

KBR (Aspire Services) Limited
Annual Report and Financial Statements
31 December 2018



KBR (Aspire Services) Limited

Financial Statements

Year ended 31 December 2018

Contents	Pages
Strategic report	1 to 2
Directors' report	3 to 4
Independent auditor's report to the member	5 to 7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 to 17

KBR (Aspire 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

The company is a special purpose entity which was set up for the Ministry of Defence's (MoD) Allenby and Connaught project. The project is a 35 year concession beginning in 2006 to maintain the estates in Aldershot and the Salisbury Plain areas under the Government's Private Finance Initiative ("PFI"). The project covers the provision of both hard services such as maintaining the estates including utilities, and soft services including cleaning, catering, office support, stores management, transport management and ancillary services. These activities are delivered through the Aspire Defence Services ("ADS") unincorporated joint venture, which is a 50/50 joint venture between KBR (Aspire Services) Limited and KBR (Aspire Services Ventures) Limited.

RESULTS

The profit for the year, after taxation, amounted to £4,482,000 (2017: £2,442,000). The net assets at the end of the year totalled £2,292,000 (2017: £1,255,000).

At the start of the year, KBR (Aspire Services) Ltd operated a Joint Venture equally with Carillion (Aspire Services) Ltd. On 15 January 2018 Carillion plc went into compulsory liquidation thereby defaulting against the terms of the Joint Venture Agreement and passing operational control to KBR. On 18 April 2018 KBR assumed full ownership of ADS purchasing the Carillion ownership of ADS. KBR (Aspire Services) Ltd will jointly control ADS with new entity KBR (Aspire Services Ventures) Ltd as a Joint Venture. As required by the contractual provisions related to the PFI arrangements, these changes in ownership were approved by Aspire Defence Limited (ADL), who hold the contract with MoD and sub-contract Services activities to ADS, and the MoD itself.

At the time Carillion went into liquidation they were in receipt of a Permitted Overnight Loan (POL) of £2.05m from KBR (Aspire Services) Ltd which had been provided in accordance with the contractual arrangements providing that facility to both Shareholders. As it has been established that this amount is not recoverable through the liquidation process it had been impaired in the 2017 accounts. The POL balance outstanding at the year-end was £5.6m and of this amount, £3.55m was recovered post year-end.

Project Silk - Contingent Liability

As the defect period attached to initial phase of construction activities undertaken by Aspire Defence Capital Works ("ADCW") comes to an end, Aspire Defence Limited have commenced a review process ("Project Silk") to seek to establish the existence of any defects. The output of Project Silk (the "Project") may require ADS to address any issues where the root cause was related to services. ADS would likely seek to recover any such costs from the supply chain who were responsible for the delivery of those services, as reflected in the contractual flow-down arrangements reflected in the sub-contracts to Aspire Defence Services Limited ("ADSL"), Sodexo and MUJV. The Project is currently still ongoing and while the Joint Venture is aware of the receipt of defect notices, the quantification of the remediation has not been performed and the root cause of these defects have not been identified, which will determine which party is liable. Taking these factors into account, the Directors have considered the available evidence and do not believe that an outflow of resources to be probable and therefore consider that a contingent liability exists in respect of the Project.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Principal risks and uncertainties

The principal risks of the business revolve around its ability to maintain the accommodation at the required standard and to manage the cost of carrying out the maintenance and building improvement and the ongoing provision of the soft services. Through 2018 the operational risks continued to be robustly addressed, without impact to the business performance.

Key performance indicators

The board monitors the performance of the company through the use of key performance indicators,

KBR (Aspire Services) Limited

Strategic Report *(continued)*

Year ended 31 December 2018

which are related to financial performance, health and safety performance and a number of other factors. In addition, the contract requires detailed reporting to the client (MoD) with respect to performance measures covering a number of areas. In respect of the year ended 31 December 2018, the company's performance against these measures was satisfactory.

- **Financial performance.** The company has modelled the anticipated financial outcome of the Project and develops detailed annual budgets, which are reviewed regularly. The company monitors actual financial performance against anticipated performance. As at 31 December 2018, the company's performance against these measures was satisfactory.
- **Safety performance.** The company is committed to providing a safe environment for its employees and those impacted by its activities. In respect of the year ended 31 December 2018, the company's performance against these measures was satisfactory.

This report was approved by the board of directors on 20 November 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 (Aspire 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 R P Kerry
Mr C K Kenton

Dividends

During 2018, the directors recommended and paid a dividend of £2,350,000 (2017 - £8,925,000).

Disclosure of information in the strategic report

The following information previously included in the directors' report can be found in the strategic report on page 1:

- Principal activities and business review
- Results
- Financial risk management objectives and policies

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;
- 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.

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.

KBR (Aspire Services) Limited

Directors' Report *(continued)*

Year ended 31 December 2018

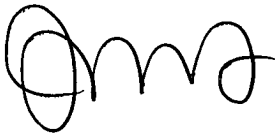
Auditor

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 20 November 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 (Aspire Services) Limited

Opinión

We have audited the financial statements of KBR (Aspire Services) Limited ("the company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, 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 profit 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 (Aspire 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

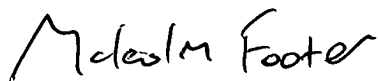
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 (Aspire 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 (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

20 November 2019

KBR (Aspire Services) Limited
Statement of Comprehensive Income
Year ended 31 December 2018

		2018	2017
	Note	£000	£000
Turnover	4	99,459	73,918
Cost of sales		<u>(93,937)</u>	<u>(69,435)</u>
Gross profit		5,522	4,483
Operating expenses		<u>(10)</u>	<u>(2,060)</u>
Operating profit	5	5,512	2,423
Interest receivable and similar income	7	<u>21</u>	<u>19</u>
Profit before taxation		5,533	2,442
Tax on profit	8	<u>(1,051)</u>	<u>—</u>
Profit for the financial year and total comprehensive income		<u>4,482</u>	<u>2,442</u>

All the activities of the company are from continuing operations.

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

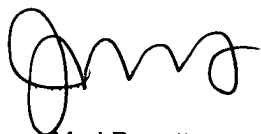
KBR (Aspire Services) Limited

Statement of Financial Position

31 December 2018

	Note	2018 £000	2017 £000
Current assets			
Debtors	10	8,844	5,079
Cash at bank and in hand		4,330	7,182
		<u>13,174</u>	<u>12,261</u>
Creditors: amounts falling due within one year	11	<u>(10,882)</u>	<u>(11,006)</u>
Net current assets		<u>2,292</u>	<u>1,255</u>
Total assets less current liabilities		<u>2,292</u>	<u>1,255</u>
Net assets		<u>2,292</u>	<u>1,255</u>
Capital and reserves			
Capital distribution reserve	13	(1,095)	—
Profit and loss account	13	<u>3,387</u>	<u>1,255</u>
Member funds		<u>2,292</u>	<u>1,255</u>

These financial statements were approved by the board of directors and authorised for issue on 20 November 2019, and are signed on behalf of the board by:



Mr J Barrett
Director

Company registration number: 5704218

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

KBR (Aspire Services) Limited

Statement of Changes in Equity

Year ended 31 December 2018

		Capital distribution reserve £000	Profit and loss account £000	Total £000
At 1 January 2017		—	7,738	7,738
Profit for the year		—	2,442	2,442
Total comprehensive income for the year		—	2,442	2,442
Dividends paid and payable	9	—	(8,925)	(8,925)
Total investments by and distributions to owners		—	(8,925)	(8,925)
At 31 December 2017		—	1,255	1,255
Profit for the year		—	4,482	4,482
Total comprehensive income for the year		—	4,482	4,482
Dividends paid and payable	9	—	(2,350)	(2,350)
Capital distribution		(1,095)	—	(1,095)
Total investments by and distributions to owners		(1,095)	(2,350)	(3,445)
At 31 December 2018		(1,095)	3,387	2,292

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

KBR (Aspire Services) Limited

Notes to the Financial Statements

Year ended 31 December 2018

1. General information

The company is a private company limited by shares, 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

KBR (Aspire Services) Limited is a private company limited by shares and incorporated, registered and domiciled in England and Wales in the UK.

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.

Interests in joint ventures

In respect of its interest in a jointly controlled asset, the Company recognises in its financial statements:

- (a) its share of the jointly controlled assets, classified according to the nature of the assets;
- (b) any liabilities that it has incurred;
- (c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- (d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- (e) any expenses that it has incurred in respect of its interest in the joint venture.

All such amounts are measured in proportion to the Company's interest in the joint asset.

KBR (Aspire 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. ————

Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

These are separate financial statements of the company. Investments in subsidiaries and jointly controlled entities are carried at cost less impairment.

Cash and cash equivalents comprise cash balances and call deposits.

Revenue recognition

Turnover comprises services rendered in the ordinary course of business to all customers excluding sales related taxes.

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.

KBR (Aspire Services) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

3. Accounting policies *(continued)*

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 assets are recognised to the extent 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.

4. Turnover

Turnover arises from:

	2018 £000	2017 £000
Rendering of services	<u>99,459</u>	<u>73,918</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2018 £000	2017 £000
Impairment of trade debtors	–	2,050
Fees payable for the audit of the financial statements	<u>10</u>	<u>10</u>

The fee payable to the company's auditor for the audit of the company's financial statements was £3,215 (2017 - £3,215). The fees will be borne by the company in the current period and this is consistent with 2017. The company will also pay the audit fees of £3,215 each on behalf of KBR (Aspire Services) Holdings Limited and KBR (Aspire Services) Holdings No 2 Limited for 2017.

The fee payable for the audit of the accounts of the company's joint venture, Aspire Defence Services was £26,000 (2017 - £19,000).

On 31 December 2017, a permitted overnight loan of £5,600,000 was owed by Carillion JM Ltd to KBR (Aspire Services) Ltd. After a review with the Carillion PLC liquidators and Kellogg Brown & Root Ltd, it was deemed that £2,050,000 would not be recoverable and was impaired in 2017. The remaining £3,550,000 was repaid prior to liquidation.

KBR (Aspire Services) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

6. Particulars of employees and directors

No staff were employed during the year ending 31 December 2018 (2017 - Nil).

The majority of employees of the group headed by Kellogg Brown & Root Holdings Limited are employed by Kellogg Brown & Root (UK) Limited. Kellogg Brown & Root (U.K.) Limited recharges group companies for this service.

No remuneration was paid to directors in respect of services provided to the company as substantially all their services have been provided to other group companies.

7. Interest receivable and similar income

	2018 £000	2017 £000
Interest on cash and cash equivalents	19	11
Interest from group undertakings	—	8
Interest receivable other	2	—
	<u>21</u>	<u>19</u>

8. Tax on profit

Major components of tax expense

	2018 £000	2017 £000
Current tax:		
UK current tax expense	1,051	—
Tax on profit	<u>1,051</u>	<u>—</u>

For the year ended 31 December 2017, any taxable losses made by group companies are surrendered to other group companies as group relief, for which no payments are made.

Reconciliation of tax expense

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

	2018 £000	2017 £000
Profit before taxation	5,533	2,442
Profit by rate of tax	1,051	470
Group relief claimed for nil consideration	—	(468)
Provision for remediation costs	—	(2)
Tax on profit	<u>1,051</u>	<u>—</u>

KBR (Aspire Services) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

8. Tax on profit *(continued)*

Factors that may affect future tax expense

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.

9. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2018 £000	2017 £000
Dividends on equity shares	<u>2,350</u>	<u>8,925</u>

10. Debtors

	2018 £000	2017 £000
Amounts owed by undertakings in which the company has a participating interest	8,844	–
Loan receivable	–	4,812
Other debtors	–	267
	<u>8,844</u>	<u>5,079</u>

11. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	2,424	2,390
Amounts owed to group undertakings	7,327	19
Amounts owed to undertakings in which the company has a participating interest	–	8,547
Accruals and deferred income	–	50
Corporation tax	1,051	–
Social security and other taxes	80	–
	<u>10,882</u>	<u>11,006</u>

12. Called up share capital

Authorised share capital

	2018		2017	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>100</u>	<u>–</u>	<u>100</u>	<u>–</u>

KBR (Aspire Services) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

12. Called up share capital *(continued)*

Issued, called up and fully paid

	2018		2017	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>

Share capital is £1 in 2018 and has not changed since the prior year.

13. Reserves

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

14. Contingencies

As the defect period attached to initial phase of construction activities undertaken by Aspire Defence Capital Works ("ADCW") comes to an end, Aspire Defence Limited have commenced a review process (Project Silk) to seek to establish the existence of any defects relating to those buildings. The Project is still ongoing and whilst the Joint Venture is aware of the receipt of defect notices these are still being reviewed. Under Project Silk, contractual obligations in relation to building defects fall to ADCW. However, if some elements of the buildings/facilities are found to be defective i.e. not in good working order through lack of Good Industry Practice maintenance, then Aspire Defence Services Limited as the maintenance contractor would have the obligation to carry out a maintenance repair. As such KBR (Aspire Services) Limited are not considered to face any risk as a consequence of this activity.

KBR (Aspire Services) Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2018

15. Related party transactions

As a subsidiary of KBR Inc. during the period from 1 January 2018 to 31 December 2018, 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.

During the year transactions, in the ordinary course of business, were entered into with related parties. Transactions entered into and trading balances outstanding at 31 December 2018 are as follows:

	Total services received from related party £000	Total services provided to related party £000	Net receivable/ (payable) at the year end £000
Aspire Defence Limited 2018	11	99,459	8,844

Transactions entered into and trading balances outstanding at 31 December 2017 were as follows:

	Total services received from related party £000	Total services provided to related party £000	Net receivable/ (payable) at the year end £000
Aspire Defence Limited 2017	126	87,506	348

The above related party amounts are inclusive of VAT.

Aspire Defence Ltd is ultimately 45% owned by KBR (U.K.) Investments Limited, a fellow subsidiary. Throughout 2017, KBR (Aspire Services) Ltd jointly operated ADS as an unincorporated Joint Venture equally with Carillion (Aspire Services) Ltd. On 15 January 2018 Carillion PLC went into voluntary liquidation thereby defaulting against the terms of the Joint Venture Agreement and passing operational control to KBR. On 18 April 2018 KBR assumed full ownership of ADS purchasing the Carillion ownership of ADS for a notional value. KBR have determined that ADS will be operated as a Joint Venture between KBR (Aspire Services) Ltd and a new entity KBR (Aspire Services Ventures) Ltd.

16. Controlling party

The company is a wholly owned subsidiary undertaking of KBR (Aspire Services) Holdings Limited (Hill Park Court, Springfield Drive, Leatherhead, Surrey KT22 7NL, a company registered in England and Wales).

As at year end the ultimate parent undertaking is KBR, Inc. (601, Jefferson Street, Suite 3400, Houston, Texas, 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 the above companies are available to the public and can be obtained from the Public Relations Department, Hill Park Court, Springfield Drive, Leatherhead, Surrey KT22 7NL.