



Aspire
defence

Reference: O-LE-AL-09-0156

Your Reference:

MBIA
1 Great St Helens St
London
EC3A 6HX

Ambac
Level 7, 6 Broadgate
London
EC2M 2QS

01 April 2009

Dear Sirs

Aspire Defence Limited – Annual Report and Certificate

We refer to Clause 5.1.3 of the Collateral Deed dated 06 April 2006.

Summary of Performance for the Year Ended 31 December 2008

Solid progress has again been made during 2008 on all aspects of the Project.

On the construction aspects of the Project scope, the Company successfully delivered another 89 assets into service across garrisons on Salisbury Plain and in Aldershot during 2008. This brings the total new and refurbished assets delivered since Financial Close to 170, or approximately 28% of the total construction scope, 91% of which have either been delivered earlier than or within one week of the planned date. In aggregate, circa 3,100 single en suite bedrooms out of a total of circa 11,500 have been delivered. Assets completed included the first complete junior ranks "village" at Swinton Barracks, Perham Down for 22 and 26 Royal Engineer Regiments. The village is comprised of eighteen thirty-six man Junior Rank Single Living Accommodation blocks, four eight man houses, and a Senior Non Commissioned Officer block.

On 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. In April 2008, a further thirty per cent of the existing estate inherited from the Authority at financial close in 2006 was successfully accepted into service as planned. In aggregate, forty five per cent of the inherited estate has been accepted into service.

During the year a number of the Company's financial counterparties were adversely affected by the effects of the global credit crisis. Three of the Company's guaranteed investment contracts were novated following credit rating downgrades and one subsequently collateralised following another downgrade. Shortly before the year end two other counterparties were downgraded, and since the year end arrangements have now been completed to receive financial assets as collateral against these credit exposures.

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.

ASPIRE DEFENCE LIMITED

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Aspire Defence Limited, Registered in England & Wales No. 5572542 | Registered Office: 24 Birch Street, Wolverhampton WV1 4HY

The Project's success has been reflected in prestigious awards, including Best Operational Defence Scheme and the Best Operational UK Project at the annual Public Private Finance award ceremony, and a number of safety and environmental awards.

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 06 April 2006) subsisting on the date of this certificate.

Yours faithfully



A R McColl
Director
Aspire Defence Limited



P Smart
Director
Aspire Defence Limited