

COMPANY REGISTRATION NUMBER: 08644846

KBR Employment Services Limited
Annual Report and Financial Statements
31 December 2018



KBR Employment Services Limited

Financial Statements

Year ended 31 December 2018

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KBR Employment Services Limited

Strategic Report

Year ended 31 December 2018

The directors present their strategic report of the company for the year ended 31 December 2018.

Principal activities and business review

Principal activity

The company's principal activity is the employment of staff on UK payrolls on behalf of certain Kellogg Brown & Root Holdings Limited Group companies.

Business review

The payroll costs for the year were £6,906,029 (2017: £5,628,746). All payroll costs were recharged to group companies at cost.

Future outlook

The company will continue to provide payroll administrative services for companies in the Kellogg Brown & Root Holdings Limited Group and is thus dependent on staffing requirements of the various projects being run through the Group.

Results

The loss for the year, after taxation, amounted to £186,555 (2017: loss - £148,944). The net liabilities at the end of the year totalled £477,904 (2017: net liabilities - £291,349).

It is proposed that the loss of £186,555 is transferred to reserves.

Financial risk management objectives and policies

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to the defined benefit pension scheme liabilities and recoverability of intercompany receivables.

The potential effect of Brexit on the company's financial position might be significant due to its operations in the European Union. It is impossible to predict the scale of possible future implications of Brexit for the company.

Key performance indicators ("KPIs")

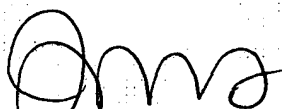
The business which comprises this Company makes up part of the Kellogg Brown & Root Holdings Limited Group ("the Group"). The key performance indicators used to review and monitor the business are set by the directors of the Group and are discussed in more detail in the Annual Report of the Group.

KBR Employment Services Limited

Strategic Report *(continued)*

Year ended 31 December 2018

This report was approved by the board of directors on 27 September 2019 and signed on behalf of the board by:



Mr J A Barrett
Director

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

KBR Employment Services Limited

Directors' Report

Year ended 31 December 2018

The directors present their report and the financial statements of the company for the year ended 31 December 2018.

Directors

The directors who served the company during the year were as follows:

Mr J A Barrett	
Mr M Nelhams	
Mr R S Card	
Ms S Chambers	(Appointed 19 April 2018)
Mr S W Brettell	(Resigned 3 April 2018)

Dividends

The directors do not recommend the payment of a dividend.

Going concern

Kellogg Brown & Root Holdings Limited, the Company's parent, has confirmed its intention to continue to provide further financial and other support to KBR Employment Services Limited, including not seeking repayment of amounts currently made available, for at least the next twelve months from the date of approval of these financial statements to enable it to meet its financial liabilities as they fall due and continue to trade. As such the Directors, having made enquiries, have deemed it appropriate to prepare accounts on the going concern basis.

Directors' responsibilities statement

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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 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 company or to cease operations, or have no realistic alternative but to do so.

KBR Employment Services Limited

Directors' Report *(continued)*

Year ended 31 December 2018

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

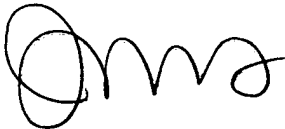
Auditor

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.

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

This report was approved by the board of directors on 27 September 2019 and signed on behalf of the board by:



Mr J A Barrett
Director

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

Independent Auditor's Report to the Member of KBR Employment Services Limited

Opinion

We have audited the financial statements of KBR Employment Services Limited ("the company") for the year ended 31 December 2018 which comprise the income statement, statement of financial position, statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Member of KBR Employment Services Limited (continued)

Strategic report and the directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

**Independent Auditor's Report to the Member of KBR Employment Services
Limited (continued)**

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

This report is made solely to the company's member, 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 member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

Malcolm Footer

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

27 September 2019.

KBR Employment Services Limited

Income Statement

Year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	6,906,029	5,628,746
Cost of sales		<u>(6,906,029)</u>	<u>(5,628,746)</u>
Gross profit		-	-
Administrative expenses		<u>(8,132)</u>	<u>(3,686)</u>
Operating loss	5	(8,132)	(3,686)
Interest payable and similar expenses	8	<u>(279,682)</u>	<u>(146,632)</u>
Loss before taxation		(287,814)	(150,318)
Tax on loss	9	<u>101,259</u>	<u>1,374</u>
Loss for the financial year		<u>(186,555)</u>	<u>(148,944)</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 11 to 17 form part of these financial statements.

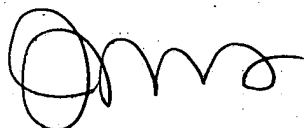
KBR Employment Services Limited

Statement of Financial Position

31 December 2018

	Note	2018 £	2017 £
Current assets			
Debtors	10	15,303,800	10,454,141
Creditors: amounts falling due within one year	11	<u>(15,781,704)</u>	<u>(10,745,490)</u>
Net current liabilities		<u>(477,904)</u>	<u>(291,349)</u>
Total assets less current liabilities		<u>(477,904)</u>	<u>(291,349)</u>
Net liabilities		<u>(477,904)</u>	<u>(291,349)</u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account	15	<u>(477,906)</u>	<u>(291,351)</u>
Members deficit		<u>(477,904)</u>	<u>(291,349)</u>

These financial statements were approved by the board of directors and authorised for issue on 27 September 2019, and are signed on behalf of the board by:



Mr J A Barrett
Director

Company registration number: 08644846

The notes on pages 11 to 17 form part of these financial statements.

KBR Employment Services Limited

Statement of Changes in Equity

Year ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2017	2	(142,407)	(142,405)
Loss for the year	—	(148,944)	(148,944)
Total comprehensive expense for the year	—	(148,944)	(148,944)
At 31 December 2017	2	(291,351)	(291,349)
Loss for the year	—	(186,555)	(186,555)
Total comprehensive expense for the year	—	(186,555)	(186,555)
At 31 December 2018	<u>2</u>	<u>(477,906)</u>	<u>(477,904)</u>

The notes on pages 11 to 17 form part of these financial statements.

KBR Employment Services Limited

Notes to the Financial Statements

Year ended 31 December 2018

1. General information

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom, and registered in England and Wales. The address of the registered office is Hill Park Court, Springfield Drive, Leatherhead, Surrey, KT22 7NL.

2. Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. Kellogg Brown & Root Holdings Limited, the Company's parent, has confirmed its intention to continue to provide further financial and other support to KBR Employment Services Limited, including not seeking repayment of amounts currently made available, for at least the next twelve months from the date of approval of these financial statements to enable it to meet its financial liabilities as they fall due and continue to trade.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

KBR Employment Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102.

The entity's financial statements are consolidated into the financial statements of KBR, Inc. (incorporated in the state of Delaware, U.S.A.) which can be obtained from the Public Relations Department, Hill Park Court, Springfield Drive, Leatherhead, Surrey KT22 7NL. As such, advantage has been taken of the following disclosure exemptions available under Section 1 of FRS 102 paragraphs:

1.12(a) Disclosures in respect of each class of share capital have not been presented.

1.12(b) No cash flow statement has been presented for the company.

1.12(e) No disclosure has been given for the aggregate remuneration of key management personnel.

The entity's financial statements are also consolidated into the financial statements of Kellogg Brown & Root Holdings Limited (incorporated in England & Wales) which can be obtained from the Public Relations Department, Hill Park Court, Springfield Drive, Leatherhead, Surrey KT22 7NL. As such, advantage has been taken of the following disclosure exemptions available under Section 1 of FRS 102 paragraphs:

1.12(c) Disclosures in respect of financial instruments have not been presented.

Revenue recognition

The turnover shown in the income statement represents payroll costs recharged to group companies during the year, exclusive of Value Added Tax.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

KBR Employment Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

Financial instruments

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Defined contribution plans

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company participates in a multi-employer defined benefit pension scheme. The assets of the scheme are held separately from those of the company. Contributions in to this scheme are set by the scheme's actuaries. There are no valuations of the scheme presently available. The company 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.

4. Turnover

Turnover arises from:

	2018 £	2017 £
Rendering of services	<u>6,906,029</u>	<u>5,628,746</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2018 £	2017 £
United Kingdom	6,533,192	4,870,126
Rest of Europe	200,461	758,620
Middle and Far East	<u>172,376</u>	<u>—</u>
	<u>6,906,029</u>	<u>5,628,746</u>

5. Operating profit

Operating profit or loss is stated after crediting:

	2018 £	2017 £
Foreign exchange differences	<u>(211)</u>	<u>(1)</u>

The fee payable to the company's auditor for the audit of the company's financial statements was £7,230 (2017 - £7,230). This fee was borne by Kellogg Brown & Root Limited, a fellow subsidiary of Kellogg Brown & Root Holdings Limited, in the current and prior year.

KBR Employment Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

6. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to:

	2018 No.	2017 No.
Production staff	37	37
Administrative staff	144	111
	<u>181</u>	<u>148</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018 £	2017 £
Wages and salaries	6,141,008	4,981,182
Social security costs	632,014	558,611
Other pension costs	133,007	88,953
	<u>6,906,029</u>	<u>5,628,746</u>

All staff costs were recharged to operating entities within the KBR, Inc. group in the current and preceding year.

7. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2018 £	2017 £
Remuneration	95,978	107,797
Company contributions to defined contribution pension plans	6,371	6,967
	<u>102,349</u>	<u>114,764</u>

In instances where directors are appointed to more than one company within the Kellogg Brown & Root Holdings Limited group, the remuneration of individual directors is disclosed solely in the highest company within the Kellogg Brown & Root Holdings Limited group structure in which the director holds office. The directors' remuneration disclosed in these accounts only represents the remuneration of directors for whom this is their highest directorship.

8. Interest payable and similar expenses

	2018 £	2017 £
Interest on bank loans and overdrafts	<u>279,682</u>	<u>146,632</u>

KBR Employment Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

9. Tax on loss

Major components of tax income

	2018 £	2017 £
Current tax:		
UK current tax income	(53,326)	—
Adjustments in respect of prior periods	(46,717)	—
Total current tax	<u>(100,043)</u>	<u>—</u>
Deferred tax:		
Origination and reversal of timing differences	(1,216)	(1,374)
Tax on loss	<u>(101,259)</u>	<u>(1,374)</u>

Reconciliation of tax income

During 2018, the standard rate of corporation tax in the UK was 19% (2017: 19.25%).

	2018 £	2017 £
Loss before taxation	(287,814)	(150,318)
Loss by rate of tax	(54,685)	(28,936)
Adjustment to tax charge in respect of prior periods	(46,717)	—
Group relief surrendered for nil consideration	—	27,379
Impact of changes in UK tax rate on deferred tax	143	183
Tax on loss	<u>(101,259)</u>	<u>(1,374)</u>

Factors that may affect future tax income

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate to 17% effective 1 April 2020 (replacing the 18% rate) was substantively enacted on 6 September 2016.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

10. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	15,294,286	10,442,160
Deferred tax asset	3,534	2,318
Other debtors	5,980	9,663
	<u>15,303,800</u>	<u>10,454,141</u>

KBR Employment Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

11. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank loans and overdrafts	15,338,344	10,312,533
Amounts owed to group undertakings	295,254	263,490
Accruals and deferred income	20,835	18,825
Social security and other taxes	109,307	134,779
Other creditors	17,964	15,863
	<u>15,781,704</u>	<u>10,745,490</u>

12. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018	2017
	£	£
Included in debtors (note 10)	<u>3,534</u>	<u>2,318</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018	2017
	£	£
Pension costs deductible on paid basis	<u>3,534</u>	<u>2,318</u>

13. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £133,007 (2017: £88,953).

Included in the defined contribution plans expense was £30,594 (2017: £39,006) in relation to a multi-employer defined benefit pension scheme.

14. Called up share capital

Authorised share capital

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

15. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

KBR Employment Services Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

16. Related party transactions

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

17. Controlling party

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

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

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

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