7,971	8,549	4,755	4,893
Between one and five years	15,299	10,870	13,610	6,867
More than five years	-	506	-	506
	<u>23,270</u>	<u>19,925</u>	<u>18,365</u>	<u>12,266</u>

24 Commitments

Capital commitments

At 31 December 2020 the directors had not contracted for or authorised any Group's capital expenditure (2019 £nil, authorised; £nil, contracted for).

25 Contingencies

Certain subsidiaries and associates have, in the normal course of business, entered into guarantees and counter-indemnities in respect of various contracts. The group's share of such contingent liabilities in respect of the Kellogg Brown & Root (Greenford) Limited business were £nil (2019: £nil). The group's share of such contingent liabilities in respect of the Kellogg Brown & Root Limited business were £nil (2019: £nil).

In addition, the Company, its subsidiaries and associates are parties to other legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these other proceedings and claims, either individually or in aggregate, will have a material adverse effect on the Group's financial position.

Notes (continued)**26 Related parties**

The key management personnel of the company comprise its directors. Details of their remuneration are provided in note 3.

As a subsidiary of KBR, Inc., the Company has taken advantage of the exemption in paragraph 33.1A of FRS 102, not to disclose transactions with other wholly owned members of the group headed by KBR, Inc.

During the year transactions, in the ordinary course of business, were entered into with related parties. Transactions entered into during 2020 are as follows:

Group**Joint ventures of the Group:**

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) £
Fasttrax Limited	Services Rendered	(16,493,000)
	Services Received	327,000
Fasttrax Holdings Limited	Interest Received	(324,000)
Aspire Defence Limited	Services Rendered	(255,722,000)
Aspire Defence Finance plc	Interest Received	(5,824,000)
Road Management Services (A13) plc	Services Rendered	(1,179,000)
Road Management Services (Darrington) Holdings Limited	Interest Received	(248,000)
Road Management Services (Darrington) Limited	Services Rendered	(120,000)
Road Management Group Limited	Services Rendered	(154,000)
	Interest Received	(1,371,000)
Affinity Flying Services Limited	Services Rendered	(441,000)
Affinity Flying Training Services Limited	Services Rendered	(694,000)
	Interest Received	(1,465,000)

Joint ventures of affiliated KBR, Inc. companies:

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) £
KAD Nuclear Consortium	Services Rendered	(958,000)
SOCAR-KBR LLC	Services Rendered	(73,121,000)

Notes (continued)

26 Related parties (continued)

Company

Joint ventures of the Group:

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) £
Fastrax Limited	Services Rendered	(245,000)
Aspire Defence Limited	Services Rendered	(92,000)
Road Management Services (A13) plc	Services Rendered	(1,179,000)
Road Management Services (Darrington) Holdings Limited	Interest Received	(248,000)
Road Management Services (Darrington) Limited	Services Rendered	(242,000)
Road Management Group Limited	Services Rendered	(154,000)
	Interest Received	(1,371,000)
Affinity Flying Training Services Limited	Services Rendered	(694,000)
	Interest Received	(1,465,000)

Joint ventures of affiliated KBR, Inc. companies:

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) £
KAD Nuclear Consortium	Services Rendered	(958,000)
SOCAR-KBR LLC	Services Rendered	(67,211,000)

Notes *(continued)***26 Related parties** *(continued)***Group**

Transactions entered into during 2019 are as follows:

Joint Ventures of the Group:

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) £
Fasttrax Limited	Services Rendered	(11,050,000)
	Services Received	309,000
Fasttrax Holdings Limited	Interest Received	(398,000)
Aspire Defence Limited	Services Rendered	(384,755,000)
Aspire Defence Finance plc	Interest Received	(5,958,000)
Road Management Services (A13) plc	Services Rendered	(1,201,802)
Road Management Services (Darrington) Holdings Limited	Interest Received	(262,268)
Road Management Services (Darrington) Limited	Services Rendered	(116,655)
Road Management Group Limited	Services Rendered	(151,711)
	Interest Received	(1,218,902)
Affinity Flying Services Limited	Services Rendered	(317,000)
Affinity Flying Training Services Limited	Services Rendered	(41,000)
	Interest Received	(1,605,837)
B7JV (UK) Limited	Services Rendered	(8,103,564)

Joint ventures of affiliated KBR, Inc. companies:

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) £
Kellogg Joint Venture - Gorgon	Services Rendered	(493,753)
SOCAR-KBR LLC	Services Rendered	(69,859,044)

Notes *(continued)***26 Related parties** *(continued)***Company****Joint ventures of the Group:**

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) £
Fasttrax Limited	Services Rendered	(75,000)
Fasttrax Holdings Limited	Interest Received	(398,000)
Aspire Defence Limited	Services Rendered	(89,000)
Road Management Services (A13) plc	Services Rendered	(1,201,802)
Road Management Services (Darrington) Holdings Limited	Interest Received	(262,268)
Road Management Services (Darrington) Limited	Services Rendered	(116,655)
Road Management Group Limited	Services Rendered	(151,711)
	Interest Received	(1,218,902)
Affinity Flying Services Limited	Services Rendered	(317,000)
Affinity Flying Training Services Limited	Services Rendered	(41,000)
	Interest Received	(1,605,837)
B7JV (UK) Limited	Services Rendered	(8,103,564)

Joint ventures of affiliated KBR, Inc. companies:

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) £
Kellogg Joint Venture - Gorgon	Services Rendered	(493,753)
SOCAR-KBR LLC	Services Rendered	(61,768,461)

The above billing amounts represent the amounts actually invoiced to related parties in the financial year. The Company recognises revenues on long-term contracts in proportion to the percentage of costs incurred to date compared to total estimated contract costs, and as such, the billing amounts cannot be directly apportioned to the amounts recognised in the Profit and Loss Account. All transactions were recorded on an arm's length basis.

The above cost amounts represent the amounts actually invoiced by related parties in the financial year and charged to the Profit and Loss Account.

Notes (continued)

26 Related parties (continued)

Balances with related parties as at 31 December 2020 are as follows:

Group

Joint Ventures of the Group:

		Balance Sheet Debit/(Credit) 2020 £
Fasttrax Limited	Joint Venture	1,893,000
Aspire Defence Limited	Joint Venture	22,503,000
Aspire Defence Finance plc	Joint Venture	47,371,000
Road Management Services (A13) plc	Joint Venture	223,663
Road Management Group Limited	Joint Venture	13,046,534
Road Management Services (Darrington) Holdings Limited	Joint Venture	2,417,237
Affinity Flying Services Limited	Joint Venture	23,000
Affinity Flying Training Services Limited	Joint Venture	11,282,719

Joint ventures of affiliated KBR, Inc. companies

		Balance Sheet Debit/(Credit) 2020 £
SOCAR-KBR LLC	Joint Venture	27,412,798
KAD Nuclear Consortium	Joint Venture	1,107,386

Company

Joint Ventures of the Group:

		Balance Sheet Debit/(Credit) 2020 £
Fasttrax Limited	Joint Venture	1,893,000
Road Management Services (A13) plc	Joint Venture	224,000
Road Management Group Limited	Joint Venture	13,047,000
Road Management Services (Darrington) Holdings Limited	Joint Venture	2,417,000
Affinity Flying Training Services Limited	Joint Venture	11,283,000

Notes (continued)**26 Related parties (continued)****Joint ventures of affiliated KBR, Inc. companies**

		Balance Sheet Debit/(Credit) 2020 £
SOCAR-KBR LLC	Joint Venture	23,543,000
KAD Nuclear Consortium	Joint Venture	1,107,000

Balances with related parties as at 31 December 2019 are as follows:

Group**Joint Ventures of the Group:**

		Balance Sheet Debit/(Credit) 2019 £
Fasttrax Holdings Limited	Joint Venture	2,236,000
Aspire Defence Limited	Joint Venture	18,618,000
Aspire Defence Finance plc	Joint Venture	48,734,000
Road Management Services (A13) plc	Joint Venture	187,660
Road Management Group Limited	Joint Venture	11,163,466
Road Management Services (Darrington) Holdings Limited	Joint Venture	2,605,685
Affinity Flying Services Limited	Joint Venture	18,000
Affinity Flying Training Services Limited	Joint Venture	13,203,876
B7JV (UK) Limited	Joint Venture	975,869

Joint ventures of affiliated KBR, Inc. companies

		Balance Sheet Debit/(Credit) 2019 £
SOCAR-KBR LLC	Joint Venture	27,980,856
K2 JV	Joint Venture	16,142

Notes *(continued)***26 Related parties** *(continued)***Company****Joint Ventures of the Group:**

		Balance Sheet Debit/(Credit) 2019 £
Fasttrax Holdings Limited	Joint Venture	2,236,000
Road Management Services (A13) plc	Joint Venture	187,660
Road Management Group Limited	Joint Venture	11,163,466
Road Management Services (Darrington) Holdings Limited	Joint Venture	2,605,685
Affinity Flying Services Limited	Joint Venture	18,000
Affinity Flying Training Services Limited	Joint Venture	13,203,876
B7JV (UK) Limited	Joint Venture	975,869

Joint ventures of affiliated KBR, Inc. companies

		Balance Sheet Debit/(Credit) 2019 £
SOCAR-KBR LLC	Joint Venture	27,980,856
K2 JV	Joint Venture	16,142

27 Controlling party

The immediate parent undertaking is Kellogg Brown & Root Holdings (U.K.) Limited (Hill Park Court, Springfield Drive, Leatherhead, Surrey. KT22 7NL, a company registered in England and Wales).

The company is a wholly owned subsidiary undertaking of Kellogg Brown & Root Holdings Limited (Hill Park Court, Springfield Drive, Leatherhead, Surrey. KT22 7NL, a company registered in England and Wales) which heads the smallest group in which the company is consolidated.

The ultimate parent undertaking is KBR, Inc. (601 Jefferson Street, Suite 3400, Houston, Texas. 77002, a company incorporated in the state of Delaware, U.S.A.) which heads the largest group in which the company is consolidated.

The financial statements of these companies are available to the public and can be obtained from the Public Relations Department, Hill Park Court, Springfield Drive, Leatherhead, Surrey. KT22 7NL.

Notes (continued)

28 Events after the end of the reporting period

On 13 August 2021, the KBR Group entered into an agreement with Babcock International Group PLC to acquire Frazer-Nash Consultancy Limited, a leading provider of systems engineering, assurance and technology advisory services, for approximately £293 million. Frazer-Nash delivers high-end systems engineering, systems assurance and technology. Its talented team provides a broad range of professional advisory services across the defence, energy and critical infrastructure sectors primarily in the U.K. and Australia. With expertise in areas such as systems engineering, data science, cyber, and clean energy, Frazer-Nash is highly complementary with KBR's global priorities with minimal overlap because of its geographic footprint. Due to recent closing of this acquisition, certain financial information related to this acquisition including the fair value of consideration transferred or estimated to be transferred, is not yet finalized.

29 Prior period adjustment restatement of the Company's accounts

The Company recognises provisions against the net liabilities of its subsidiaries that are subject to the parent company guarantees. Such guarantees to the members of the group preparing unaudited financial statements are given under section 479C of the Companies Act 2006.

As at 31 December 2019 the net liabilities of the Company's subsidiary, Kellogg Brown & Root Group Limited, amounted to £193,283,227 while the related provision disclosed in the Company's accounts was £292,204,467 as the reversal of impairment of Kellogg Brown & Root Group Limited's investment of £94,482,199 in its subsidiary Kellogg Brown & Root London Holdings Limited triggered by the decision to put it into liquidation and the current tax charge of £4,439,041 recognised at the finalisation of the Group tax position were not considered in error.

There was no impact on the Group consolidated financial statements

The following table summarises the impact on the Company's financial statements.

Company Statement of Financial Position

		Impact of adjustment	
31 December 2019	As previously reported	Adjustment	As restated
	£'000	£'000	£'000
Provisions for liabilities			
Other provisions	(336,831)	98,921	(237,910)
Net assets	498,784	98,921	597,705
Capital and reserves			
Profit and loss account	184,905	98,921	283,826
Shareholders' funds	498,784	98,921	597,705

30 List of subsidiaries and joint ventures

The following is a full list of subsidiaries and joint ventures, their country of registration and type of issued security and the percentage of equity directly or indirectly owned by Kellogg Brown & Root Limited as at 31 December 2020.

This information is provided in accordance with the Section 409 of the Companies Act 2006.

Notes *(continued)*

30 List of subsidiaries and joint ventures

Subsidiary Undertakings	Country of incorporation /operations	Percentage of Shares Held	Address**
Kellogg Brown & Root Group Limited	England & Wales	100.00%	1
Kellogg Brown & Root Healthcare Trustee Limited	England & Wales	100.00%	1
Brown & Root Highlands Fabricators Limited	Scotland	100.00%	8
Kellogg Brown & Root Overseas Projects Limited	England & Wales	100.00%	1
Kellogg Brown & Root Group Limited	England & Wales	100.00%	1
KBR Construction Limited	England & Wales	100.00%	1
Kellogg Brown & Root London Holdings Limited	England & Wales	100.00%	1
Kellogg Brown & Root London Limited	England & Wales	100.00%	1
Kellogg Brown & Root DH Limited	England & Wales	100.00%	1
Kellogg Brown & Root (Greenford) Limited	England & Wales	100.00%	1
Kellogg Brown & Root International (MWK) Limited	England & Wales	100.00%	1
Kellogg Brown & Root Energy Services Limited	England & Wales	100.00%	1

Notes *(continued)*

30 List of subsidiaries and joint ventures (continued)

Subsidiary Undertakings	Country of incorporation /operations	Percentage of Shares Held	Address**
Granherne International (Holdings) Limited	England & Wales	100.00%	1
Kellogg Brown & Root Qatar Limited	England & Wales	100.00%	1
Granherne Limited	England & Wales	100.00%	
Kellogg Brown & Root Projects Limited	England & Wales	100.00%	1
Kellogg Brown & Root Overseas Operations Limited	England & Wales	100.00%	1
Howard Humphreys & Partners Limited	England & Wales	100.00%	1
Overseas Supply Services Limited	England & Wales	100.00%	10
Bonny 7 Project Management Company Limited	England & Wales	100.00%	1
KBR Aviation Limited (formerly Affinity Flying Training Services Limited)	England & Wales	100.00%	1
FTX Logistics Limited	England & Wales	100.00%	1
AOC International Limited	Scotland	100.00%	8
AOC Nigeria Limited	Nigeria	100.00%	7
KBR (Aspire Construction) Holdings No.2 Limited	England & Wales	100.00%	1
KBR (Aspire Construction) Holdings Limited	England & Wales	100.00%	1
KBR (Aspire Construction) Limited	England & Wales	100.00%	1
KBR (Aspire Services) Holdings No.2 Limited	England & Wales	100.00%	1
KBR (Aspire Services) Holdings Limited	England & Wales	100.00%	1
KBR (Aspire Services) Limited	England & Wales	100.00%	1
KBR (Aspire Construction Ventures) Holdings No.2 Limited	England & Wales	100.00%	1
KBR (Aspire Construction Ventures) Holdings Limited	England & Wales	100.00%	1
KBR (Aspire Construction Ventures) Limited	England & Wales	100.00%	1
KBR (Aspire Services Ventures) Holdings No.2 Limited	England & Wales	100.00%	1

Notes *(continued)*

30 List of subsidiaries and joint ventures (continued)

Subsidiary Undertakings	Country of incorporation /operations	Percentage of Shares Held	Address**
KBR (Aspire Services Ventures) Holdings Limited	England & Wales	100.00%	1
KBR (Aspire Services Ventures) Limited	England & Wales	100.00%	1
KBR (U.K.) Investments Limited	England & Wales	100.00%	1
Kellogg Brown & Root Trustees Limited	Scotland	100.00%	8
Howard Humphreys (Kenya) Limited	Kenya	100.00%	6
Aspire Defence Services Limited	England & Wales	100.00%	3
KBR Arabia Limited	Saudi Arabia	100.00%	16

Notes *(continued)*

30 List of subsidiaries and joint ventures (continued)

Subsidiary Undertakings	Country of incorporation /operations	Percentage of Shares Held	Address**
Kellogg Brown & Root Limited-Azmi Abdullatif Abdulhadi and Abdullah Mahana Al-Moaibed Engineering Consulting	Saudi Arabia	67.00%	11
KBR General Partner Limited	Scotland	100.00%	13
Joint Ventures	Country of incorporation /operations	Percentage of Shares Held	Address**
Yanchang Petroleum KBR (Beijing) Technology Co Ltd	China	50.00%	13
Fasttrax Holdings Limited	England & Wales	50.00%	1
Fasttrax Limited	England & Wales	50.00%	1
Aspire Defence Holdings Limited	England & Wales	45.00%	3
Aspire Defence Finance PLC	England & Wales	45.00%	3
Aspire Defence Limited	England & Wales	45.00%	3
Road Management Group Limited	England & Wales	25.00%	5
Road Management Consolidated Plc	England & Wales	25.00%	5
Road Management Limited	England & Wales	25.00%	5
Road Management Services (Gloucester) Limited	England & Wales	25.00%	5
Road Management Services (Peterborough) Limited	England & Wales	25.00%	5

Notes (continued)

30 List of subsidiaries and joint ventures (continued)

Joint Ventures	Country of incorporation /operations	Percentage of Shares Held	Address**
Road Management Joint Venture	Unincorporated UK	25.00%	5
Road Management Services (A13) Holdings Limited	England & Wales	25.00%	12
Road Management Services (A13) Plc	England & Wales	25.00%	12
Road Management Services (Darrington) Holdings Limited	England & Wales	25.00%	2
Road Management Services (Darrington) Limited	England & Wales	25.00%	2
Road Management Services (Finance) PLC	England & Wales	25.00%	2
Affinity Capital Works Limited	England & Wales	50.00%	14
Affinity Flying Services Limited	England & Wales	50.00%	14
Affinity Flying Training Services Limited	England & Wales	50.00%	14
B7JV (UK) Limited	England & Wales	33.00%	1
KBR Diego Garcia LLC	United States	20.00%	15
KBR- NIPI LLP	Kazakhstan	50.00%	17

All investments held in incorporated entities are in ordinary shares.

For KBR Property Holdings LP and unincorporated joint ventures percentage of partnership interest is shown.

* - Investment directly held by the Partnership

** - Addresses of the subsidiaries and joint ventures are listed below:

- 1 Hill Park Court, Springfield Drive, Leatherhead, Surrey, England & Wales KT22 7NL, United Kingdom
- 2 Third Floor Broad Quay House, Prince Street, Bristol, BS1 4DJ
- 3 Aspire Business Centre, Ordnance Road, Tidworth, Wiltshire. SP9 7QD, United Kingdom
- 4 Not used
- 5 Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF
- 6 LR No 1870/1/569, 2nd Floor, Apollo Centre, Ring Road, Parklands, Westlands PO Box 764-00606, Nairobi, Kenya 764-00606, Kenya

Notes *(continued)*

30 List of subsidiaries and joint ventures (continued)

- 7 Plot 90, Ajose Adeogun Street, Victoria Island, Lagos, Nigeria, Nigeria
- 8 Not used
- 9 Room 201, Building no. 7, Tianjuyuan, Chaoyang District, Beijing, People's Republic of China, China
- 10 Wing House, Marlborough Road, Bulford Barracks, Salisbury, Wiltshire, SP4 9LZ, United Kingdom
- 11 PO Box 31952, Al Damman Highway, Rakah, Al Khobar, Saudi Arabia, Saudi Arabia
- 12 Carillion House, 84 Salop Street, Wolverhampton, United Kingdom, WV3 0SR
- 13 15 Atholl Crescent, Edinburgh, Midlothian, United Kingdom, EH3 8HA
- 14 Hangar 29, RAF Cranwell, Sleaford, Lincolnshire, NG34 8HB
- 15 1080 Eldridge Pkwy # 615 Houston, TX 77077 United States
- 16 Prince Turki Bin Abdulaziz Street, Al Khobar, Saudi Arabia
- 17 Microdistrict 8, building 38A, Aktau City, Mangystau oblast, 130000, Republic of Kazakhstan

During the year 2020, the following companies – members of the Group were put into liquidation:

Granherne International Holdings Limited

Kellogg Brown & Root Qatar Limited

KBR Construction Limited

Kellogg Brown & Root Energy Services Limited

Kellogg Brown & Root DH Limited

Kellogg Brown & Root London Holdings Limited

Kellogg Brown & Root London Limited

For the year ended 31 December 2020 the following subsidiary companies were entitled to exemption from audit under section 479A of the Companies Act 2006:

AOC International Limited

Kellogg Brown & Root Group Limited

Kellogg Brown & Root International (MWK) Limited

KBR (U.K.) Investments Limited

Kellogg Brown & Root Overseas Projects Limited

Brown & Root Highlands Fabricators Limited

Howard Humphreys & Partners Limited

Notes *(continued)*

30 List of subsidiaries and joint ventures (continued)

Granherne Limited

Kellogg Brown & Root (Greenford) Limited

KBR General Partner Limited

KBR (Aspire Construction Ventures) Holdings No.2 Limited

KBR (Aspire Construction Ventures) Holdings Limited

KBR (Aspire Services Ventures) Holdings No.2 Limited

KBR (Aspire Services Ventures) Holdings Limited

KBR (Aspire Services) Holdings Limited

KBR (Aspire Services) Holdings No. 2 Limited

KBR (Aspire Construction) Holdings Limited

KBR (Aspire Construction) Holdings No. 2 Limited