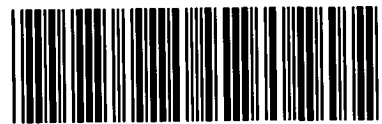


COMPANY REGISTRATION NUMBER: 04740221

HARMONIC LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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HARMONIC LIMITED

Financial Statements for the year ended 31 December 2022

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Harmonic Limited

COMPANY INFORMATION

Directors

J A M Cloke

P E Kahn

R J McNeil

A M Goodwin

T G Samuel

M R Bill

S Wilkes

Company Secretary

J A M Cloke

Registered office

Hill Park Court

Springfield Drive

Leatherhead

Surrey

KT22 7NL

Auditors

Grant Thornton

13-18 City Quay

Dublin

Ireland

D02 ED70

HARMONIC LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their strategic report for the year ended 31 December 2022. The comparative period was 9 months from 1 April 2021 to 31 December 2021.

Principal activities

Harmonic Limited ("the company") is a delivery and transformation consultancy company which directs its IP and unique mix of Business Winning, Programme Management, Solution Architecture and People Change capabilities to deliver material value across some of the largest and best known organisations in government backed sectors.

Results

The loss for the year, after taxation, amounted to £603,553 (period ended 31 December 2021 profit - £1,208,853). The net assets as at 31 December 2022 totalled £4,285,018 (At 31 December 2021: net assets - £4,888,571).

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 cash flow risk, pricing risk and credit & liquidity risk. Further discussion of these risks and uncertainties is included in the consolidated annual report of Kellogg Brown & Root Holdings Limited ("the Group").

Business review and Key performance indicators ('KPIs')

	Year ended 31 December 2022	9 months ended 31 December 2021
Revenue	£29,904,626	£13,353,508
Gross profit	£4,276,324	£4,438,393
Gross profit margin	14 %	33 %
(Loss) / profit before tax	£(167,321)	£896,729
Average number of employees including directors	163	83
Debtor Days	42	67

The business expanded during the year ending 31 December 2022 with a significant increase in revenue and staff numbers driven by the transfer of KBR's GS (Government Solutions) Advisory business into Harmonic Ltd in early 2022. While this impacted profit margins, cash collection was maintained as shown by the reduction in debtor days, and looking forward the company sees a positive outlook for Harmonic's client base across the UK defence, security and infrastructure markets.

The businesses which form this company make up part of 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 consolidated annual report of the Group. The consolidated annual report of the Group is available to the public and can be obtained from the Public Relations Department, Hill Park Court, Springfield Drive, Leatherhead, Surrey KT22 7NL, United Kingdom.

This report was approved by the board of directors on 20 February 2024 and signed on behalf of the board by:



J A M Cloke

Company secretary and director

HARMONIC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors of the company

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

J A M Cloke	appointed	9 March 2023
P E Kahn	appointed	22 November 2022
R J McNeil		
H T Gordon Clark	ceased	9 March 2023
A M Goodwin		
T G Samuel		
M R Bill		
A Barrie	ceased	30 September 2022
S Wilkes	appointed	5 February 2024

The company secretary during the period was:

J A M Cloke	appointed	9 March 2023
-------------	-----------	--------------

Dividends

No interim dividend was paid during the year ended 31 December 2022 (period ended 31 December 2021: £242,142).

Political donations

There were no political donations made during the year (period ended 31 December 2021 - £Nil).

Future Developments

The future developments of the business are included within the strategic report.

Going Concern

The directors have considered the future profitability of the Company and its ability to continue as a going concern and have prepared profit forecasts for at least 12 months from the date when the financial statements are authorised for issue. Based on these projections the directors are satisfied that, for the foreseeable future, the Company can meet its projected working capital requirements. Consequently the financial statements have been prepared on a going concern basis. Additionally, the Company have a support letter in place from parent entity Kellogg Brown & Root Limited.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Auditor

The auditor, Grant Thornton, was appointed subsequent to the financial year end and will be proposed for reappointment under section 487 of the Companies Act 2006.

Events after the end of the reporting period

On 1 August 2023 it was announced that Harmonic Limited had joined forces with engineering consultancy Frazer-Nash Consultancy Limited and digital transformation specialists VIMA Group (companies also owned by Harmonic Limited's parent company Kellogg Brown & Root Limited) in a

HARMONIC LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

(continued)

Events after the end of the reporting period *(continued)*

move that will provide customers with an even greater scope of capabilities and technical expertise, across a breadth of diverse sectors. The employees from Harmonic Limited transferred into Frazer-Nash Consultancy Limited in October 2023.

Harmonic Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors acknowledge their responsibilities 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and the 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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.

This report was approved by the board of directors on 20 February 2024 and signed on behalf of the board by:



J A M Cloke

Company secretary and director

Independent auditor's report to the members of Harmonic Limited

Opinions

We have audited the financial statements of Harmonic Limited (the "Company"), which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity for the year ended 31 December 2022, and the related notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, Harmonic 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 as at 31 December 2022 and of its financial performance 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 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 entity. 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 company'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.

Other matter

The financial statements of the Company for the period ended 31 December 2021, were audited by Albert Goodman LLP who expressed an unmodified opinion on those statements on 29 September 2022.

Independent auditor's report to the members of Harmonic Limited

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon, including the Directors' Report and Strategic Report.

The director is 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 Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's 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 its environment obtained in the course of the audit, we have not identified any material misstatements in the Director's Report and Strategic 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 to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's 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 Harmonic Limited

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

As explained more fully in the Director's responsibilities statement, 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 are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company'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, outlined above, 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.

Independent auditor's report to the members of Harmonic Limited

Responsibilities of the auditor for the audit of the financial statements

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with Data Privacy laws, Employment law and Environmental Regulations, and Health & Safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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. The Audit engagement partner considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the 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 included but were not limited to:

- enquiries of management, 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 Company's regulatory and legal correspondence and review of minutes of board meetings during the year to corroborate inquiries made;
- gaining an understanding of the entity's current activities, the scope of authorisation and the effectiveness of its control environment to mitigate risks 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;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing, and;
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management.

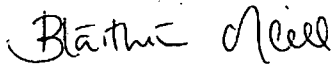
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Harmonic Limited

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.

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.



Blaithin O'Neill (Senior Statutory Auditor)
For and on behalf of
Grant Thornton,
Chartered Accountants & Statutory Auditors

13-18 City Quay
Dublin
Ireland
D02 ED70

20 February 2024

Harmonic Limited

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

		Year Ended 31 December 2022	1 April 2021 to 31 December 2021
	Note	£	£
Turnover	3	29,904,626	13,353,508
Cost of sales		(25,628,302)	(8,915,115)
Gross profit		4,276,324	4,438,393
Administrative expenses		(4,443,645)	(3,264,711)
Share-based payment expense		—	(276,968)
Administrative expenses		(4,443,645)	(3,541,679)
Operating (loss) / profit	4	(167,321)	896,714
Other interest receivable and similar income	5	—	15
(Loss) / Profit before tax		(167,321)	896,729
Corporation tax	9	2,419	537,640
Deferred tax	9	(438,651)	(225,516)
(Loss) / Profit for the financial period		(603,553)	1,208,853

The above results were derived from continuing operations. There was no other comprehensive income for the year/period.

Harmonic Limited**(REGISTRATION NUMBER: 04740221)****BALANCE SHEET AS AT 31 DECEMBER 2022**

		31 December 2022	31 December 2021
	Note	£	£
Fixed assets			
Tangible assets	10	73,597	95,714
Investments	11	2	2
		<u>73,599</u>	<u>95,716</u>
Current assets			
Debtors	12	6,574,054	6,118,832
Cash at bank and in hand		2,623,929	1,278,060
		<u>9,197,983</u>	<u>7,396,892</u>
Creditors: amounts falling due within one year	14	<u>(4,960,938)</u>	<u>(2,598,889)</u>
Net current assets		<u>4,237,045</u>	<u>4,798,003</u>
Total assets less current liabilities		<u>4,310,644</u>	<u>4,893,719</u>
Provisions for liabilities	15	(25,626)	(5,148)
Net assets		<u>4,285,018</u>	<u>4,888,571</u>
Capital and reserves			
Called up share capital		35	35
Share premium reserve		109,458	109,458
Capital redemption reserve		10,018	10,018
Profit and loss account		<u>4,165,507</u>	<u>4,769,060</u>
Shareholder's funds		<u>4,285,018</u>	<u>4,888,571</u>

Approved and authorised by the Board on 20 February 2024, and signed on behalf of the board by:



J A M Cloke

Company secretary and director

Harmonic Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Preference share capital	Ordinary share capital	Share premium	Capital redemption reserve	Share option reserves	Profit and loss reserve	Total
	£	£	£	£	£	£	£
At 1 April 2021	10	18	107,492	10,013	1,139,097	2,657,709	3,914,339
Movement in period:							
Profit for the year	—	—	—	—	—	1,208,853	1,208,853
Total comprehensive income	—	—	—	—	—	1,208,853	1,208,853
Dividends	—	—	—	—	—	(242,142)	(242,142)
New share capital subscribed	—	12	1,966	—	—	—	1,978
Purchase of own share capital	—	(5)	—	5	—	(271,425)	(271,425)
Share based payment transactions	—	—	—	—	276,968	—	276,968
Release of share based payment reserve	—	—	—	—	(1,416,065)	1,416,065	—
Total movement for the period	—	7	1,966	5	(1,139,097)	2,111,351	974,232
At 31 December 2021	10	25	109,458	10,018	—	4,769,060	4,888,571
At 1 January 2022	10	25	109,458	10,018	—	4,769,060	4,888,571
Movement in period:							
Profit for the period	—	—	—	—	—	(603,553)	(603,553)
Total comprehensive income	—	—	—	—	—	(603,553)	(603,553)
Dividends	—	—	—	—	—	—	—
Total movement for the period	—	—	—	—	—	(603,553)	(603,553)
At 31 December 2022	10	25	109,458	10,018	—	4,165,507	4,285,018

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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. The address of the registered office is:

Hill Park Court,
Springfield Drive,
Leatherhead,
Surrey,
KT22 7NL.

2. Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been 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.

Basis of preparation

These financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. The financial statements are presented in Sterling (£), which is the functional and presentation currency of the company.

In the prior period, the company shortened its reporting period to end on 31 December to align with the group's reporting period.

Going Concern

The directors have considered the anticipated future trading of the company, both to date and their expectations for a period of 12 months from the approval of these accounts. Considering the cash reserves, strong trading performance and future work in the pipeline, the directors have concluded that there are no material uncertainties with regard to the going concern of the company and accordingly have prepared these accounts on the going concern basis. Additionally, the Company have a support letter in place from parent entity Kellogg Brown & Root Limited.

In addition the directors have extended this assessment to consider whether it is appropriate to recognise the deferred tax asset (see note 15). The directors are confident that the recognised deferred tax asset will be fully utilised and so it is appropriate to recognise it in full.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Summary of disclosure exemptions

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

The company's immediate parent undertaking and controlling party is Kellogg Brown & Root Limited (KBRL), a company incorporated in England & Wales. The company's ultimate parent undertaking and controlling party is KBR, Inc., a company incorporated in the state of Delaware, U.S.A.

The parent undertaking of the smallest and largest group of undertakings for which consolidated financial statements are prepared and of which the company is a member, is KBRL and KBR, Inc. respectively. Copies of the consolidated financial statements can be obtained from the Public Relations Department, Hill Park Court, Springfield Drive, Leatherhead, Surrey KT22 7NL, United Kingdom. As such, advantage has been taken of the following disclosure exemptions available under Section 1 of FRS 102 paragraphs:

- 1.12 (b) No cash flow statement has been presented for the company.
- 1.12 (c) Disclosures in respect of financial instruments have not been presented.
- 1.12 (d) Certain disclosures in respect of share-based payments have not been presented.

Group accounts not prepared

The financial statements present information about the company as an individual undertaking and not about its group. The company's subsidiary undertaking is dormant. The company has therefore taken advantage of the exemptions provided by Section 405 (2) of the Companies Act 2006 not to prepare group accounts on the basis that the subsidiary is not material.

Contract revenue recognition

Fee income represents revenue earned under a wide variety of contracts to provide professional services. Revenue is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance under these contracts. It is measured at fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding VAT.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors as Gross amount due from customers for contract work and payments on account in excess of the relevant amount of revenue are included in creditors, as Gross amount due to customers for contract work.

Fee income that is contingent on events outside the control of the company is recognised when the contingent event occurs.

Foreign currency transactions and balances

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Deferred tax liabilities are presented within provision liabilities.

Tangible assets

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

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Furniture, fittings and equipment	20% - 33% Straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Other short term debtors are measured at transaction price, less impairment. Prepayments are valued at the amount prepaid net of any trade discounts due.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities are measured initially at fair value net of transaction costs and subsequently at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Reserves

Called up share capital represents the nominal value of shares that have been issued.

Share premium reserve account includes any premiums received on the issue of share capital. Transaction costs associated with the issuing of shares are deducted from the share premium.

Profit and loss account includes all current and prior period profits and losses.

Capital redemption reserve records the nominal value of shares repurchased by the company.

The share option reserve is recognised in respect of the cumulative fair value of share options recognised.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of the grant by reference to the fair value of the equity instruments granted using an appropriate valuation model. Various estimates and assumptions are required.

The fair value of equity-settled share based payments to employees is determined at the date of the grant and is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest.

Where the company's parent grants rights to its equity instruments to the company's employees, which are accounted for as equity-settled in the accounts of the parent or the company as the case may be, the company accounts 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.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as cash, trade and other debtors and creditors and 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 Company would receive for the asset if it were to be sold at the balance sheet date.

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.

Critical accounting estimates

In the course of preparation of the financial statements, estimates have been made in applying the Company's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in forward looking estimates may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates in relation to these financial statements are considered below:

Revenue and profit recognition

Revenue and profit recognition on contracts is based on estimates of outturn revenues and costs on a contract-by-contract basis. Both of these estimates can involve significant levels of estimation uncertainty. Estimating contract revenues can involve judgements around whether the Company will meet performance targets, earn incentives and the pricing of any scope changes, variations or claims under the contract. When considering variations to contracts, the Company must make a judgement as to whether the variation should be accounted for as a separate, distinct contract or be considered, and accounted for, as part of the original contract. This judgement will depend on the scope of the variation, its pricing and the contractual terms. Contract outturn assessments are carried out by suitably qualified and experienced personnel and include assessments of variable consideration and contract contingencies arising out of technical, commercial, operational and other risks. When considering variations, claims and contingencies, the Company analyses various factors including the contractual terms, status of negotiations with the customer and historic experience with that customer and similar contracts. The assessment of all significant contracts are subject to review and challenge. As contracts near completion, often less judgement is needed to determine the size of the expected outturn.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

3. Turnover

The analysis of the company's turnover for the period from continuing operations is as follows:

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
Sale of services	29,904,626	13,353,508

4. Operating profit

Arrived at after charging/(crediting):

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
Depreciation expense	78,433	31,234
Foreign exchange (gains) / losses	(712)	194
Operating lease expense - property	15,840	13,962
Loss / (Profit) on disposal of property, plant and equipment	1,608	(147)
Transaction costs relating to sale	—	88,249

5. Other interest receivable and similar income

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
Interest income on bank deposits	—	15

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

6. Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
Wages and salaries	13,476,874	4,052,034
Social security costs	1,733,460	629,283
Pension costs, defined contribution scheme	647,742	395,725
Share-based payment expenses	—	276,968
Other employee expense	181,854	54,929
	<u>16,039,930</u>	<u>5,408,939</u>

Restructuring costs

During the prior period the company undertook a restructuring exercise. Costs in connection with restructuring totalled £Nil (2021 - £489,522).

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

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	No.	No.
Production	138	65
Administration and support	25	18
	<u>163</u>	<u>83</u>

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. Directors' remuneration

The directors' remuneration for the period was as follows:

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
Remuneration	878,825	980,011
Contributions paid to money purchase schemes	28,243	55,375
	<u>907,068</u>	<u>1,035,386</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	No.	No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>3</u>

In respect of the highest paid director:

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
Remuneration	274,820	279,657
Company contributions to money purchase pension schemes	6,600	16,575
	<u>281,420</u>	<u>296,232</u>

8. Auditors' remuneration

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
Audit of the financial statements	<u>25,000</u>	<u>11,000</u>

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. Taxation

Tax charged/(credited) in the profit and loss account:

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
Current taxation:		
UK corporation tax - adjustments in respect of prior periods	(2,419)	(537,640)
Deferred taxation:		
Arising from origination and reversal of timing differences	(3,846)	225,516
Adjustment relating to prior year	442,497	—
Total deferred taxation	438,651	225,516
Tax charge (credit) in the profit and loss account	436,232	(312,124)

The tax assessed on the loss for the year (2021: profit for the period) is different to the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are reconciled below:

	Year ended 31 December 2022	1 April 2021 to 31 December 2021
	£	£
(Loss) / Profit before tax	(167,321)	896,729
Corporation tax at standard rate	(31,791)	170,379
Effect of expense not deductible in determining taxable profit (tax loss)	13,520	64,236
Effect of tax losses against prior year profits	—	(772,515)
Tax benefit in relation to granted share options	—	911,597
Deferred tax adjustment relating to prior year	428,419	(680,599)
Effects of Group relief /other reliefs	18,560	—
Rate difference between current and deferred tax	(923)	—
Income not taxable	(3,212)	—
Other tax effects for reconciliation between accounting profit and tax expense (income)	11,659	(5,222)
Total tax charge (credit)	436,232	(312,124)

An increase to the rate of corporation tax to 25% from April 2023 was substantially enacted by the balance sheet date and has been included in the calculation of deferred taxes using a blended rate approach. The increased rate will also affect future current tax charges.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

10. Tangible assets

	Furniture, fittings and equipment £	Total £
Cost or valuation		
At 1 January 2022	373,033	373,033
Additions	57,986	57,986
Disposals	(1,608)	(1,608)
At 31 December 2022	429,411	429,411
Depreciation		
At 1 January 2022	277,319	277,319
Charge for the period	78,495	78,495
Eliminated on disposal	—	—
At 31 December 2022	355,814	355,814
Carrying amount		
At 31 December 2022	73,597	73,597
At 31 December 2021	95,714	95,714

11. Investments

	31 December 2022 £	31 December 2021 £
Investments in subsidiaries	2	2

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2022
Subsidiary undertakings				
Harmonic Consulting Limited	The Hatchery, Eaglewood Park, Ilminster, Somerset, TA19 9DQ England and Wales	Ordinary shares	100%	100%

The principal activity of Harmonic Consulting Limited is Dormant. Harmonic Consulting Limited was dissolved on 24 January 2023.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

12. Debtors

	Note	31 December 2022	31 December 2021
		£	£
Trade debtors		3,266,081	3,143,205
Amounts owed by group undertakings		142,117	143,213
Other debtors		9,685	5,023
Prepayments		87,987	141,293
Gross amount due from customers for contract work		2,805,758	1,467,859
Corporation tax	9	—	537,640
Deferred tax asset	15	262,426	680,599
		<u>6,574,054</u>	<u>6,118,832</u>
Less non-current portion of the deferred tax asset		(15,393)	(490,599)
Total current trade and other debtors		<u>6,558,661</u>	<u>5,628,233</u>

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

13. Cash and cash equivalents

	31 December 2022	31 December 2021
	£	£
Cash on hand	—	4
Cash at bank	<u>2,623,929</u>	<u>1,278,056</u>
	<u>2,623,929</u>	<u>1,278,060</u>

14. Creditors

	31 December 2022	31 December 2021
	£	£
Due within one year:		
Trade creditors	1,030,836	756,619
Amounts owed to group undertakings	2,491,988	—
Social security and other taxes	622,389	854,278
Outstanding defined contribution pension costs	61,571	51,126
Payments received on account for contract work	136,679	398,344
Accrued expenses	617,475	538,522
	<u>4,960,938</u>	<u>2,598,889</u>

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

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

15. Provisions for liabilities

	Deferred tax £	Total £
At 1 January 2022	675,181	675,181
Deferred tax adjustment relating to prior year	(438,381)	(438,381)
At 31 December 2022	<u>236,800</u>	<u>236,800</u>

Deferred tax

Deferred tax assets and liabilities:

	Asset £
2022	
Relates to available tax losses	247,033
Relates to outstanding pension costs	15,393
Relates to accelerated capital allowances	<u>(25,626)</u>
	<u>236,800</u>
	Asset
2021	£
Relates to available tax losses	<u>675,181</u>
	<u>675,181</u>

16. Pension and other schemes

Defined contribution pension schemes

The company contributes to defined contribution pension schemes in respect of a number of its employees. The pension cost charge for the period represents contributions payable by the company to the schemes and amounted to £647,742 (2021 - £395,725).

Contributions totalling £61,571 (2021 - £51,126) were payable to the schemes at the end of the period and are included in creditors.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

17. Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
A Ordinary Shares of £0.0001 each	80,000	8.00	80,000	8.00
B Ordinary Shares of £0.0001 each	169,518	16.95	169,518	16.95
Participating Preference Shares of £0.0001 each	100,000	10.00	100,000	10
	<u>349,518</u>	<u>35</u>	<u>349,518</u>	<u>35</u>

Rights, preferences and restrictions

A Ordinary Shares have the following rights, preferences and restrictions:

The shares have full rights in the company with respect to dividends and distributions. The shares carry right to two votes on all resolutions proposed at general meetings.

B Ordinary Shares have the following rights, preferences and restrictions:

The shares have full rights in the company with respect to dividends and distributions. The shares carry rights to one vote on all resolutions proposed at general meetings.

Participating preference shares have the following rights, preferences and restrictions:

Fixed coupon of each share to be 1% of nominal value. Participating dividend to be up to 2x the amount declared per Ordinary A and Ordinary B shares in the company in respect of the same accounting period. The shares carry no voting rights and no rights in respect of capital.

18. Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	31 December 2022	31 December 2021
	£	£
Not later than one year	15,840	19,740
Later than one year and not later than five years	<u>3,960</u>	<u>44,414</u>
	<u>19,800</u>	<u>64,154</u>

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

19. Share-based payments

Scheme details and movements

All share options were in respect of B Ordinary shares and were exercised in the period to 31 December 2021. The total share based payment reserve was transferred to the profit and loss reserve in the period to 31 December 2021. There were no further options granted during the year.

There were no movements in share options in the current year. The movements in the number of share options during the prior period was as follows:

	Number of share options 31 December 2021	Weighted average exercise price 31 December 2021
	Number	£
Outstanding at 1 April 2021	121,326	0.02
Granted	—	—
Exercised	(121,326)	(0.02)
Expired	—	—
Outstanding at 31 December 2021	0	0.00
Exercisable at 31 December 2021	0	0

During the year, the company recognised an equity share-based payment expense cost of £nil. During the prior period the company recognised an equity share-based payment expense cost of £276,968 related to options granted in March 2017, April 2018, September 2018, February 2020 and September 2020.

20. Dividends

Interim dividends paid

	31 December 2022	31 December 2021
	£	£
Interim dividend	—	242,142

21. Related party transactions

The key management personnel of the company comprises its directors. Details of their remuneration are provided in note 7.

As a subsidiary of KBR, Inc. the company has taken advantage of the exemption of schedule 1, paragraph 66 of FRS 102 not to disclose transactions with other wholly owned members of the group headed by KBR, Inc.

Harmonic Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

22. Parent and ultimate parent undertaking

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

The ultimate parent company is KBR, Inc. (601 Jefferson Street, Suite 3400, Houston, Texas) 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, United Kingdom.

23. Events after the end of the reporting period

On 1 August 2023 it was announced that Harmonic Limited had joined forces with engineering consultancy Frazer-Nash Consultancy Limited and digital transformation specialists VIMA Group (companies also owned by Harmonic Limited's parent company Kellogg Brown & Root Limited) in a move that will provide customers with an even greater scope of capabilities and technical expertise, across a breadth of diverse sectors. The employees from Harmonic Limited transferred into Frazer-Nash Consultancy Limited in October 2023.