

Reference: O-LE-AL-21-0315



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15 June 2021

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 2020**

Solid progress has again been made during 2020 on all aspects of the Project despite the difficult operating conditions posed by the Coronavirus pandemic, and potential risks surrounding Brexit.

On 23 March 2020, Prime Minister Johnson announced a national lockdown to control the spread of Coronavirus, which was relaxed gradually over the Summer. A second wave of the pandemic occurred in the Autumn, and Government introduced various “tiers” of restrictions which varied in time and geography. A Christmas with limited socialisation was followed by a third lockdown in early 2021.

After a brief hiatus following the 23 March announcement as rules and guidance were considered, understood and clarified, delivery of the Project scope continued throughout 2020. The Authority applied Government guidance for PFI contractors: during the three-month period from 1 April to 30 June (“the Covid Period”) the Authority granted relief against various contractual measures of performance, and the Company worked closely with its sub-contractors, the Authority, and the Army to ensure that an appropriate, coordinated and effective response to the virus was put in place across the estate with a view to continuing to deliver the ABP Works and the Services whilst at the same time ensuring the safety of employees, soldiers and members of the public. In respect to the Services, the Company, its subcontractor and the Authority agreed Essential Services Plans to provide key, and some additional, services during the Covid Period, such as by enhancing cleaning regimes using staff redeployed from roles impacted by Government restrictions. In respect of the ABP Works progress continued but some delays and material shortages were experienced initially.

**ASPIRE DEFENCE LIMITED**

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Aspire Defence Limited, Registered in England & Wales No. 5572542 | Registered Office: Aspire Business Centre, Ordnance Road, Tidworth SP9 7QD

During the Covid Period the Authority continued to make Unitary Payments as normal, and the Company continued to pay its supply chain as normal. It was not necessary for the Company to take advantage of schemes introduced by Government to assist businesses such as the Coronavirus Job Retention Scheme (i.e. Furlough), the Coronavirus Large Business Interruption Loan Scheme, the Covid-19 Corporate Financing Facility and arrangements to defer Value Added Tax liabilities. Therefore, the pandemic did not have a material impact on cashflows.

From 1 July 2020, the Company and its sub-contractors returned to normal contractual terms, outputs and measures, and 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. In 2016 the Company agreed with the Authority and arranged with its supply chain to include further scope associated with ABP that was required on the geographic footprint of the Project. The Company has provided 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 2020 and despite the pandemic, 35 (2019: 93) ABP related assets were delivered successfully out of approximately 205 that form the ABP related works. In aggregate, 194 ABP related assets have been accepted into service ("AIS") and the ABP related works are approximately 96% complete.

On 23 June 2016 the UK's electorate voted to leave the European Union ("EU"). Subsequently, Government commenced negotiations of the terms of the UK's departure, with a view to Brexit occurring on 29 March 2019. Following extensions of time and a General Election, the UK left the EU on 31 January 2020, and an 11-month transitional period ended on 31 December 2020. At the time of writing Brexit has not had a material impact on the Project.

During 2020, the Company reported turnover of £275m (2019: £398m) and a resultant profit before taxation of £25.6m (2019: £26.9m) which, after tax, increased shareholders' funds by £20.9m (2019: £21.8m). The Company used these reserves to pay interim dividends of £21m (2019: £21m), leaving net assets of £5.8m (2019: £6.1m) at the end of the year. The decrease in revenue is attributable to the timing of achievement of completion milestones associated with the ABP related works, which are drawing to a close. The decrease in profit is attributable to the effect of lower margin recognition on construction activities relative to service related activities and to lower net financial income reflecting repayment of debt and low interest rates. At the end of the year the Company had cash and short-term investments of £180.4m (2019: £180.0m) having paid interest of £76.6m (2019: £78.6m) and repaid principal of £38.1m (2019: £36.5m) on senior and junior funding out of positive operating cashflow from the Project, which has also reduced the Finance Asset, and the associated imputed interest receivable.

In December 2020 Project won the gold award for the Best Operational Project – Social Infrastructure at the Partnership Awards and was commended on the Project's ability to change the original arrangements and the evidence of collaboration between the parties.

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,