

Reference: O-LE-AL-19-0349



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01 July 2019

Dear Sirs

Aspire Defence Limited – Annual Report and Certificate

We refer to Clause 5.1.3 of the Collateral Deed dated 06 April 2006 as amended and restated on 31 October 2016.

Summary of Performance for the Year Ended 31 December 2018

Solid progress has again been made during 2018 on all aspects of the Project.

In relation to the hard and soft facilities management aspects of the Project scope, the Company continued to provide services at or above contractual performance and availability targets.

The construction aspects of the original Project scope were completed in 2015; 542 new and refurbished assets were delivered. However, in 2016 the Company entered into a Deed of Amendment and Restatement of the Project Agreement with the Ministry of Defence (“the Authority”) and arrangements with its supply chain to include further scope associated with ABP that was required on the geographic footprint of the Project. The Company will provide further accommodation and facilities to enable troops to return from Germany in 2019, and hard and soft facilities management to those assets and their occupants until the end of the Project in 2041. During 2018, 71 (2017: 21) ABP related assets were delivered successfully out of approximately 136 that form the ABP related works.

On 15 January 2018, Carillion plc (“Carillion”) announced its compulsory liquidation. Carillion did not perform any of the services or works required under the Project Agreement. However, Carillion and KBR, Inc. (“KBR”) each had a 50% interest in two unincorporated joint ventures acting as sub-contractors to the Company known as Aspire Defence Capital Works (“ADCW”) and Aspire Defence Services (“ADS”). Carillion and KBR each owned 50% of Aspire Defence Services Limited (“ADSL”), a supplier to ADS. Carillion had guaranteed the liabilities of ADS, ADCW and ADSL to various Project parties, including the Company. The liquidation caused, inter alia, a potential event of default under the terms of the Project’s financing agreements. A potential event of default is any event which would, with the passage of time, the giving of notice or the making of a determination if not remedied, cured or waived, become an event of default as such

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terms is defined in the Project's financing documents. On 18 April 2018, KBR issued guarantees to replace the Carillion guarantees. Accordingly, the potential event of default has been resolved. On the same date wholly owned UK subsidiaries of KBR acquired Carillion's economic interests in ADCW, ADS and ADSL.

During 2018, the Company reported turnover of £475m (2017: £409m) and a resultant profit before taxation of £26.3m (2017: £28.9m) which, after tax, increased shareholders' funds by £21.1m (2017: £23.3m). The Company used these reserves to pay interim dividends of £25.8m (2017: £19.0m), leaving net assets of £5.4m (2017: £10.1m) at the end of the year. The increase in revenue is attributable to the additional construction scope associated with the ABP noted above performed in 2018. The decrease in profit is attributable to the effect of lower margin recognition on construction related activities relative to service related activities and the establishment of a provision in the prior year. At the end of the year the Company had cash and short-term investments of £169.8m (2017: £166.4m) having paid interest of £80.0m (2017: £81.8m) and repaid principal of £34.5m (2017: £32.2m) out of positive operating cashflow from the Project.

The Company continues to be accredited as an "Investor in People", and its quality and environmental management systems remain certificated to ISO standards 9001 and 14001.

Annual Certification

Pursuant to Clause 5.1.3 b), Aspire Defence Limited certifies that, so far as it is aware, there are:

- No Potential Events of Default, Events of Default or Trigger Events (as such terms are defined in the Collateral Deed) subsisting on the date of this certificate, and
- No Lock-up Events (as such terms are defined in the two Ringfencing Agreements dated 16 April 2018) subsisting on the date of this certificate.

Yours faithfully