

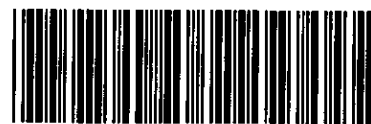
**Kellogg Brown & Root Holdings
Limited**

Annual report and consolidated
financial statements

Registered number 3780592

31 December 2022

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Strategic Report

The directors present their strategic report of the Group for the year ended 31 December 2022.

Principal activities

The Kellogg Brown & Root Holdings Limited Group (KBR) delivers science, technology, engineering and logistics support 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 combining deep domain expertise with its full-life cycle capabilities to help clients meet their most pressing challenges. Our capabilities and offerings include the following:

- Scientific research such as quantum science and computing; materials science; life science research; and earth sciences;
- Defense systems engineering such as test and evaluation; aerospace acquisition support; systems and platform integration; and sustainment engineering;
- Operational support such as facilities management; integrated supply chain and logistics; and military aviation support;
- Sustainable decarbonization solutions that accelerate and enable energy transition and climate change solutions such as proprietary, sustainability-focused process licensing; advisory services focused on energy transition; high-end engineering, design and program management offerings; and digitally-enabled asset optimization solutions.

KBR's business is organised internally into a two-core segment model comprised of Government Solutions (GS) and Sustainable Technology Solutions (STS). The activities of each segment are set out below:

Government Solutions (GS)

Our GS business segment provides full life-cycle support solutions to defence, aviation, infrastructure and other programmes 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.

Sustainable Technology Solutions (STS)

Our STS business segment is anchored by our portfolio of innovative, proprietary, and sustainability-focused process technologies. STS also provides highly synergistic services including advisory and consulting, focused on broad-based energy transition and net-zero carbon emission solutions, high-end engineering, design and professional services centered around decarbonization, energy efficiency, environmental impact and asset optimisation, as well as our digitally-enabled operating and monitoring solutions. Through early planning and scope definition, advanced technologies and facility life-cycle optimization, our STS business segment works closely with customers to provide what we believe is the optimal approach to maximise their return on investment.

The STS business also includes continuing work with legacy, extractive industries.

Business Strategy

Our people leverage dynamic teams that combine deep mission understanding, market-leading technical expertise and an unwavering operational focus to deliver solutions to solve our clients' most complex issues. In 2022, KBR's operating model continued to shift toward agile, technology-driven, solutions-oriented delivery and was streamlined to increase strategic focus to move upmarket into differentiated areas that we believe will provide attractive returns and consistent growth with favorable cash conversion.

Strategic Report (continued)

Our key areas of strategic focus are as follows:

Government Solutions

KBR delivers full life-cycle support solutions to defence, aviation and other programmes and missions for military and other government agencies primarily in the U.K. under long-term programmes with key technical, scientific or mission-specific differentiation. KBR's services cover the full spectrum spanning research and development, acquisition support, systems engineering, systems assurance and technology, test and evaluation, systems integration and program management, global supply chain management, digital transformation and operations readiness and support. Key customers include U.K. MoD and other government agencies. Areas of long-term strategic focus include defence modernization, large programme management and readiness and sustainment.

Sustainable Technology Solutions

Consistent with our corporate focus towards sustainability, KBR continues to develop and prioritise investment in commercial process technologies that are innovative, proprietary and sustainability-focused. We market high-end advisory and consulting services focused on broad-based energy transition and net-zero carbon emission solutions; high-end engineering, design and program management centered around decarbonisation, energy efficiency, environmental impact and asset optimisation; and digitally-enabled operating and monitoring solutions. Key customers include commercial and industrial companies. Areas of long-term strategic focus include sustainable technology solutions, energy transition, energy security and technology-led asset optimisation.

Competitive Advantages

We operate in global markets with customers who demand added value, know-how, technology and delivery solutions. 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 prioritises 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.

Strategic Report (continued)

Competitive Advantages (continued)

- **People**
 - Distinctive, competitive and customer-focused culture, through our people ('One KBR').
 - Deep domain expertise resident in nationally recognised 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 U.K. 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 Energy 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.
 - Increasing volumes of work relating to energy transition, supporting our ability to operate even where traditional energy projects reduce in volume or profitability over time
 - Low capital-intensive business model generating favourable operating cash flows.
 - Strong liquidity with ample capacity for growth.

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 31 December 2022.

Aspire Defence Limited ("ADL") 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 consolidated 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

Strategic Report *(continued)*

Significant Joint Ventures and Alliances *(continued)*

joint ventures, Affinity Capital Works and Affinity Flying Services, which provide procurement, operations and management support services under subcontracts with Affinity.

On 22 February 2022, the Group sold its stake in Road Management Group Limited for a consideration of £14,896,525, resulting in a profit on sale of £178,674 to the Group. The related investment has been adjusted in 2021 accounts to its recoverable value (note 10 and 14).

On 13 April 2022, the Group sold its 25% stake in Road Management Services (Darrington) Holdings Limited for a consideration of £27,300,000, creating a profit on sale of £17,469,234 to the Group.

KBR also owns a 50% stake in the heavy equipment transportation joint venture Fasttrax Holdings Limited which provides services to the U.K. Ministry of Defence. The heavy equipment transportation contract is in the process of commercial negotiations to extend the contract beyond 2024.

KBS Maritime Limited was established in 2021 for the delivery of Infrastructure Asset Management & Services on behalf of KBR and BAE Systems. KBR owns 50% equity shares. This followed a successful bid for the Future Maritime Support Programme (FMSP) hard facilities management and alongside services contract, previously held by BAE Systems.

The full list of the Group's joint ventures is provided in note 33.

Results

The Group's turnover for the year was £756,147,000 (2021: £641,346,000). The Group's profit for the year, after taxation and non-controlling interest, was £80,379,000 (2021: profit after tax £9,480,000).

We have summarised our revenues by business activities as follows:

	2022	2021
	£000	£000
Government Solutions	564,513	477,056
Sustainable Technology Solutions	191,634	164,290
	<u>756,147</u>	<u>641,346</u>

Strategic Report (continued)

Business Review

Government Solutions

The GS segment continued successful delivery of ongoing programmes during 2022. As described below, the decrease in year-over-year revenue was driven primarily by the expected wind-down of construction activities on the Aspire Private Finance Initiative (PFI).

The GS segment continued to provide construction and facilities management services to ADL. Revenue related to these services continued to be the main part of the GS segment's revenue, contributing over 40% of total GS segment revenue.

During 2022, the GS segment continued to deliver construction projects under the ADL contract, though at a lower volume. Construction works have been completed in 2022, subject to warranties, while the delivery of hard and soft services will continue to 2041.

During 2022, 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 concluded on 31st May 2022.

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 programme to manage the safe decommissioning of the Sellafield nuclear site. The program will be performed over 20 years.

The 7 year contract by the Metropolitan Police for a Facilities Management Integrator service, which started in 2014, was completed during 2022.

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 42 training aircraft providing Elementary, Basic and Multi-Engine flying training for RAF student pilots, in support of the UK Ministry of Defence's Military Flying Training System ("MFTS"). The contracted "capex" phase was successfully completed in 2018 with a subsequent contract change adding a further 4 T6 Texan to the fleet completed in 2020. Service delivery with each of the three platforms was incepted progressively from 2017 with full service capability achieved successfully in 2019. Full service capability utilising the additional 4 T6 Texan aircraft occurred in 2023 awaiting additional ground based simulators and QFIs provided through other contracts out of Affinity scope. Service delivery has continued throughout 2022.

On 20 October 2021, the Group acquired 100% share of Frazer-Nash Consultancy Limited ("Frazer-Nash"). Frazer-Nash provides innovative engineering and technology related professional advisory services across defense, energy and critical infrastructure services sectors primarily in the UK and Australia.

On 1 July 2021, the Group acquired 100% shares of Harmonic Limited ("Harmonic"). Harmonic provides transformation and delivery consultancy project services.

On 2 August 2022, the group completed its acquisition of VIMA Group, a leading digital transformation company serving defence clients, for an agreed-upon acquisition price of £64 million. The fair value of net assets acquired was £4,736,000, creating goodwill on acquisition for the group of approximately £59,460,000. VIMA Group supports clients by delivering solutions across a number of large-scale, high priority transformation programs that ensure availability of effective digital and information technology as guided by the UK's Digital Strategy for Defence. VIMA Group is a trusted advisor and a top-five supplier to Defence Digital and Navy Digital – both organizations within the UK Ministry of Defence with a number of highly strategic, fast-growing programs

Within the Group's consolidated accounts for the year ended 31 December 2022, VIMA Group Holdings Limited and its subsidiary companies contributed £7,470,000 of revenue and £1,661,000 of loss after taxation.

Strategic Report (continued)

Business Review (continued)

Government Solutions (continued)

During 2023, the Frazer Nash, Harmonic and VIMA Group of companies came together to combine their expertise and capitalise on existing knowledge to launch Frazer-Nash Consultancy. The merger will provide greater expertise across all sectors.

Sustainable Technology Solutions

The principal services provided by STS 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, Refining and Petrochemical processing. Key clients supported by this segment included Shell, BP, ARAMCO and the State Oil Company of Azerbaijan ("SOCAR").

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

In 2022, KBR executed numerous projects, the most significant of which were:

- Azeri Central East (ACE) – work to support the project, located off of the coast of Azerbaijan continued during the year. The work is part of our partnership in the region with SOCAR, which continues to deliver engineering solutions to clients in the Caspian Sea.
- Shell - KBR supports a number of Shell projects, including but not limited large scale hydrogen production projects.
- Woodside Pluto - A front end engineering and design project initially, the successful completion of which has resulted in follow on work being awarded to KBR to provide Engineering, Procurement and Construction Management services.
- BP's Tortue West Field Development - pre-FEED contract was awarded in 2019 for Phase 1 Tortue field Hub/Terminal development located on the maritime border between Senegal and Mauritania.
- Aramco (Haradh) - A split execution contract with the client, the first for KBR in over five years. This project will provide facilities for gas processing, pipelines, new well sites and all associated equipment and increase the capacity of Haradh to accommodate additional crude oil.
- The segment continued to work on implementation of refining technologies including Residuam Oil Supercritical Extraction (ROSE) and Fluid Catalytic Cracking (FCC), as well as on several Syngas Technology projects.

Covid-19

During 2022, the operational impact of Covid-19 eased for KBR, with staff returning in greater numbers to our offices. KBR remains vigilant against future public health emergencies with our continued commitment to our Zero Harm culture being at the forefront of how we safeguard our people and ultimately our ability to operate.

Legal Entity Reduction Programme

KBR, Inc.'s management continues to review the global legal entity structure and will continue liquidating unused or unneeded entities, including entities included in or related to the Group's companies. During 2022, several Group companies were dissolved. Details are provided in the Directors' Report and note 33.

Strategic Report (continued)

Defined benefit pension scheme deficit

At year end the Kellogg Brown & Root (U.K.) Limited defined benefit pension scheme operated by the Group moved from a liability of £58,497,000 in 2021 to an asset of £35,939,000 due to changes in market conditions and assumptions made by the Directors based on the actuarial valuation report at 31 December 2022. The main change in assumptions which has contributed to the move from liability to asset is an increase in the discount rate used to calculate the present value of future pension liabilities. The principal actuarial assumptions used can be seen in note 24 of these financial statements.

In addition, KBR advanced payment of its 2023 contribution to the pension scheme - contributing the amount instead in October 2022 to manage the pension fund's liquidity risk caused by the announcement of UK government economic policy, which was subsequently reversed via a change in the UK government.

Asset-backed funding arrangement

On 24 June 2016, KBR Netherlands Investment BV (a KBR, Inc. group company) sold the Leatherhead campus property for £53.6m to a newly formed entity - a Scottish Limited Partnership ("Partnership") KBR Property Holdings LP. The Partnership was created with the purpose of partially funding the Kellogg Brown & Root (U.K.) Limited's defined benefit pension plan ("Pension Plan"). Under the arrangement, the Pension Plan is entitled to annual distributions supported by lease payments on the property held by the Partnership. An intergroup lease arrangement is currently in place where the tenant is Kellogg Brown & Root Limited ("KBRL") and the landlord is the Partnership. The lease was renegotiated in October 2021 for the same rate of £3.6m per annum.

Deferred tax

At 31 December 2022 the deferred tax assets of the Group totaled £13.0m (2021: £27.3m) related to timing differences in the recognition of expenses between financial statements and tax returns. These deferred tax assets are recognised as it is probable that they will be recovered against future taxable profits of the Group. Deferred tax liabilities of the Group associated with timing differences totaled £55.7m (2021: £50.3m).

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 Group is well-positioned in growing end markets – advancing national security priorities, defence modernisation, 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 Group 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Pricing risk

A portion of our projects are on a fixed or agreed price basis, subjecting the Group 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, 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.

Interest rate risk

The Group is exposed to interest rate risk through financial assets and liabilities at market rates. The Group does not use derivatives to manage interest rate risk locally.

Credit and liquidity risk

Customers may require the Group 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 Group 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.

We are exposed to credit losses primarily related to our professional services, project delivery and technologies offered in our STS business segment. We do not consider our GS business segment to be at risk for credit losses because substantially all services within this segment are provided to government agencies. We determined our allowance for credit losses by using a loss-rate methodology, in which we assessed our historical write-off of receivables against our total receivables and contract asset balances over several years. From this historical loss-rate approach, we also considered the current and forecasted economic conditions expected to be in place over the life of our receivables and amounts recoverable on long term contracts.

Other key risks include:

- A highly competitive market, with many competitive factors affecting sales such as price, product, service, quality and 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. The Group from time to time uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts when taken out generally are designated as cash flow hedges. In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.
- 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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

- 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 covering 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.
- The market conditions affected by the continuing conflict in Ukraine and its ongoing impact
- A potential re-emergence of COVID-19 and the continuing impact of earlier waves of COVID-19 on the market.

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 2022 the backlog totaled £5,514 million (2021: £7,326 million).

- **Profit before tax**

The level of profitability is a key measure of performance. The Group's profit before tax for the year ended 2022 was £107,746,000 (2021: profit before tax £28,983,000).

- **Accident frequency rate**

Paramount at KBR is our commitment to Zero Harm to people, property and the environment. For 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 2022, the Group experienced 0.00 hours lost time incidents per 1 million man hours worked (2021: 0.07 hours lost time accidents per 1 million man hours worked).

Strategic Report (continued)

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 2022, 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 STS segment 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. Also, 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.

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, 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.

Strategic Report *(continued)*

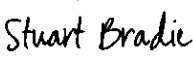
Section 172(1) Statement *(continued)*

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 2 February 2024 and signed on behalf of the Board by:

DocuSigned by:

0FCD075CB0F048D

S J Bradie
Director

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

Company Registration Number: 3780592

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Directors' Report *(continued)*

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.

Stakeholder engagement

The Group recognises the importance of maintaining a strong relationship with suppliers, customers and other business relationships as they are fundamental to the quality of the Group's operations and business performance. All stakeholders are informed of progress on matters of concern to them. Monthly and quarterly business reviews ensure that the business maintains good relationships.

Research and development

The Group has incurred costs relating to research and development that qualifies for the UK Research and Development Tax Credit regime of £43,116,000 in 2022 (2021: £12,144,000).

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 its Environmental 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 2022, some Group companies installed new LED lighting, electric vehicle charging points and improved building energy performance via building upgrades. For some offices and warehouses within the group we have procured renewable heating gas, evidence by Renewable Gas Guarantees of Origin (RGGOs) certificates and renewable electricity evidence by Renewable Gas Guarantees of Origin (RGGOs) certificates. Companies within the Group that have a vehicle fleet are transitioning to hybrid and fully electric fleets. For some Group companies the greenhouse gas emissions associated with business travel have been offset by the purchasing of Gold Standard carbon credits.

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 actual and potential impacts of climate-related risks and opportunities on the Group are currently being evaluated in line with the Taskforce for Climate Related Financial Disclosure Recommendations.

Directors' Report *(continued)*

Energy and Carbon Reporting Disclosure *(continued)*

The consumption and emissions data is summarised below:

	2022	2021
Energy Consumption		
Gas	2,872,063 kWh	3,714,871 kWh
Diesel	3,643,548 kWh	3,166,215 kWh
Electricity	4,663,039 kWh	4,276,405 kWh
Total energy consumption	11,178,650 kWh	11,157,491 kWh
Emissions		
Combustion of Gas (Scope 1)	852.06 tCO ₂ e	822.19 tCO ₂ e
Combustion of Diesel from Group fleet (Scope 1)	696.94 tCO ₂ e	658.81 tCO ₂ e
Purchased Electricity (Scope 2)	942.00 tCO ₂ e	987.00 tCO ₂ e
Combustion of Fuel from business travel claims (Scope 3)	3,109.00 tCO ₂ e	1,858.00 tCO ₂ e
Total gross emissions for which SECR reporting is required	5,600.00 tCO₂e	4,326.00 tCO₂e

In 2022 this represented an intensity ratio of 7.4 tCO₂e per £1m sales revenue (2021: 6.7).

Legal entity reduction programme

During the year 2022, the following companies, which are members of the Group had been in liquidation:

- Granherne International (Holdings) Limited - dissolved on 26 January 2022
- Kellogg Brown & Root Qatar Limited - dissolved on 26 January 2022
- KBR Construction Limited - dissolved on 26 January 2022
- Kellogg Brown & Root Energy Services Limited - dissolved on 26 January 2022
- IPEM Developments Limited - dissolved on 22 March 2022
- Kellogg Brown & Root DH Limited - dissolved on 22 March 2022
- Kellogg Brown & Root London Holdings Limited - dissolved on 22 March 2022
- Kellogg Brown & Root London Limited - dissolved on 22 March 2022

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 STS business bounced back from COVID-19 related downturns via changes introduced in our business model during 2021. The business was profitable in 2022, has remained so during 2023 and is well-positioned to maintain this trend.

The GS business was largely unaffected by COVID-19 during 2022. As a result, the Group's GS business posted profitable results in 2022 and continues to operate profitably in 2023.

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 2023 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 STS have project portfolios consisting mainly of lower risk, reimbursable projects. As a result, neither business unit has material loss-making projects within the Group. The focus on reimbursable projects also allows some additional flexibility to add or subtract variable costs, including

Directors' Report *(continued)*

Going concern *(continued)*

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 2028. These plans, noting the impact of continued improved end markets in 2023, as well as the changes in business strategy, show growth of revenue and operating income in the business.

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

The Group has long-term liabilities related to the Kellogg Brown & Root (U.K.) Limited's defined benefit pension scheme and a long term loan facility with the Bank of America N.A. The Directors are confident that the Group will have sufficient funds to meet its liabilities as they fall due.

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 consolidated financial statements and therefore have prepared the consolidated financial statements on a going concern basis.

Events after the end of the reporting period

In June 2022, KBR entered into an agreement to invest an additional £80 million in Mura Technology ("Mura"). Funding occurred in two tranches with the first payment made in June 2022 of £48m and the second payment made in April 2023 of £32 million, increasing KBR's aggregate investment in Mura to approximately 17%.

During 2023, the Frazer-Nash, Harmonic and VIMA Group of companies came together to combine their expertise and capitalise on existing knowledge to launch Frazer-Nash Consultancy. The merger will provide greater expertise across all sectors.

During 2023, the Alpha and Beta leased buildings were refurbished with the intention of being brought back into use. This was an adjusting event at year end and the onerous lease provision of £2.2 million was released.

There were no other subsequent events that require disclosure or impact the Group's or Company's financial statements for the year ended 31 December 2022.

Disclosure of information in the strategic report

As permitted by Section 414 (c) (11) of the Companies Act 2006, the Directors have elected to disclose information required to be in the Directors' report by Schedule 7 of the "Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008", in the Strategic report: Principal activities, Principal risks and uncertainties, Results, Financial risk management objectives and policies and Future outlook.

Directors' Report *(continued)*

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

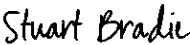
Auditor

The auditor, Grant Thornton, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006.

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.

The report was approved by the Board of directors on 2 February 2024 and signed on behalf of the Board by:

DocuSigned by:

0FC0075CB0F04BD.

S J Bradie
Director

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

Company Registration Number: 3780592

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:

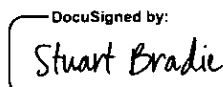
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This statement has been presented in accordance with Appendix 17 FRC Bulletin 2010/2.

This statement was approved by the Board of directors on 2 February 2024 and signed on behalf of the Board by:

DocuSigned by:

 0FCD075CB0F04BD
 S J Bradie
 Director

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

Company Registration Number: 3780592

Independent auditor's report to the members of Kellogg Brown & Root Holdings Limited

Opinion

We have audited the financial statements of Kellogg Brown & Root Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement, and related notes to the financial statements, including a summary of significant accounting policies, for the year ended 31 December 2022.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, Kellogg Brown & Root Holdings Limited's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the assets, liabilities and financial position of the Company and Group as at 31 December 2022 and of the Group's financial performance and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the Company and the Group. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Independent auditor's report to the members of Kellogg Brown & Root Holdings Limited (continued)

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Strategic Report and the Directors' Report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and the Group and its environment obtained in the course of

the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited 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.

Independent auditor's report to the members of Kellogg Brown & Root Holdings Limited (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements, which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company and the Group'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 management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company or the Group's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Company and Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with Data Privacy law, Employment Law, Environmental Regulations, and Health & Safety, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Independent auditor's report to the members of Kellogg Brown & Root Holdings Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and local tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the management risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

In response to these principal risks, our audit procedures for the Group and for the Company included but were not limited to:

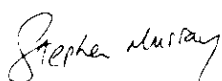
- enquiries of board on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Group and Company regulation and legal correspondence, and review of minutes of the board meetings during the year to corroborate inquiries made;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- performance of journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the Group's and Company's business ;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- challenging assumptions and judgements made by management in their significant accounting estimates; including going concern, useful life and impairment of fixed assets, impairment loss on financial and non-financial assets, provisions including gain share and warranty provision, project revenues, costs and profits on the contracts including recognition of estimated losses on uncompleted contracts and lifecycle gain share revenue, and deferred tax.
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

Independent auditor's report to the members of Kellogg Brown & Root Holdings Limited (continued)

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.



Stephen Murray (Senior Statutory Auditor)

For and on behalf of

Grant Thornton

Chartered Accountants & Statutory Auditors

Dublin

06 February 2024

Consolidated Income Statement

for the year ended 31 December 2022

		2022	2021
	Note	£000	£000
Turnover	3	756,147	641,346
Cost of sales		<u>(604,614)</u>	<u>(541,638)</u>
Gross profit		151,533	99,708
Other operating income		1,248	175
Administrative expenses	4	<u>(136,315)</u>	<u>(96,825)</u>
Group operating profit		16,466	3,058
 Group's share of profit in joint ventures	14, 21	 20,221	 9,991
Gain on other investments carried at fair value through profit and loss	14	13,059	2,620
Interest receivable and similar income	8	48,862	36,161
Interest payable and similar charges	9	(10,973)	(8,652)
Gain on sale of investments	14	17,648	—
Exceptional items	10	2,463	(14,195)
		<u>91,280</u>	<u>28,983</u>
Profit before taxation		107,746	28,983
 Tax charge on profit	11	 (24,674)	 (16,153)
Profit for the financial year		<u>83,072</u>	<u>12,830</u>
 <i>Profit for the financial year attributable to</i>			
Shareholders of the parent company		80,379	9,480
Non-controlling interests		<u>2,693</u>	<u>3,350</u>
		<u>83,072</u>	<u>12,830</u>

The accompanying notes on pages 35 to 82 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

		2022		2021	
	Note	£000	£000	£000	£000
Profit for the financial year			83,072		12,830
Foreign exchange differences on translation of foreign operations		48,676		343	
Remeasurement of the net defined benefit pension plan liability		36,923		180,120	
Current tax movement on the net defined benefit pension plan liability	11	9,918		4,021	
Deferred tax remeasurement of the net defined benefit pension plan liability		(19,296)		(49,085)	
Fair value loss on cash flow hedging instruments	23	228		(18)	
Reclassification from cash flow hedge reserve to profit & loss account	23	—		109	
Deferred tax on cash flow hedge		—		(21)	
Change in tax rate		—		15,741	
Group's share of joint ventures fair value movements on cash flow hedges		1,175		—	
Group's share of other comprehensive (loss) /income of joint ventures		(742)		196	
Other comprehensive income for the year			76,882		151,406
Total profit and comprehensive income for the financial year			<u>159,954</u>		<u>164,236</u>
<i>Total profit for the year attributable to</i>					
Shareholders of the parent company			80,379		9,480
Non-controlling interests			<u>2,693</u>		<u>3,350</u>
			<u>83,072</u>		<u>12,830</u>
<i>Total profit and comprehensive income for the financial year attributable to</i>					
Shareholders of the parent company			157,072		160,908
Non-controlling interest			<u>2,882</u>		<u>3,328</u>
			<u>159,954</u>		<u>164,236</u>

The accompanying notes on pages 35 to 82 form an integral part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2022

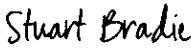
	Note	2022 £000	2021 £000
Fixed assets			
<i>Intangible assets</i>			
Goodwill	12	254,096	219,525
Negative goodwill	12	(19,999)	(21,110)
		<u>234,097</u>	<u>198,415</u>
Other intangible assets	12	198,391	221,518
Tangible assets	13	58,001	55,397
<i>Investments</i>			
Investments in joint ventures	14	38,639	40,573
Other investments	14	68,680	7,621
		<u>363,711</u>	<u>325,109</u>
Current assets			
Stocks	15	185	356
Debtors (non-current: £55,227,000, 2021: £71,415,000)	16	1,177,460	1,302,438
Cash at bank and in hand	17	228,702	317,846
		<u>1,406,347</u>	<u>1,620,640</u>
Creditors: amounts falling due within one year	18	(245,140)	(374,962)
Net current assets		<u>1,161,207</u>	<u>1,245,678</u>
Total assets less current liabilities		<u>1,759,015</u>	<u>1,769,202</u>
Creditors: amounts falling due after one year	19	(136,660)	(214,592)
Other provisions	21	(141,642)	(137,885)
Net assets excluding net defined benefit pension plan asset/(liability)		<u>1,480,713</u>	<u>1,416,725</u>
Net defined benefit pension plan asset/(liability)	24	35,330	(57,838)
Net assets		<u><u>1,516,043</u></u>	<u><u>1,358,887</u></u>
Equity			
Called up share capital	22	—	—
Share premium account	22	445,738	445,738
Business combination reserve	22	(211,676)	(211,676)
Revaluation reserve	22	86,321	86,321
Capital contribution reserve	22	10,694	10,694
Share based payments contribution from parent	22	2,157	2,157
Foreign exchange translation reserve	22	21,455	(26,818)
Cash flow hedge reserve	22	572	(831)
Profit and loss account	22	1,156,503	1,049,107
Total shareholder's equity		<u>1,511,764</u>	<u>1,354,692</u>
Non-controlling interests		<u>4,279</u>	<u>4,195</u>
Total equity		<u><u>1,516,043</u></u>	<u><u>1,358,887</u></u>

The accompanying notes on pages 35 to 82 form an integral part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 December 2022

These financial statements were approved by the Board of directors on 2 February 2024 and were signed on its behalf by:

DocuSigned by:

0FCDD75CB0F04BD...

S J Bradie

Director

Company registered number: 3780592

Company Statement of Financial Position

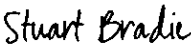
At 31 December 2022

	Note	2022 £000	2021 £000
Fixed assets			
Investments in subsidiaries	14	458,236	458,236
Current assets			
Debtors	16	1	1
Creditors: amounts falling due within one year	18	<u>(9,613)</u>	<u>(9,887)</u>
Net current liabilities		(9,612)	(9,886)
Total assets less current liabilities		448,624	448,350
Provisions for liabilities			
Other provisions		<u>—</u>	<u>—</u>
Net assets		448,624	448,350
Equity			
Called up share capital	22	—	—
Share premium account	22	445,738	445,738
Profit and loss account - prior financial year	22	2,612	889
Profit and loss account - current financial year	22	274	1,723
Total equity		448,624	448,350

The accompanying notes on pages 35 to 82 form an integral part of these financial statements.

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

These financial statements were approved by the Board of directors on and were signed on 2 February 2024 and were signed on its behalf by:

DocuSigned by:

 OFCD075CB0F04BD
 S J Bradie
 Director

Company registered number: 3780592

Consolidated Statement of Changes in Equity

	Called up share capital	Share premium account	Business combination reserve	Revaluation reserve	Capital contribution reserve	Share based payments contribution from parent	Foreign exchange translation reserve	Cash flow hedge reserve	Profit & loss account	Total shareholder's equity	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2021	..	445,738	(211,676)	86,321	10,694	2,157	(27,138)	(1,097)	888,785	1,193,784	2,945	1,196,729
Profit for the financial year	—	—	—	—	—	—	—	—	9,480	9,480	3,350	12,830
Other comprehensive loss												
– Foreign exchange differences on translation of foreign operations	—	—	—	—	—	—	320	—	—	320	23	343
– Remeasurement of the net defined benefit pension plan liability	—	—	—	—	—	—	—	—	180,165	180,165	(45)	180,120
– Current tax on the remeasurement of the net defined benefit pension plan liability	—	—	—	—	—	—	—	—	4,021	4,021	—	4,021
– Deferred tax on the remeasurement of the net defined benefit pension plan liability	—	—	—	—	—	—	—	—	(49,085)	(49,085)	—	(49,085)
– Group's share of other comprehensive income of joint ventures	—	—	—	—	—	—	—	196	—	196	—	196
– Fair value loss on cash flow hedging instruments	—	—	—	—	—	—	—	(18)	—	(18)	—	(18)
– Reclassification from cash flow hedge reserve to profit & loss account	—	—	—	—	—	—	—	109	—	109	—	109

The accompanying notes on pages 35 to 82 form an integral part of these financial statements

Consolidated Statement of Changes in Equity (continued)

	Called up share capital	Share premium account	Business combination reserve	Revaluation reserve	Capital contribution reserve	Share based payments contribution from parent	Foreign exchange translation reserve	Cash flow hedge reserve	Profit & loss account	Total shareholder's equity	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
- Deferred tax on cash flow hedge	—	—	—	—	—	—	—	(21)	—	(21)	—	(21)
- Change in tax rate	—	—	—	—	—	—	—	—	15,741	15,741	—	15,741
Total profit and comprehensive income for the financial year	—	—	—	—	—	—	320	266	160,322	160,908	3,328	164,236
Distributions to owners	—	—	—	—	—	—	—	—	—	—	(2,078)	(2,078)
Balance at 31 December 2021	—	445,738	(211,676)	86,321	10,694	2,157	(26,818)	(831)	1,049,107	1,354,692	4,195	1,358,887
Balance at 1 January 2022	—	445,738	(211,676)	86,321	10,694	2,157	(26,818)	(831)	1,049,107	1,354,692	4,195	1,358,887
Profit for the financial year	—	—	—	—	—	—	—	—	80,379	80,379	2,693	83,072
Other comprehensive income												
- Foreign exchange differences on translation of foreign operations	—	—	—	—	—	—	48,273	—	—	48,273	403	48,676
- Remeasurement of the net defined benefit pension plan asset	—	—	—	—	—	—	—	—	37,137	37,137	(214)	36,923
- Current tax movement on the net defined benefit pension plan asset	—	—	—	—	—	—	—	—	9,918	9,918	—	9,918

The accompanying notes on pages 35 to 82 form an integral part of these financial statements

Consolidated Statement of Changes in Equity (continued)

	Called up share capital	Share premium account	Business combination reserve	Revaluation reserve	Capital contribution reserve	Share based payments contribution from parent	Foreign exchange translation reserve	Cash flow hedge reserve	Profit & loss account	Total shareholder's equity	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
- Deferred tax on the remeasurement of the net defined benefit pension plan asset	—	—	—	—	—	—	—	—	(19,296)	(19,296)	—	(19,296)
- Group's share of other comprehensive income of joint ventures and cash flow hedges	—	—	—	—	—	—	—	1,175	(742)	433	—	433
- Fair value loss on cash flow hedging instruments	—	—	—	—	—	—	—	228	—	228	—	228
Total profit and comprehensive income for the financial year	—	—	—	—	—	—	48,273	1,403	107,396	157,072	2,882	159,954
Distributions to owners	—	—	—	—	—	—	—	—	—	—	(2,798)	(2,798)
Balance at 31 December 2022	—	445,738	(211,676)	86,321	10,694	2,157	21,455	572	1,156,503	1,511,764	4,279	1,516,043

The accompanying notes on pages 35 to 82 form an integral part of these financial statements

Company Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	—	445,738	889	446,627
Total comprehensive income for the year				
Profit for the financial year	—	—	1,723	1,723
Total profit and comprehensive income for the financial year	—	—	1,723	1,723
Balance at 31 December 2021	—	445,738	2,612	448,350
Balance at 1 January 2022	—	445,738	2,612	448,350
Total comprehensive income for the year				
Profit for the financial year	—	—	274	274
Total profit and comprehensive income for the financial year	—	—	274	274
Balance at 31 December 2022	—	445,738	2,886	448,624

The accompanying notes on pages 35 to 82 form an integral part of these financial statements

Consolidated Cash Flow Statement

for year ended 31 December 2022

	Note	2022 £000	2021 £000 restated
Cash flows from operating activities			
Profit for the financial year		83,072	12,830
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	4	52,929	21,757
Income from joint ventures		(20,221)	(9,991)
Foreign exchange losses/(gains)	4	8,816	(606)
Interest receivable and similar income	8	(48,862)	(36,159)
Interest payable and similar charges	9	10,973	8,650
Gain on sale of tangible assets		(108)	—
Gain on sale of investments		(17,648)	—
Gain on other investments carried at fair value through profit and loss account	14	(13,059)	(2,620)
Equity settled share-based payment expenses	4	1,275	1,967
Defined benefit pension costs, net	24	6,417	5,874
Exceptional items	10	(2,463)	14,195
Taxation expense	11	24,674	16,153
		<u>85,795</u>	<u>32,050</u>
Decrease in trade and other debtors		158,555	33,486
Decrease in stocks		171	130
Decrease in trade and other creditors		(145,456)	(5,671)
Increase in provisions and employee benefits		3,548	29,569
		<u>102,613</u>	<u>89,564</u>
Interest received		11,950	12,313
Interest paid		(7,600)	(2,233)
Defined benefit pension contributions paid	24	(62,788)	(33,877)
Exceptional items paid		(1,421)	—
Tax received (paid), net		1,029	(4,199)
Net cash from operating activities		<u>43,783</u>	<u>61,568</u>
Cash flows from investing activities			
Dividends received	14	9,969	20,420
Business acquisitions net of cash acquired	2	(60,026)	(297,308)
Sale of investment in joint venture	14	42,196	191
Acquisitions of other investments	14	(48,000)	(5,001)
Acquisition of intangible assets	12	(448)	(4,557)
Acquisition of tangible assets	13	(5,585)	(1,184)
Proceeds from sale of tangible assets		108	59
Net cash used in investing activities		<u>(61,786)</u>	<u>(287,380)</u>
Cash flows from financing activities			
Receipts from bank loans		53,472	214,000
Repayment of bank loans		(132,196)	(15,000)
Dividends paid		(2,798)	(2,078)
Net cash (used in) from financing activities		<u>(81,522)</u>	<u>196,922</u>
Net decrease in cash and cash equivalents		(99,525)	(28,890)
Cash and cash equivalents at 1 January	17	317,846	346,087
Effect of exchange rate fluctuations on cash held		10,381	649
Cash and cash equivalents at 31 December	17	<u>228,702</u>	<u>317,846</u>

The accompanying notes on pages 35 to 82 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 Accounting policies

Kellogg Brown & Root Holdings Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in England and Wales in the United Kingdom.

These Group and 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”), and the Companies Act 2006.

The presentation currency of these financial statements is sterling (£). All amounts in the financial statements have been rounded to the nearest £1,000.

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:

- No separate parent company Cash Flow Statement with related notes is included;
- 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.

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.

Due to the changes introduced in our business model, operating performance in 2022 was good and the STS business continues to be a profitable business in 2023, with the business well-positioned in its growing end markets.

During 2022, the UK government made efforts to continue accelerated payments for most projects. As a result, the company’s GS business continued to meet 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

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.2 *Going concern (continued)*

the Group for the 12 months following the signing of these accounts.

In line with KBR's corporate strategy, both GS and STS have project portfolios consisting mainly of lower risk, reimbursable projects. As a result, neither business unit has material loss-making projects within the Group. The focus on reimbursable projects also allows some 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 2028. These plans, noting the impact of continued improved end markets in 2023, as well as the continued impact of the changes made to business strategy, show growth of revenue and operating income in the business.

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

The Group has long-term liabilities related to the Kellogg Brown & Root (U.K.) Limited's defined benefit pension scheme and a long term loan facility with the Bank of America N.A. The Directors are confident that the Group will have sufficient funds to meet its liabilities as they fall due.

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 2022. 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.

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

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 income statement, its share in their other comprehensive income is included in the consolidated statement of other comprehensive income and its interest in their net assets is recorded on the balance sheet using the equity method.

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;

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation *(continued)*

- (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;
- (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 parent company's interest in the joint asset.

Under Section 408 of the Companies Act 2006 the parent company is exempt from the requirement to present its own income statement.

In the parent financial statements, investments in subsidiaries and jointly controlled entities (together referred to as "Investments") 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 held by the group

In accordance with FRS 102.22, financial instruments held 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.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.6 Basic financial instruments

The Group enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors, cash and cash equivalents, creditors, amounts owed by and to Group undertakings.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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.

Financial liabilities are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Notes to the Consolidated Financial Statements (continued)**1 Accounting policies (continued)****1.7 Other financial instruments (continued)**

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

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments.

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 (OCI). 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.

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 hedges 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.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.9 Tangible assets

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

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

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible 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:

- | | |
|-----------------------------------|----------------------------------|
| • Land & buildings freehold | 2.5-10% |
| • Land & buildings leasehold | 2% or length of lease if shorter |
| • Machinery, equipment & vehicles | 3 to 17 years |

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.

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 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-

Notes to the Consolidated Financial Statements (continued)

1 Accounting policies (continued)

1.10 Business combinations (continued)

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.

Consideration which is contingent on future events (earn-out consideration) 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.

1.11 Intangible assets, goodwill and negative goodwill

Goodwill

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

Goodwill is amortised over the period of 120 months.

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.

Negative goodwill is amortised over the period of 48 - 278 months.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Other intangible assets, including software and technology

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 of intangible assets

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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting policies (continued)

1.11 Intangible assets, goodwill and negative goodwill (continued)

During 2018, the Group acquired the Aspire Services business and capitalised its contract intangibles (classified as others) 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. The useful life for goodwill and contracts intangibles has been estimated to be 23 years.

During 2018, the Group acquired the Aspire Construction business with the useful life of the contract intangibles (classified as others) of 48 months.

During 2021, the Group acquired the Frazer-Nash Consultancy Limited and capitalised its backlog and customer relationships intangibles (classified as others) and recognised goodwill on acquisition. The useful lives have been estimated to be 15 months for backlog, 15.5 years for customer relationships and 10 years for goodwill.

During 2021, the Group acquired the Harmonic Limited and capitalised its contract intangibles (classified as others) and recognised goodwill on acquisition. The useful lives have been estimated to be 21 months for contract intangibles and 10 years for goodwill.

During 2022, the Group acquired VIMA Group Holdings Limited and recognised goodwill on acquisition. The useful life of the goodwill was estimated as 10 years. The backlog is amortised in line with expected profits.

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 10 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.

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 income statement.

Group

In the Group's accounts, investments in equity affiliates and joint ventures are accounted for using the equity method.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Other investments are fixed asset investments measured at fair value, with changes in fair value recognised in the profit or loss.

Notes to the Consolidated Financial Statements (continued)

1 Accounting policies (continued)

1.13 Long-term contracts

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. 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 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 Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Notes to the Consolidated Financial Statements (continued)

1 Accounting policies (continued)

1.16 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Purchase commitments placed on suppliers via the issue of an approved procurement document at the year end with items not received are recognised as goods in transit.

1.17 Employee benefits

Defined contribution plans

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.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability / (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Group's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method.

The Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit asset is recognised in other comprehensive income in the period in which it occurs.

Multi-employer defined benefit plan

One of the Company's subsidiaries participates in a multi-employer defined benefit scheme. The assets of the scheme are held separately from those of the subsidiary. Contributions into this scheme are set by the scheme's actuaries. There are no valuations of the scheme presently available. The subsidiary cannot determine its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, and therefore accounts for the scheme as a defined contribution scheme.

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.

Notes to the Consolidated Financial Statements (continued)

1 Accounting policies (continued)

1.17 Employee benefits (continued)

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.

1.18 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.

Gainshare provisions

Quarterly forecasts include best judgement made on the out turn financial position of the Army Basing Plan. This, in turn, will determine the calculation of the out turn gainshare provision required and the amount accounted for in line with the percentage completion.

Warranty provision

- Project Allenby Connaught ("PAC") - The Directors have determined the level of provision based on extensive inspections of completed works and facilities and an estimate of expected remediation works required, based on quotes from the Supply Chain. For assets that are not yet in scope of Project Silk, the Directors have considered the applicability of the issues identified in previous surveys and included provision where relevant.
- Army Basing Programme ("ABP") - The Directors have reviewed the provision created for the ABP project. The valuation is calculated using the same principles and lessons learnt from the PAC provision. At this stage of the contract it is felt that this is a satisfactory level based on the current levels of defects.

Dilapidation provision

The provision relates to certain office buildings leased by the Group, where there is a requirement to reinstate the property to its prior condition upon lease termination. The provisions will be fully utilised when the final lease expires during the year ending 31 December 2026.

Restructuring and Onerous lease provision

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. During the year, these provisions were released.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.19 Contingencies

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable.

A contingent liability is not recognised in the statement of financial position. However, unless the possibility of an outflow of economic resources is remote, a contingent liability is disclosed in the notes to the financial statements.

Contingent assets

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity. Contingent assets are not recognised, but they are disclosed when it is more likely than not that an inflow of benefits will occur. However, when the inflow of benefits is virtually certain an asset is recognised in the statement of financial position, because that asset is no longer considered contingent.

1.20 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.

For services, turnover is recognised based on amounts invoiced to the customer in accordance with the contractual terms and conditions, adjusted to reflect an assessment of deferred income where work has yet to be performed.

For projects, invoices are raised when the risks and rewards have transferred to the customer, reflecting project or milestone completion, with an adjustment to reflect part completed projects to align turnover recognition with the percentage completion method.

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.

One of the Group's subsidiary involved with fulfillment of facilities and management services has an entitlement to Lifecycle Gainshare revenue in accordance with the payment terms of the Services Contract, which outlines the basis of calculation and payment conditions. Revenue is recognised when it is considered reasonably certain that right over payment is established.

1.21 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.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.22 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.

1.23 Other operating income

Included in other operating income are revenues not directly attributable to the main contracted deliverables of the Group.

1.24 Expenses

Operating lease

The Group enters into operating leases as described in note 26. 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.

Interest receivable, Interest payable, similar income and charges

Interest payable and similar charges include borrowing costs are expensed as incurred.

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.

1.25 Exceptional items

Exceptional items are transactions that do not fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

1.26 Dividend income

Dividend income is recognised in the profit and loss account under Income from shares in Group undertakings on the date the entity's right to receive payments is established.

1.27 Dividend paid

Dividends are recognised as a liability in the Group's financial statements in the period in which they are declared but not paid.

Notes to the Consolidated Financial Statements *(continued)*

1 Accounting policies *(continued)*

1.28 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.

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 a payment.

1.29 Critical accounting assumptions and estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- Going concern (for details of assumptions adopted see note 1.2)
- Useful life and impairment of tangible assets (for details of assumptions adopted and see notes 1.9 and 1.11)
- Estimated amount of contingent consideration on business combination (for details of assumptions adopted see note 1.10)
- Impairment loss on financial and non-financial assets (for details of assumptions adopted see note 1.14)
- Determining the fair value of share-based payments on grant date (for details of assumptions adopted see note 1.17)
- Valuation of post-employment benefit obligation (for details of assumptions adopted see note 1.17)
- Provisions (for details of assumptions adopted see note 1.18)

Notes to the Consolidated Financial Statements (continued)**1 Accounting policies (continued)****1.29 Critical accounting assumptions and estimates (continued)**

- Project revenues, costs and profits on the contracts, including recognition of estimated losses on uncompleted contracts and Lifecycle Gainshare revenue (for details of assumptions adopted see note 1.20)
- Distinction between operating and finance leases (for details of assumptions adopted see note 1.24)
- Deferred tax (for details of assumptions adopted see note 1.28)

2 Business combinations**VIMA Group**

On 2 August 2022, the Group acquired 100% share of VIMA Group Holdings Limited ("VIMA Group") for total consideration of £64,196,000. VIMA Group supports clients by delivering solutions across a number of large-scale, high priority transformation programs that ensure availability of effective digital and information technology as guided by the UK's Digital Strategy for Defence. VIMA Group is a trusted advisor and a top-five supplier to Defence Digital and Navy Digital – both organizations within the UK Ministry of Defence with a number of highly strategic, fast-growing programs.. The management have estimated the useful life of the goodwill of £59,460,402 to be 10 years. Backlog revenue estimated at £1,952,000 is being amortised in line with expected profits.

The acquired VIMA Group business contributed £7,470,000 of revenue and £1,661,000 of loss after taxation during the year ended 31 December 2022.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book values £000	Adjustments £000	Fair value £000
Tangible assets (note 13)	264		264
Intangible assets (note 12)	40	1,952	1,992
Cash at bank	1,670		1,670
Debtors	3,389		3,389
Creditors	(2,191)		(2,191)
Deferred tax assets/(liabilities)		(388)	(388)
	3,172	1,564	4,736

Consideration paid

Cash	61,696
Contingent consideration	2,500
	64,196

Goodwill on acquisition

Goodwill	59,460
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Net cash acquired

Net cash paid	60,026
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Notes to the Consolidated Financial Statements *(continued)*

3 Turnover

	2022 £000	2021 £000
By type of service:		
Rendering of services	723,288	599,362
Construction services	32,859	41,984
	<u>756,147</u>	<u>641,346</u>
By activity:		
Government Solutions	564,513	477,056
Sustainable Technology Solutions	191,634	164,290
	<u>756,147</u>	<u>641,346</u>
By geographical market:		
United Kingdom	506,199	359,858
Rest of Europe	36,605	58,964
Middle and Far East	189,677	176,339
Rest of World	23,666	46,185
	<u>756,147</u>	<u>641,346</u>

4 Expenses and auditor's remuneration

Group operating profit is arrived after charging (crediting) the following amounts:

	2022 £000	2021 £000
Depreciation of tangible assets (note 13)	3,382	2,373
Staff costs (note 5)	253,770	205,244
Amortisation of intangible assets (note 12)	49,547	19,384
Gain on sale of fixed assets	(108)	—
Defined benefit plan expense (note 24)	7,133	9,310
Defined contribution plan expense	13,703	12,099
Equity settled share-based payment expense (note 24)	1,275	1,958
Operating lease rentals	9,790	8,562
Auditor remuneration - audit of these financial statements (company £36,547, 2021: £36,335)	1,256	1,038
Loss/(gain) on foreign exchange	8,816	(606)
Debtors impairment charge /(reversal), net	<u>1,450</u>	<u>(2,397)</u>

5 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 2022	2021
Operations	2,504	2,238
Administration	1,078	1,002
	<u>3,582</u>	<u>3,240</u>

Notes to the Consolidated Financial Statements *(continued)*

5 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	210,151	170,172
Share based payments expense	1,275	1,958
Social security costs	28,641	20,976
Contributions to defined contribution plans	13,703	12,099
Termination benefits	—	39
	<u>253,770</u>	<u>205,244</u>

In addition to the above, the average number of persons working under contracts for services within the Group was 283 (2021: 174).

6 Directors' remuneration

	2022	2021
	£000	£000
Directors' remuneration	1,148	698
Company contributions to money purchase pension plans	2	113
	<u>1,150</u>	<u>811</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £1,036,174 (2021: £697,947), and Company pension contributions of £2,200 (2021: £112,951) were made to a money purchase scheme on his behalf. During the year, the highest paid director exercised £nil (2021: £nil) share options and received no shares (2021: no shares) under a long-term incentive scheme.

7 Other Director Information

	2022	2021
	Number of directors	Number of directors
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
Defined benefit schemes	—	1
The number of directors who exercised share options was	—	—
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	—	—

8 Interest receivable and similar income

	2022	2021
	£000	£000
Interest from affiliated undertakings	34,800	22,764
Interest from participating interests	9,245	9,245
Interest on cash and cash equivalents	4,796	4,003
Net finance costs in respect of defined benefit pension plan (note 24)	19	2
Other interest receivable and similar income	2	145
	<u>48,862</u>	<u>36,159</u>

Affiliated undertakings include members of the KBR, Inc. Group and undertakings in which the Group has participating interest. Certain balances owed by affiliated undertakings and undertakings in which the Group has

Notes to the Consolidated Financial Statements *(continued)*

8 Interest receivable and similar income *(continued)*

participating interest bear interest. Detail of the balances, applicable interest rates and associate interest charges is provided in note 16.

9 Interest payable and similar charges

	2022	2021
	£000	£000
Interest on bank loans and overdrafts	7,460	2,233
Interest payable to affiliated undertakings	2,681	2,426
Net finance costs in respect of defined benefit pension plan (note 24)	735	3,438
Loss on financial instruments	13	—
Other interest and finance costs	84	553
	<u>10,973</u>	<u>8,650</u>

Certain balances owed to affiliated undertakings and bank loans/overdrafts bear interest. Detail of the balances, applicable interest rates and associate interest charges are provided in note 18 and 19.

10 Exceptional items

	2022	2021
	£000	£000
Projects impairment - Russia sanctions	—	4,292
Restructuring reversal net (note 21)	(399)	(1,179)
Restructuring costs	138	—
Onerous lease reversal net (note 21)	(2,202)	(2,259)
Liquidated damages reversal net	—	(949)
Investment impairment charge, net	—	14,290
	<u>(2,463)</u>	<u>14,195</u>

During 2023, the Alpha and Beta leased buildings were refurbished with the intention of being brought back into use due to increased scope of work.

11 Taxation

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

	2022		2021
	£000	£000	£000
Current tax:			
Corporation tax for the current year	11,112		2,241
Adjustments in respect of prior years	293		826
Double tax relief	(1)		4
Foreign current tax expense	3,156		4,712
Paid group relief	144		—
Adjustments to foreign tax in respect of prior years	3		76
Total current tax	<u>14,707</u>		<u>7,859</u>

Notes to the Consolidated Financial Statements (continued)

11 Taxation (continued)

Deferred tax (see note 20):

Origination and reversal of timing differences	17,839	46,527
Change in tax rate	—	(8,797)
Adjustments to deferred taxation in respect of prior years	1,506	(92)
Total deferred tax	<u>19,345</u>	<u>37,638</u>
Total tax charge	<u>34,052</u>	<u>45,497</u>

	2022			2021		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	24,625	49	24,674	11,880	4,273	16,153
Recognised in other comprehensive income	(9,918)	19,296	9,378	(4,021)	33,365	29,344
Total tax	<u>14,707</u>	<u>19,345</u>	<u>34,052</u>	<u>7,859</u>	<u>37,638</u>	<u>45,497</u>

Reconciliation of tax

	2022	2021
	£000	£000
Profit after taxation	83,072	12,830
Tax on profit on ordinary activities	24,674	16,153
Profit before taxation	<u>107,746</u>	<u>28,983</u>
Tax using the UK corporation tax rate of 19% (2021: 19%)	20,472	5,507
Group's share of profit in joint ventures	(3,842)	(1,899)
Effect of tax rates in foreign jurisdictions	2,607	2,524
Intangibles amortisation	4,668	177
Rate difference between current and deferred tax	(479)	(534)
Investment impairment	—	2,715
Rate change on deferred tax balances	—	6,944
Allowance for uncertain tax position	1,926	—
Income not recognised for tax	(7,636)	(2,046)
Foreign branch exemption adjustments	(381)	83
Group relief surrendered/(claimed) for nil consideration	1,560	(1,293)
Other non-deductible expenses	1,141	793
Share based payments	(1,224)	26
Under provision in prior years	1,802	980
Deferred tax on movement in pension deficit	4,037	2,176
Tax losses not recognised	23	—
Total tax expense included in profit or loss	<u>24,674</u>	<u>16,153</u>

For the years ended 31 December 2022 and 31 December 2021, 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 net liabilities position where losses are surrendered in exchange for a payment.

Notes to the Consolidated Financial Statements (continued)**11 Taxation (continued)****Factors that may affect future tax expense**

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12 Intangible assets**Intangible assets - Group**

	Technology £000	Software £000	Client contracts £000	Other intangible assets total £000	Goodwill £000	Negative goodwill £000	Total £000
Cost							
At 1 January 2022	31,268	11,448	239,206	281,922	370,949	(23,052)	629,819
Additions during the year	—	606	—	606	—	—	606
Additions through business combination (note 2)	—	40	1,952	1,992	59,460	—	61,452
Foreign exchange adjustments	597	—	—	597	687	—	1,284
At 31 December 2022	31,865	12,094	241,158	285,117	431,096	(23,052)	693,161
Amortisation							
At 1 January 2022	14,810	3,172	42,422	60,404	151,424	(1,942)	209,886
Charge for the year	2,034	1,607	22,128	25,769	24,889	(1,111)	49,547
Foreign exchange adjustments	553	—	—	553	687	—	1,240
At 31 December 2022	17,397	4,779	64,550	86,726	177,000	(3,053)	260,673
Carrying amount							
At 31 December 2021	16,458	8,276	196,784	221,518	219,525	(21,110)	419,933
At 31 December 2022	14,468	7,315	176,608	198,391	254,096	(19,999)	432,488

The intangibles balance for technology relates to VEBA Combination Cracking licences (VCC). The Group acquired the rights to sell licenses to use this technology to third parties. The technology is being amortised in equal annual instalments over 25 years. Technology also includes an exclusivity fee of £5,000,000 to Mura Technology Limited.

The software is made up of an invoice approval system, ERP system and Costpoint software.

Client Contracts relate to the 2018 Aspire Defence business combination and 2021 Frazer-Nash and Harmonic business combinations. Additions during 2022 relate to the business combination of VIMA Group, see note 2.

In previous years, the Group recorded goodwill on business combinations with KBR Greenford (MWK) Limited (£104,410,000), Aspire Defence Services Limited (£19,349,000) and Granherne International Holdings Limited (£9,321,000). In 2021 the Group acquired the Frazer-Nash and Harmonic businesses and recorded goodwill of

Notes to the Consolidated Financial Statements *(continued)*

12 Intangible assets *(continued)*

Intangible assets - Group *(continued)*

£224,115,000. In 2022, the Group acquired VIMA Group Holdings Limited and recorded goodwill of £59,460,000 (see note 2)

The remaining goodwill balance of £14,641,000 relates to various other investments in Group companies which is fully amortised together with accumulated foreign exchange differences of £887,000.

Negative goodwill relates to acquisition of the Aspire services and construction businesses (£22,945,000) and Kellogg Brown & Root GmbH business acquisition (£107,000).

Amortisation and impairment charge

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

	2022	2021
	£000	£000
Administrative expenses	49,547	19,384

Negative goodwill of £107,000 arising on the acquisition of Kellogg Brown & Root GmbH was fully amortised on acquisition as it arose on an intra-group acquisition and is presumed to have no useful economic life.

Negative goodwill of £22,945,000 arising on the business acquisition of the Aspire Services and Construction business is amortised over the period of 278 months and 48 months respectively (now fully amortised).

Intangible assets - Company

The Company has no intangible assets (2021: £nil).

Notes to the Consolidated Financial Statements *(continued)*

13 Tangible assets

Tangible assets - Group

	Land & buildings freehold £000	Land & buildings leasehold £000	Machinery, equipment & vehicles £000	Fixed assets under construction £000	Total £000
Cost					
At 1 January 2022	57,269	9,636	25,284	—	92,189
Additions during the year	—	330	4,802	451	5,583
Disposals	(147)	(440)	(2,604)	—	(3,191)
Effect of movements in foreign exchange	—	796	795	—	1,591
Additions through business combination	—	—	264	—	264
At 31 December 2022	57,122	10,322	28,541	451	96,436
Depreciation					
At 1 January 2022	6,984	8,848	20,960	—	36,792
Charge for the year	972	347	2,063	—	3,382
Disposals	(147)	(440)	(2,604)	—	(3,191)
Effect of movements in foreign exchange	—	772	680	—	1,452
At 31 December 2022	7,809	9,527	21,099	—	38,435
Carrying amount					
At 31 December 2021	50,285	788	4,324	—	55,397
At 31 December 2022	49,313	795	7,442	451	58,001

Tangible assets - Company

The Company has no tangible assets (2021: £nil).

Notes to the Consolidated Financial Statements *(continued)*

14 Investments

Investments – Group

	Interests in Joint Ventures £000	Other investments £000	Total £000
Cost/Valuation			
At 1 January 2022	7,338	7,621	14,959
Additions during the year	—	48,000	48,000
Fair value gain	—	13,059	13,059
Disposals	(6,464)	—	(6,464)
At 31 December 2022	874	68,680	69,554
Share of post acquisition reserves			
At 1 January 2022	33,235	—	33,235
Retained profits less losses	20,669	—	20,669
Other comprehensive income	433	—	433
Impairment (net of tax)	17,001	—	17,001
Disposal	(23,604)	—	(23,604)
Distributions	(9,969)	—	(9,969)
At 31 December 2022	37,765	—	37,765
Carrying amount/Valuation			
At 31 December 2021	40,573	7,621	48,194
At 31 December 2022	38,639	68,680	107,319

On 1 June 2022, the group entered into a second investment agreement relating to Mura Technology Limited, and subscribed to a further 260,600 shares at £184.19 per share. During the year this investment was re-valued by £13,059,000 to £68,680,000.

On 22 February 2022, the group sold its 25% of the shares of Road Management Group Limited for £14,896,525.

On 13 April 2022, the group sold its 25% of the shares of Road Management Services (Darrington) Holdings Limited for £27,300,000.

The profit to the group on sale of Road Management Group Limited was £178,674 and Road Management Services (Darrington) Holdings Limited was £17,469,234.

Notes to the Consolidated Financial Statements (continued)

14 Investments (continued)

Investments – Company

	Shares in group undertakings £000
Cost	
At 1 January 2022	458,236
At 31 December 2022	<u>458,236</u>

15 Stocks

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
		Restated		
Stocks	185	295	—	—
Goods in transit	—	61	—	—
	<u>185</u>	<u>356</u>	<u>—</u>	<u>—</u>

16 Debtors

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade debtors	72,722	78,819	—	—
Amounts recoverable on long term contracts	51,177	26,035	—	—
Amounts owed by affiliated undertakings	929,712	1,032,493	1	1
Amounts owed by undertakings in which the Group/Company has a participating interest	82,815	101,721	—	—
Corporation tax	7,653	12,390	—	—
Overseas tax	137	—	—	—
Other debtors	3,991	10,052	—	—
Prepayments and accrued income	16,000	13,629	—	—
Deferred tax asset (see note 20)	13,043	27,297	—	—
Derivative financial assets	210	2	—	—
	<u>1,177,460</u>	<u>1,302,438</u>	<u>1</u>	<u>1</u>

Included within amounts owed by affiliated undertakings are the following:

- £406,559,528 (2021: £332,461,811) due from Kellogg Brown & Root International Group Limited including £348,701,764 under the promissory note bearing one month LIBOR plus 3% interest (in current and prior year), guaranteed by KBR, Inc. and repayable on demand with interest recognised in the income statement amounting to £17,191,115 (2021: £10,494,583).
- £196,205,036 (2021: £189,017,627) due from Kellogg Brown & Root International Group Limited under a promissory note bearing one month LIBOR plus 3% interest (in current and prior year), guaranteed by KBR, Inc. and repayable on demand with interest recognised in the income statement amounting to £8,515,829 (2021: £5,678,216).

Notes to the Consolidated Financial Statements *(continued)*

16 Debtors *(continued)*

- £199,412,477 (2021: £322,400,483) due from Kellogg Brown & Root LLC, relating to a USD deposit account facility, bearing one month USD LIBOR plus 2% interest (in current and prior year), repayable in whole or in part upon two U.S. banking days notice to depositor or such shorter period as agreed from time to time by depositor and borrower. Interest recognised in Income Statement amounted to £10,810,994 (2021: £3,561,333).
- £70,314,265 (2021: £75,101,898) due from various KBR, Inc. Group companies bearing interest ranging from 1.5% to 5.625% (2021: 1.5% to 1.875%), are unsecured and repayable on demand.

All other amounts owed by affiliated undertakings are non-interest bearing, unsecured and repayable on demand.

Amounts owed by undertakings in which the Group has a participating interest include the following interest bearing balances:

- £5,623,000 due from Road Management Services (A13) Holdings Limited (2021: £5,623,000) which bears interest at 10% per annum (in current and prior year) and will be repaid as and when there are sufficient funds available. Interest recognised in Income Statement amounted to £562,250 (2021: £562,250). These amounts have been impaired in the financial statements.
- £906,000 due from Fasttrax Holdings Limited (2021: £1,209,000) which bears interest at 16% (in current and prior year) and is repayable by 6 monthly instalments to March 2025. Interest recognised in Income Statement amounted to £172,964 (2021: £237,888).
- £6,700,000 due from Affinity Flying Training Services Limited (2021: £8,936,000) which bears interest at 12% per annum (in current and prior year) and is repayable by semi-annual instalments to 30 September 2023. Interest recognised in Income Statement amounted to £965,000 (2021: £1,229,620).
- £45,452,000 due from Aspire Defence Finance plc (2021: £47,225,543) which bears interest at 12% per annum (in current and prior year). Interest is payable half yearly in March and September and capital is repayable on a scheduled basis between 2015 and 2034, subject to the achievement of certain financial tests. £42,184,000 (2021: £44,118,000) of the total balance is presented as due after more than one year. Interest recognised in Income Statement amounted to £5,450,000 (2021: £5,593,419).

Remaining balances are non-interest bearing, unsecured and repayable on demand.

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

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Deferred tax asset (see note 20)	13,043	27,297	—	—
Amounts owed by undertakings in which the company has a participating interest	42,184	44,118	—	—
	<u>55,227</u>	<u>71,415</u>	<u>—</u>	<u>—</u>

17 Cash and cash equivalents

	Group	
	2022	2021
	£000	£000
Cash at bank and in hand	228,702	317,846
Cash and cash equivalents per cash flow statement	<u>228,702</u>	<u>317,846</u>

Notes to the Consolidated Financial Statements *(continued)*

18 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
		Restated		
Bank loans (note 19 (a))	3,101	3,081	—	—
Payments received on account for contract work	36,732	46,315	—	—
Trade creditors	24,738	20,466	—	—
Amounts owed to affiliated undertakings	98,197	204,426	9,613	9,887
Amounts owed to undertakings in which the Group has a participating interest	537	—	—	—
Taxation and social security	5,144	5,681	—	—
Other creditors	3,128	2,548	—	—
Accruals and deferred income	57,818	77,625	—	—
VAT	10,043	9,717	—	—
Corporation tax	2,295	2,473	—	—
Overseas tax	3,407	2,611	—	—
Derivative financial liabilities (note 23)	—	19	—	—
	245,140	374,962	9,613	9,887

Group

Included within amounts owed to affiliated undertakings are the following:

- £23,731,410 (2021: £126,376,191) due to Technical Staffing Resources Limited bearing interest ranging from 1.875% to 5.125% (2021: 1.625% to 1.875%), are unsecured and repayable on demand. Interest recognised in Income statement amounted to £2,392,345 (2021: £1,965,041).
- £12,531,956 (2021: £11,488,201) due to Laurel Financial Services BV bearing interest ranging from 0.75% to 1.625% (2021: 0.25% to 0.75%), are unsecured and repayable on demand. Interest recognised in Income statement amounted to £420,967 (2021: £460,484).

All other amounts owed to affiliated undertakings are non-interest bearing, unsecured and repayable on demand.

Amounts owed to undertakings in which the Group has participating interest are non-interest bearing, unsecured and repayable on demand.

Bank loans balance is discussed in note 19.

Company

Amounts owed to affiliated undertakings are non-interest bearing, unsecured and repayable on demand.

19 Creditors: amounts falling due after one year

	Group	
	2022	2021
	£000	£000
Bank loans (a)	115,696	195,912
Accruals and deferred income (b)	5,987	6,955
Amounts owed to group undertakings (c)	9,233	6,671
Other creditors	31	384
Post retirement benefits	5,713	4,670
	136,660	214,592

Notes to the Consolidated Financial Statements *(continued)*

19 Creditors: amounts falling due after one year *(continued)*

- a. During 2021 the company entered into a loan agreement with the Bank of America N.A. The balance of the loan at 31 December 2022 was £118,797,000 (2021: £198,993,000), of which £3,101,000 is presented in Creditors: amounts falling due within one year, note 18. The loan is denominated in GBP and matures in November 2026. The interest rates are based on Sterling Overnight Index Average (SONIA) with an average rate charged in 2022 of 3.14% (2021: 1.9458%).

The undrawn amount (at KBR, Inc. group level, whereby the company is a designated borrower) was \$693.4m at 31 December 2022 (2021: \$£592.6m). No collateral has been provided by the company, the loan is secured at KBR, Inc. group level.

- b. Included within accruals and deferred income are amounts due by installments after five years of £4,131,000 (2021: £4,528,000). These are bid costs to be released monthly over the remaining life of the contract, between 6-13 years.
- c. Amounts owed to Laurel Financial Services B.V. amounting to £9,233,083 (2021: £6,670,905) bear interest at LIBOR plus 2.5% (in current and prior year) with effect from 1 January 2021, prior to that the interest rate was fixed at 6% per annum. There is no fixed repayment schedule. The loan is fully repayable by 2029.

The Company had no creditor amounts falling due after more than one year at 31 December 2022 (2021 : £nil).

20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Group	
	2022	2021
	£000	£000
Accelerated capital allowances	857	1,420
Defined benefit pension liability	(8,985)	14,459
Intangibles on business combination	(44,545)	(48,146)
Others, net	9,974	9,226
Net deferred tax (liabilities)/assets	(42,699)	(23,041)
Deferred tax in debtors (note 16)	13,043	27,297
Deferred tax in provisions (note 21)	(55,742)	(50,338)
	(42,699)	(23,041)

The Company did not have any deferred tax assets or liabilities as at 31 December 2022 (2021 : £nil).

21 Provisions

Group	Restructuring provision	Deferred tax liability (note 20)	Warranty provision	Gainshare provision	Provision for joint venture losses	Onerous leases	Other provisions	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2022	399	50,338	28,499	45,769	1,533	3,980	7,367	137,885
Provisions made during the year	—	8,308	1,770	2,939	449	—	2,637	16,103
Provisions used during the year	—	—	(3,680)	—	—	(1,280)	(1,531)	(6,491)
Provisions reversed during the year	(399)	(2,995)	—	—	—	(2,202)	(142)	(5,738)
Provision exchange differences	—	91	—	—	199	—	(407)	(117)
Balance at 31 December 2022	—	55,742	26,589	48,708	2,181	498	7,924	141,642

Notes to the Consolidated Financial Statements *(continued)*

21 Provisions *(continued)*

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.

During 2023, the Alpha and Beta leased buildings were refurbished with the intention of being brought back into use due to increased scope of work. As such the onerous lease provision was reversed.

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 ABP (2016 to 2022) and as such the defect liability periods end in 2025 and 2034 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 rectification by ADCW. The warranty provision for the PAC assets is calculated based on the estimated cost of rectifying the PAC asset defects identified during the Project Silk surveys carried out to date. The ABP provision is calculated by deriving the % of the PAC provision compared to the PAC contract cost (excluding the fire cavity barriers) and then applied that % to the ABP contract costs incurred to date to build up an overall warranty provision which is slightly adjusted based on management experience on relevant basis.

The warranty provision value is built up using best estimates of probable defect rectification costs utilising information known as at 31 December 2022. 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.

During the year ended 2022, the provision was increased by £11.2 million due to new information obtained on Fire Cavity Barriers (£9.5 million), a revised out turn cost of Riser remediation (£0.6 million), Project Saracen (£0.8 million) and Jellalabad remediation (£0.3 million). In the period £2.0 million of the provision held for warranty (Silk) against the PAC assets was utilised due to planned rectification works being carried out across the estate. At the end of 31 December 2022, the PAC provision held was £20.8 million and the ABP warranty provision was £5.8 million. A reduction in the year has been caused by a recalculation of the provision. Previously, the ABP warranty provision had been calculated by taking the PAC provision as a percentage of the overall PAC cost. However, the 2021 PAC provision included fire cavity barriers (FCBs) at a value that was significantly increased during 2022. As the ABP build programme reflected a different construction approach we tested a significant sample of the building population and finding no evidence of missing FCBs, the Board agreed that these should be excluded from the ABP warranty calculation. So when removing the fire cavity barriers from the overall provision calculation, it resulted in a reduction of £1.7 million in the year.

Gainshare provision

ABP includes a gainshare clause with the customer, whereby savings made on the contract are shared with the customer. Management makes 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 2022, the provision has increased by £2.9 million because of improvements in the expected out-turn position.

Notes to the Consolidated Financial Statements *(continued)*

21 Provisions *(continued)*

Provision for joint venture losses

This provision is recognised when the Group's share of accumulated results of a joint venture is negative and a group company has a probable obligation to contribute its share among the other joint venture partners to enable the joint venture to meet its working capital needs.

Other provisions

Included within other provisions is dilapidation provision and provision for retirement benefits. Dilapidation provision relates to certain office buildings leased by the Group, where there is a requirement to reinstate the property to its prior condition. The provisions will be fully utilised when the final lease expires during the year ending 31 March 2026.

The Company did not have any provisions as at 31 December 2022 (2021 : £nil).

22 Equity

Called up share capital

	2022	2021
	£000	£000
<i>Authorised</i>		
60,000 ordinary shares of £0.01 each	600	600
<i>Issued, allotted, called-up and fully paid</i>		
10,300 (2021: 10,300) ordinary shares of £0.01 each	103	103

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 amount received for 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 and business acquisitions.

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 reserve - 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 was created when KBR, Inc.'s shares were awarded to the Group's employee for no consideration.

Foreign exchange translation reserve - 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 net of the Group distributions made to the shareholder.

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 30 to 33.

Notes to the Consolidated Financial Statements *(continued)*

23 Financial instruments

Carrying amounts of financial assets and liabilities include:

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Assets measured at fair value through profit or loss	210	2	—	—
Assets measured at amortised cost	1,136,427	1,239,068	1	1
Liabilities measured at fair value through profit or loss	—	(19)	—	—
Liabilities measured at amortised cost	<u>(288,234)</u>	<u>(476,871)</u>	<u>(9,613)</u>	<u>(9,889)</u>

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.

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 Section 12.29(a) for the cash flow hedge accounting models:

2022	Carrying amount £000	Expected cash flows £000	1 year or less £000	1-2 years £000	2-5 years £000
Forward exchange contracts					
Assets	210	—	—	—	—
Liabilities	—	(5,017)	(2,815)	(2,202)	—
Total	<u>210</u>	<u>(5,017)</u>	<u>(2,815)</u>	<u>(2,202)</u>	<u>—</u>

2021	Carrying amount £000	Expected cash flows £000	1 year or less £000	1-2 years £000	2-5 years £000
Forward exchange contracts					
Assets	2	(1,112)	(1,112)	—	—
Liabilities	(19)	(5,017)	—	(2,815)	(2,202)
Total	<u>(17)</u>	<u>(6,129)</u>	<u>(1,112)</u>	<u>(2,815)</u>	<u>(2,202)</u>

The Group 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 year ended 31 December 2022, a net loss of £nil (2021: loss of £nil) 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 gain of £228,000 (2021: £18,000 loss). The amount reclassified from equity to profit and loss for the year is a loss of £nil (2021: £109,000 loss).

24 Employee benefits

Pension commitments

The Group operates a number of pension schemes. The major schemes being both defined contribution and defined benefit, with assets held in separate trustee administered funds.

Notes to the Consolidated Financial Statements *(continued)*

24 Employee benefits *(continued)*

Defined benefit plan

	2022	2021
	£000	£000
Kellogg Brown & Root (U.K.) Limited Scheme (a)	35,939	(58,497)
Aspire Defence Services Limited Scheme (b)	(609)	659
	<u>35,330</u>	<u>(57,838)</u>

a. Kellogg Brown & Root (U.K.) Limited Scheme

Kellogg Brown & Root (U.K.) Limited ("the sponsoring company") operates a funded pension scheme providing a variety of benefits for different categories of membership.

Defined contribution plans

The amount recognised in the sponsoring company's profit or loss as an expense in relation to defined contribution plans was £6,207,000 (2021: £5,802,000). There is an accrual of £541,662 (2021: £184) included in the statement of financial position relating to the plan at the year end.

Defined benefit plans

The company operates a funded pension scheme providing a variety of benefits for different categories of membership. Up to 31 March 2005 the majority of the benefit was held in defined benefit (the "Defined Benefit Scheme") with some benefit held in defined contribution (the "Defined Contribution Scheme").

From 1 April 2005, the "Defined Benefit Scheme" was closed to future accrual. Instead employees were given the option to contribute to the "Defined Contribution Scheme". The benefit now held in the "Defined Benefit" fund is frozen and is increased annually in line with inflation.

The assets of the Plan are held separately from those of the company.

The defined benefit pension plan of the company is jointly guaranteed by Kellogg Brown & Root Holdings Limited (Principal Guarantor), Kellogg Brown & Root Holdings (U.K.) Limited (First Additional Guarantor) and Kellogg Brown & Root Limited (Second Additional Guarantor).

A full actuarial valuation was carried out as at 31 March 2021 and updated to 31 December 2022 by a qualified independent actuary.

The statement of financial position net defined benefit asset/(liability) is determined as follows:

	2022	2021
	£000	£000
Present value of defined benefit obligations	(1,000,192)	(1,530,600)
Fair value of plan assets	1,036,131	1,472,103
	<u>35,939</u>	<u>(58,497)</u>

Changes in the present value of the defined benefit obligations are as follows:

	2022	2021
	£000	£000
At 1 January 2022	1,530,600	1,694,786
Current service costs	425	430
Interest expense	27,110	23,347

Notes to the Consolidated Financial Statements *(continued)*

24 Employee benefits *(continued)*

	2022	2021
	£000	£000
Benefits paid	(49,024)	(53,863)
Insurance premiums for risk benefits	(425)	(430)
Re-measurements:		
Actuarial gains and losses	(508,494)	(133,670)
At 31 December 2022	<u>1,000,192</u>	<u>1,530,600</u>

Changes in the fair value of plan assets are as follows:

	2022	2021
	£000	£000
At 1 January 2022	1,472,103	1,432,434
Interest income	26,375	19,909
Benefits paid	(49,024)	(53,863)
Contributions by employer	61,900	33,003
Administrative expenses paid from plan assets	(4,921)	(4,342)
Insurance premiums for risk benefits	(425)	(430)
Re-Measurements:		
Return on plan assets, excluding amount included in interest income	(469,877)	45,392
At 31 December 2022	<u>1,036,131</u>	<u>1,472,103</u>

The total costs for the year in relation to defined benefit plans are as follows:

	2022	2021
	£000	£000
Recognised in profit or loss:		
Current service cost	425	430
Net interest expense	735	3,438
Administrative expenses paid from plan assets	4,921	4,342
	<u>6,081</u>	<u>8,210</u>

	2022	2021
	£000	£000
Recognised in other comprehensive income:		
Re-measurement of the net liability:		
Actuarial gains and losses	508,494	133,670
(Loss)/ return on plan assets, excluding amounts included in net interest	(469,877)	45,392
	<u>38,617</u>	<u>179,062</u>

The fair value of the major categories of plan assets are as follows:

	2022	2021
	£000	£000
Equity instruments	49,100	341,800
Debt instruments	544,400	601,700
Property	115,800	145,100
Cash and cash equivalents	113,700	22,440
Other assets including government bonds and insured annuities	213,131	361,063
	<u>1,036,131</u>	<u>1,472,103</u>

Notes to the Consolidated Financial Statements *(continued)*

24 Employee benefits *(continued)*

The return on plan assets are as follows:

	2022	2021
	£000	£000
(Loss) /return on assets of benefit plan	<u>(443,502)</u>	<u>65,301</u>

The principal actuarial assumptions as at the statement of financial position date were:

	2022	2021
	%	%
Discount rate	5.00	1.80
Expected rate of increase in pensions	3.00	3.25
Inflation assumption	<u>3.20</u>	<u>3.40</u>

For the defined benefit scheme, the assumed life expectancy is as follows:

	2022	2021
	Years	Years
Member aged 65 (current life expectancy)		
Male	22.3	22.3
Female	24.3	24.3
Member aged 40 (life expectancy at 65)		
Male	23.5	23.4
Female	<u>25.6</u>	<u>25.5</u>

b. Aspire Defence Services Limited Scheme

Aspire Defence Services Limited operates a Federated defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £1,868,850 (2021: £1,643,927). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The Company 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 2022 by a qualified independent actuary, the valuation determined that additional funding contributions of £46k per annum are required for the next 3 years (2023, 2024 and 2025). Regular contributions are set at 62%

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

The estimated GMP (guaranteed minimum pension) 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 plan for which the Company is the sponsoring employer throughout the periods shown.

Notes to the Consolidated Financial Statements *(continued)*

24 Employee benefits *(continued)*

Net pension (liability)/asset

	2022	2021
	£000	£000
Defined benefit obligation	(13,937)	(22,350)
Plan assets	13,328	23,009
Net pension (liability)/asset	<u>(609)</u>	<u>659</u>

Movements in present value of defined benefit obligation

	2022	2021
	£000	£000
At 1 January	22,350	21,908
Current service cost	981	1,025
Expenses	90	77
Interest expense	397	313
Actuarial (gains)/losses	(9,213)	(375)
Contributions by members	46	53
Benefits paid	(714)	(651)
At 31 December	<u>13,937</u>	<u>22,350</u>

▪ *Movements in fair value of plan assets*

	2022	2021
	£000	£000
At 1 January	23,009	21,598
Interest income	416	315
Contributions by employer	887	874
Contributions by members	46	53
Benefits paid	(714)	(651)
Actuarial (losses)/gains	(10,316)	820
At 31 December	<u>13,328</u>	<u>23,009</u>

The return on plan assets amounted to a loss of £10,316,000 (2021: £820,000 gain).

▪ *Expense recognised in the profit and loss account*

	2022	2021
	£000	£000
Current service cost	981	1,025
Expenses	90	77
Net interest receivable on net defined benefit liability	(19)	(2)
	<u>1,052</u>	<u>1,100</u>

Notes to the Consolidated Financial Statements *(continued)*

24 Employee benefits *(continued)*

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

	2022	2021
	Fair value	Fair value
	£000	£000
Equities	5,679	9,617
Corporate bonds	4,304	8,571
Liability driven investment	3,279	4,725
Cash and cash equivalents	66	96
	<u>13,328</u>	<u>23,009</u>

The return on plans assets amounted to a loss of £10,316k, (2021: £820k gain).

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

	2022	2021
	%	%
Discount rate	4.95	1.80
Future salary increases	2.50	2.50
Inflation (RPI)	<u>3.20</u>	<u>3.35</u>

Last full actuarial valuation was performed as at 5 April 2022. 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 2022, 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), 29.5 years (female).

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.

Notes to the Consolidated Financial Statements *(continued)*

24 Employee benefits *(continued)*

KBR employees participate in the share based payment scheme, which is considered to be a benefit to Company employees, and therefore Kellogg Brown & Root Holdings 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 2022 or 2021 and no Halliburton options granted to KBR employees in 2022 or 2021. Subsequent to our separation from Halliburton and as of 31 December 2022, 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:

- 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

Notes to the Consolidated Financial Statements (continued)

24 Employee benefits (continued)

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 24 February 2022, 5th May 2022, 15 June 2022, 19 June 2022. 4 August 2022	Equity	38,648	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
	2022	2022	2021	2021
Non-vested shares at the beginning of the year	23.40	176,425	19.93	200,042
Forfeited during the year	31.83	(2,600)	25.31	(12,862)
Vested during the year	19.07	(91,455)	20.24	(62,430)
Granted during the year	47.70	38,648	33.57	51,480
Transfers to /(from) KBRUKL*	(9.84)	4,484	17.13	195
Non-vested shares at the end of the year	32.67	125,502	23.40	176,425

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

Stock Options

	Weighted average exercise price per share (\$)	Number of options	Weighted average exercise price per share (\$)	Number of options
	2022	2022	2021	2021
Outstanding at the beginning of the year	26.69	71,187	28.85	251,413
Exercised during the year	31.35	(26,323)	28.39	(145,605)
Expired during the year	35.14	(3,467)	37.18	(34,621)
Transfers to /(from) KBRUKL*	—	—	—	—
Outstanding at the end of the year	23.01	41,397	26.69	71,187
Exercisable at the end of the year	22.75	16,015	26.68	71,313

Notes to the Consolidated Financial Statements *(continued)*

24 Employee benefits *(continued)*

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

The weighted average fair value of share options granted during the year was \$nil (2021: \$nil)

The options outstanding at the year-end have an exercise price in the range of \$15.05 - \$30.24 (2021: \$15.0-\$35.14) and a weighted average contractual life of 7.63 years (2021: 6.98 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:

	2022	2021
	£000	£000
Total share based payment expense	<u>1,275</u>	<u>1,958</u>

25 Asset backed funding arrangement

On 24 June 2016, KBR Property Holdings LP, a Scottish Limited Partnership ("the Partnership") was created. KBR General Partner Limited is general partner and Kellogg Brown & Root Trustees Limited, the Trustee of the Kellogg Brown & Root (U.K.) Limited's Pension Scheme ("the KBR (U.K.) Pension Scheme") subsidiary of the Company and the Company itself are the limited partners in the Partnership. As such the Partnership is included in the consolidated results of the Group.

The Partnership has taken advantage of the exemptions in the Partnership (Accounts) regulations 2008 not to file separate accounts on this basis.

The terms of the KBR (U.K.) Pension Scheme's interest in the Partnership give the pension scheme obligatory rights to cash returns but insignificant operational control over the Partnership. As such the interest has been classified in the Partnership's accounts as a financial liability and is accounted on a fair value through profit and loss basis.

The Partnership is a beneficial owner of the Leatherhead campus property acquired on 24 June 2016, from KBR Netherlands Investment BV (a KBR, Inc., Group Company) for £53.6m with transfer of the intergroup lease arrangement where the tenant is Kellogg Brown & Root Limited. KBR (U.K.) Pension Scheme is entitled to quarterly distributions supported by lease payments on the property held by the Partnership.

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	Restated
	2022	2021
	£000	£000
Less than one year	3,837	5,203
Between one and five years	4,468	7,357
More than five years	1,000	—
	<u>9,305</u>	<u>12,560</u>

The Group leases certain properties, transportation and general equipment on various non-cancellable operating leases expiring between 2023 and 2025. The rental on such leases in the current year was £7,886,000 (2021: £8,452,000), of which £nil (2021: £nil) was applicable to the Company. The rents payable under these leases are subject to renegotiation at various intervals specified in the lease agreements.

The Company does not have any lease commitments (2021: £nil).

Notes to the Consolidated Financial Statements *(continued)*

27 Commitments

Capital commitments

In April 2023, upon satisfaction of all obligations listed under 'Second Completion' of the MURA Technology Investment Agreement, the group subscribed for a further 173,734 shares at £184.19 per share.

The total subscription monies shall be the total sum required under the MURA agreement and the Company shall not be liable to pay any additional sums or otherwise have any additional liability on completion of all obligations per agreement.

If after the third calendar year from the signing of the Mura Technology Alliance Agreement, the Company's developed Plant Theoretical Capacity (as defined in the agreement) is less than 130 kta, then KBR may elect to pay a fee of £2,000,000 to maintain its exclusivity rights.

On the purchase of VIMA Group during the year the purchase price consisted of cash paid and subject to certain working capital and other closing adjustments, £2,500,000 of contingent consideration which was contingent upon the achievement of certain performance targets from closing through December 31, 2022. As the targets were not met, no consideration was paid.

There were no further capital commitments.

Pension Guarantee

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

Financial Guarantees

As at 31 December 2022, Mitsui Banking Corporation Europe held two fixed charges over the company. The first was in respect of the shares and dividends of the company from Affinity Flying Training Services Limited (AFTSL). This included 50 ordinary shares of £1 each and included all present and future shares and dividends in AFTSL. The second held over the rights, title and interest in a junior loan facility between the Company and Elbit Systems Limited as lenders to AFTSL. The amount secured at year end was £6,569,000. These fixed charges were created on 1 February 2016 and were both satisfied in full on 26 July 2023. While the charges were in place the Company was prohibited from creating further security that would rank equally or ahead of the charge.

One further charge was held at the year end between the company and Fasttrax Limited. The company shall pay on demand to Fasttrax Limited any monies due or become due and discharge any obligation owing to Fasttrax Limited denominated in Sterling or otherwise. The charge was a fixed charge created on 14 December 2001 and was still outstanding at the year end. No monies were payable to Fasttrax Limited at year end.

Notes to the Consolidated Financial Statements *(continued)*

28 Contingencies

The group unsuccessfully bid for a Property Services Integrator Contract to manage the property and estate of The Mayor's Office of Policing and Crime (MOPAC). On 24 November 2022, KBR issued claims against MOPAC challenging the outcome of the Procurement. The Proceedings included, amongst other things, disputed allegations in relation to the Procurement concerning the scoring of bids, transparency and equal treatment. No admission was made by the Parties in relation to any liability of obligation. Following negotiations between the Parties, the dispute was settled and the Company received a payout of £1,100,000. Negotiations were entered into in 2023 and no payout was expected at year end. Therefore this is considered a contingent asset at the balance sheet date.

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.

Parent undertaking Support

Kellogg Brown & Root Holdings (U.K.) Limited acts as a guarantor (First 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 Limited (Second 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 guarantee is split equally between Kellogg Brown & Root Limited (20%) and Kellogg Brown & Root Holdings (U.K.) Limited (20%) with Kellogg Brown & Root Holdings Limited guaranteeing the remaining 60% in accordance with an arrangement reached between these companies.

In addition to this Kellogg Brown & Root Holdings (U.K.) Limited has undertaken to provide financial support to the company to enable it to meet its liabilities as they fall due, for at least twelve months from the date of signing these financial statements.

KBR, Inc. has agreed to guarantee the obligation of the company to make payments to the Kellogg Brown & Root (U.K.) Limited defined benefit pension plan up to the guaranteed amount, so that if the company does not pay its guaranteed obligation KBR, Inc. shall, within two weeks of demand by the Trustees, pay that amount as if it was the principal obligator. The guaranteed amount means the lesser of A, B or C, where:

- A. £250,000,000
- B. the estimated shortfall in the assets of the Plan if the Plan's liabilities were to be secured through buy-out policies with one or more insurers
- C. the greater of (i) the shortfall in the Plan's assets required to meet the Plan's liabilities calculated using the assumptions used in the technical provisions basis set out in the Plan's Statement of Funding Principles except that the pre- and post-retirement discount rate used for that calculation will be equal to gilts plus 25 basis points and (ii) £150,000,000

There is also a further guarantee in the form of a legal charge over the Aspire contract. On insolvency of KBR, Inc. the shares owned by KBR, Inc. in Aspire Defence Services Limited, KBR (U.K.) Investments Limited, KBR (Aspire Construction) Holdings No. 2 Limited, KBR (Aspire Construction Ventures) Holdings No. 2 Limited, KBR (Aspire Services) Holdings No. 2 Limited and KBR (Aspire Services Ventures) Holdings No. 2 Limited would transfer to the Kellogg Brown & Root (U.K.) Limited defined benefit pension plan scheme. The Kellogg Brown & Root (U.K.) Limited defined benefit pension plan scheme will have access to this guarantee for at least 5 years from 14 June 2019.

Notes to the Consolidated Financial Statements *(continued)*

28 Contingencies *(continued)*

Bonds, letters of credit or financial and performance guarantees

In the normal course of business, the Group provides credit enhancements including bonds, letters of credit or financial guarantees in relation to certain projects. 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. Financial guarantees given, which have not been otherwise provided for in the Statement of Financial Position is £ 39,535,000 (2021: £6,627,615).

29 Related parties

The key management personnel of the Company comprise its directors. Details of their remuneration are provided in note 6.

As a subsidiary of KBR, Inc., during the years ended 31 December 2022 and 31 December 2021, the Company has taken advantage of the exemption of section 33 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 2022 are as follows:

Joint ventures of the Group

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) 2022 £000
Fasttrax Limited	Services Rendered	(11,148)
Fasttrax Holdings Limited	Interest Received	(173)
Aspire Defence Limited	Services Rendered	(238,679)
	Services Received	14
Aspire Defence Finance plc	Interest Received	(6,784)
Affinity Flying Training Services Limited	Interest Received	(965)
KBS Maritime Limited	Services Rendered	(3,387)

Joint ventures of affiliated KBR, Inc. companies

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) 2022 £000
K2JV	Services Rendered	(80)
SOCAR-KBR LLC	Services Rendered	(7,398)

Transactions entered into during 2021 are as follows:

Notes to the Consolidated Financial Statements *(continued)*

29 Related parties *(continued)*

Joint ventures of the Group

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) 2021 £000
Fasttrax Limited	Services Rendered	(14,985)
	Services Received	405
Fasttrax Holdings Limited	Interest Received	(238)
Aspire Defence Limited	Services Rendered	(266,239)
	Services Received	16
Aspire Defence Finance plc	Interest Received	(5,640)
Road Management Services (A13) plc	Services Rendered	(75)
Road Management Services (Darrington) Holdings Limited	Interest Received	(231)
Road Management Services (Darrington) Limited	Services Rendered	(122)
Road Management Group Limited	Services Rendered	(160)
	Interest Received	(1,384)
Affinity Flying Training Services Limited	Services Rendered	(414)
	Interest Received	(1,230)
KBS Maritime Limited	Services Rendered	(2,815)
	Interest Received	(7)

Joint ventures of affiliated KBR, Inc. companies

Related Party	Nature of Transaction	Profit and loss account Debit/(Credit) 2021 £000
K2JV	Services Rendered	(24)
KAD Nuclear Consortium	Services Rendered	(2,893)
SOCAR-KBR LLC	Services Rendered	(16,863)

The above billing amounts represent the amounts actually invoiced to related parties in the financial year ended 2022 and 2021. The Group 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.

Notes to the Consolidated Financial Statements *(continued)*

29 Related parties *(continued)*

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

Balances with related parties as at 31 December 2022 are as follows:

Joint Ventures of the Group

		Balance Sheet
		Debit/(credit)
		2022
		£000
Fasttrax Limited	Joint Venture	2,535
Aspire Defence Limited	Joint Venture	25,938
Aspire Defence Limited	Joint Venture	(537)
Aspire Defence Finance plc	Joint Venture	45,452
Affinity Flying Training Services Limited	Joint Venture	6,700
KBS Maritime Limited	Joint Venture	212
KAD Nuclear Consortium	Joint Venture	694

Joint ventures of affiliated KBR, Inc. companies

		Balance Sheet
		Debit/(credit)
		2022
		£000
B7JV (UK) Limited	Joint Venture	32
Vestas Consortium	Joint Venture	40
SOCAR-KBR LLC	Joint Venture	1,185
KBR NIPI LLP	Joint Venture	27

Balances with related parties as at 31 December 2021 are as follows:

Joint Ventures of the Group

		Balance Sheet
		Debit
		2021
		£000
Fasttrax Limited	Joint Venture	1,248
Aspire Defence Limited	Joint Venture	25,944
Aspire Defence Finance plc	Joint Venture	47,226
Road Management Services (A13) plc	Joint Venture	7
Road Management Group Limited	Joint Venture	9,035
Road Management Services (Darrington) Holdings Limited	Joint Venture	2,250
Affinity Flying Training Services Limited	Joint Venture	9,115
KBS Maritime Limited	Joint Venture	3,690

Notes to the Consolidated Financial Statements *(continued)*

29 Related parties *(continued)*

Joint ventures of affiliated KBR, Inc. companies

		Balance Sheet
		Debit
		2021
		£000
B7JV (UK) Limited	Joint Venture	32
Vestas Consortium	Joint Venture	40
SOCAR-KBR LLC	Joint Venture	3,134

30 Comparative information

Certain comparative amounts have been reclassified to conform with current year presentation. These accounts did not have an impact on previously reported profit and equity of the company.

- An amount of £286,625 has been removed from Goods in Transit (Note 15) and Accruals (Note 18) to conform with the current year presentation.
- Bank loans receipts and payments were previously presented in the Consolidated Cash Flows Statements on a net basis. This has now been presented on gross basis. Accordingly, bank loans net of repayments amounting to £199,000,000 in 2021 are now presented on a gross basis as "Receipts from bank loans" amounting to £214,000,000 and "Repayment of bank loans" of (£15,000,000), respectively, to conform with the current year presentation.
- An amount of £3,633,242 and £6,509,559 of operating lease commitment has been reduced for year 1 and year 2-5 for the year 2021 (Note 26), respectively, to conform with current year presentation.

The amounts above had no impact on the opening retained earnings as at 1 January 2022.

31 Events after the end of the reporting period

During 2023, the Frazer-Nash, Harmonic and VIMA Group of companies came together to combine their expertise and capitalise on existing knowledge to launch Frazer-Nash Consultancy. The merger will provide greater expertise across all sectors

In April 2023, upon satisfaction of all obligations listed under 'Second Completion' of the MURA Technology Investment Agreement, the Company subscribed for a further 173,734 shares at £184.19 per share.

On 23 August 2023, Kellogg Brown & Root Limited entered into eight further fixed charges in respect of shares owned by the company. The charges were with Kellogg Brown & Root Trustees Limited. The charges are enforceable on the occurrence of insolvency of the company, KBR Inc., Kellogg Brown & Root U.K. Limited, Kellogg Brown & Root Holdings Limited or Kellogg Brown & Root Holdings U.K. Limited.

There are no further events or items that require disclosure or adjustment in the financial statements.

Notes to the Consolidated Financial Statements *(continued)*

32 Ultimate parent company and parent company of larger group

The immediate parent undertaking is Kellogg Brown & Root International Group Limited (Hill Park Court, Springfield Drive, Leatherhead, Surrey, KT22 7NL, United Kingdom a Company registered in England and Wales).

The Company is a wholly owned subsidiary undertaking of KBR, Inc. (601 Jefferson Street, Suite 3400, Houston, Texas, 77002, a Company incorporated in the state of Delaware, U.S.A.) which heads the smallest and the largest Groups in which the Company is consolidated.

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

33 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 Holdings Limited as at 31 December 2022. This information is provided in accordance with the Section 409 of the Companies Act 2006.

Subsidiary Undertakings	Country of incorporation / operations	Class of share	Percentage of Shares Held	Address **
Kellogg Brown & Root Healthcare Trustee Limited	England & Wales	Ordinary	100.00 %	1
Brown & Root Highlands Fabricators Limited	Scotland	Ordinary	100.00 %	7
Kellogg Brown & Root Overseas Projects Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root Group Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root (Greenford) Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root International (MWK) Limited	England & Wales	Ordinary	100.00 %	1
Granherne Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root Projects Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root Sustainable Technology Solutions Limited	England & Wales	Ordinary	100.00 %	1
Howard Humphreys & Partners Limited	England & Wales	Ordinary	100.00 %	1
Overseas Supply Services Limited	England & Wales	Ordinary	100.00 %	9
Bonny 7 Project Management Company Limited	England & Wales	Ordinary	100.00 %	1
FTX Logistics Limited	England & Wales	Ordinary	100.00 %	1
AOC International Limited	Scotland	Ordinary	100.00 %	7
AOC Nigeria Limited	Nigeria	Ordinary	100.00 %	6
KBR (Aspire Construction) Holdings No.2 Limited	England & Wales	Ordinary	100.00 %	1

Notes to the Consolidated Financial Statements *(continued)*

33 List of subsidiaries and joint ventures *(continued)*

Subsidiary Undertakings	Country of incorporation / operations	Class of share	Percentage of Shares Held	Address **
KBR (Aspire Construction) Holdings Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Construction) Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Services) Holdings No.2 Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Services) Holdings Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Services) Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Construction Ventures) Holdings No. 2 Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Construction Ventures) Holdings Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Construction Ventures) Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Services Ventures) Holdings No.2 Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Services Ventures) Holdings Limited	England & Wales	Ordinary	100.00 %	1
KBR (Aspire Services Ventures) Limited	England & Wales	Ordinary	100.00 %	1
KBR (U.K.) Investments Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root Trustees Limited	Scotland	Ordinary	100.00 %	7
Howard Humphreys (Kenya) Limited	Kenya	Ordinary	100.00 %	5
Aspire Defence Services Limited	England & Wales	Ordinary	100.00 %	3
Aspire Defence Capital Works JV	UK	Unincorporated	100.00 %	3
Aspire Defence Services JV	UK	Unincorporated	100.00 %	3
Harmonic Limited	England & Wales	Ordinary	100.00 %	13
Frazer-Nash Consultancy Limited	England & Wales	Ordinary	100.00 %	1
VIMA Group Consultancy Limited	England & Wales	Ordinary	100.00 %	23
VIMA Consultancy Limited	England & Wales	Ordinary	100.00 %	23
VIMA Bristol Limited	England & Wales	Ordinary	100.00 %	23
VIMA Group Services Limited	England & Wales	Ordinary	100.00 %	23
EITEC Limited	England & Wales	Ordinary	100.00 %	23
Bristol Management Centre Limited	England & Wales	Ordinary	100.00 %	23
KBR Arabia Limited	Saudi Arabia	Ordinary	100.00 %	18
Kellogg Brown & Root Limited-Azmi Abdullatif Abdulhadi and Abdullah Mahana Al-Moaibed Engineering Consulting	Saudi Arabia	Ordinary	67.00 %	10
KBR General Partner Limited	Scotland	Ordinary	100.00 %	16
Kellogg Brown & Root Holdings (U.K.) Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root GmbH	Germany	Ordinary	100.00 %	19
Plinke GmbH	Germany	Ordinary	100.00 %	20
KBR Employment Services Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root (U.K.) Limited	England & Wales	Ordinary	100.00 %	1
Kellogg Brown & Root Limited	England & Wales	Ordinary	100.00 %	1
IPEM Developments Limited	England & Wales	Ordinary	100.00 %	4
KBR Al-Yusr Limited	Saudi Arabia	Ordinary	60.00 %	21
KBR Property Holdings Limited	Scotland	Ordinary	100.00 %	16
KBR (I) Limited	England & Wales	Ordinary	100.00 %	1

Notes to the Consolidated Financial Statements *(continued)*

33 List of subsidiaries and joint ventures *(continued)*

Joint Ventures	Country of incorporation / operations	Class of share	Percentage of Shares Held	Address **
Fasttrax Holdings Limited	England & Wales	Ordinary	50.00 %	1
Fasttrax Limited	England & Wales	Ordinary	50.00 %	1
Aspire Defence Holdings Limited	England & Wales	Ordinary	45.00 %	3
Aspire Defence Finance PLC	England & Wales	Ordinary	45.00 %	3
Aspire Defence Limited	England & Wales	Ordinary	45.00 %	3
Road Management Services (A13) Holdings Limited	England & Wales	Ordinary	25.00 %	11
Road Management Services (A13) Plc	England & Wales	Ordinary	25.00 %	11
Road Management Services (Finance) PLC	England & Wales	Ordinary	25.00 %	2
Affinity Capital Works Limited	England & Wales	Ordinary	50.00 %	17
Affinity Flying Services Limited	England & Wales	Ordinary	50.00 %	17
B7JV (UK) Limited	England & Wales	Ordinary	33.00 %	1
KBR Diego Garcia LLC	United States	Ordinary	20.00 %	22
KBR - NIPI LLP	Kazakhstan	Ordinary	50.00 %	15
KBS Maritime Limited	England & Wales	Ordinary	50.00 %	14

Trade Investments	Country of incorporation / operations	Class of share	Percentage of shares held	Address **
MURA Technology Limited	England & Wales	Ordinary	13%	8

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:

#	Address**
1	Hill Park Court, Springfield Drive, Leatherhead, Surrey, United Kingdom, KT22 7NL
2	Cannon Place, 78 Cannon Street, London, England, EC4N 6AF
3	Aspire Business Centre, Ordnance Road, Tidworth, Wiltshire, United Kingdom, SP9 7QD
4	1 More London Place, London, United Kingdom, SE1 2AF
5	LR No 1870/1/569, 2nd Floor, Apollo Centre, Ring Road, Parklands, Westlands PO Box 764-00606, Nairobi, Kenya 764-00606, Kenya
6	Plot 90, Ajoye Adeogun Street, Victoria Island, Lagos, Nigeria, Nigeria
7	13 Queens Road, Aberdeen, AB15 4YL, United Kingdom
8	141-145, Curtain Road, 3rd Floor, London, England, EC2A 3BX
9	Wing House Marlborough Road, Bulford Barracks, Salisbury, Wiltshire, England, SP4 9LZ
10	PO Box 31952, Al Damman Highway, Rakah, Al Khobar, Saudi Arabia, Saudi Arabia
11	43 Orchard Place, London, United Kingdom, E14 0JW
12	Prince Turki Bin Abdulaziz Street, Al Khobar, Saudi Arabia
13	The Hatchery, Eaglewood Park, Ilminster, Somerset, TA19 9DQ
14	Victory Building (Pp72), Rm. 233 The Parade, Hm Naval Base, Portsmouth, England, PO1 3LS
15	Microdistrict 8, building 38A, Aktau City, Mangystau oblast, 130000, Republic of Kazakhstan
16	15 Atholl Crescent, Edinburgh, Midlothian, United Kingdom, EH3 8HA
17	Hangar 29 Raf Cranwell, Sleaford, Lincolnshire, England, NG34 8HB
18	P.O. Box 2959, Al Khobar 31952, Prince Sultan Street, Al Rakah, Saudi Arabia 31952, Saudi Arabia

Notes to the Consolidated Financial Statements *(continued)*

33 List of subsidiaries and joint ventures *(continued)*

#	Address**
19	Mühlenstraße 23, 29221, Celle, Germany 29221, Germany
20	Bad Homburg, Kaiser-Friedrich Promenade 24, D-61348, Bad Homburg, Germany, Germany
21	The Law Office of Abdulaziz H Al Fahad, 4th Floor, Jarir Plaza, Olaya Street, P. O. Box 15870, Riyadh, Saudi Arabia 11454, Saudi Arabia
22	1080 Eldridge Pkwy # 615 Houston, TX 77077 United States
23	Room 201, Building no. 7, Tianjuyuan, Chaoyang District, Beijing, People's Republic of China, China

During the year 2022, the following 25% joint venture entities were disposed of (see note 19):

- Road Management Group Limited
- Road Management Services (Darrington) Holdings Limited

Also during 2022, the following entities, previously entered into liquidation, were dissolved:

- 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 2022 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
- 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
- Granherne Limited
- Kellogg Brown & Root Holdings (U.K.) Limited
- KBR (I) Limited
- Kellogg Brown & Root Projects Limited