

Project Allenby/Connaught Bondholders' Presentation

8th April 2014



Aspire
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Project Recap

Strategic Importance to MoD

- The Project covers approximately 35% of Army UK Based Trained Manpower (20% of total manpower)
- Salisbury Plain is the principal All Arms Manoeuvre Training Area in the UK
- The Project delivers two key objectives of the 1998 Strategic Defence Review:
 - Improving working and living accommodation
 - Identified as a major factor in morale, effectiveness, recruiting and retention
 - Providing accommodation for Units returning from Germany and reorganising within the UK
 - 2nd Royal Tank Regiment in July 2007, a key deliverable
 - 5 major units moving onto Salisbury Plain (2,500 soldiers)

Shared Purpose and Vision

Purpose

Together, MoD and Aspire will manage and deliver a modern, flexible living and working environment for soldiers in the Aldershot and Salisbury Plain area that will support military fighting power, enhance Army recruitment and retention and provide long-term value for the MoD and for Aspire

Vision

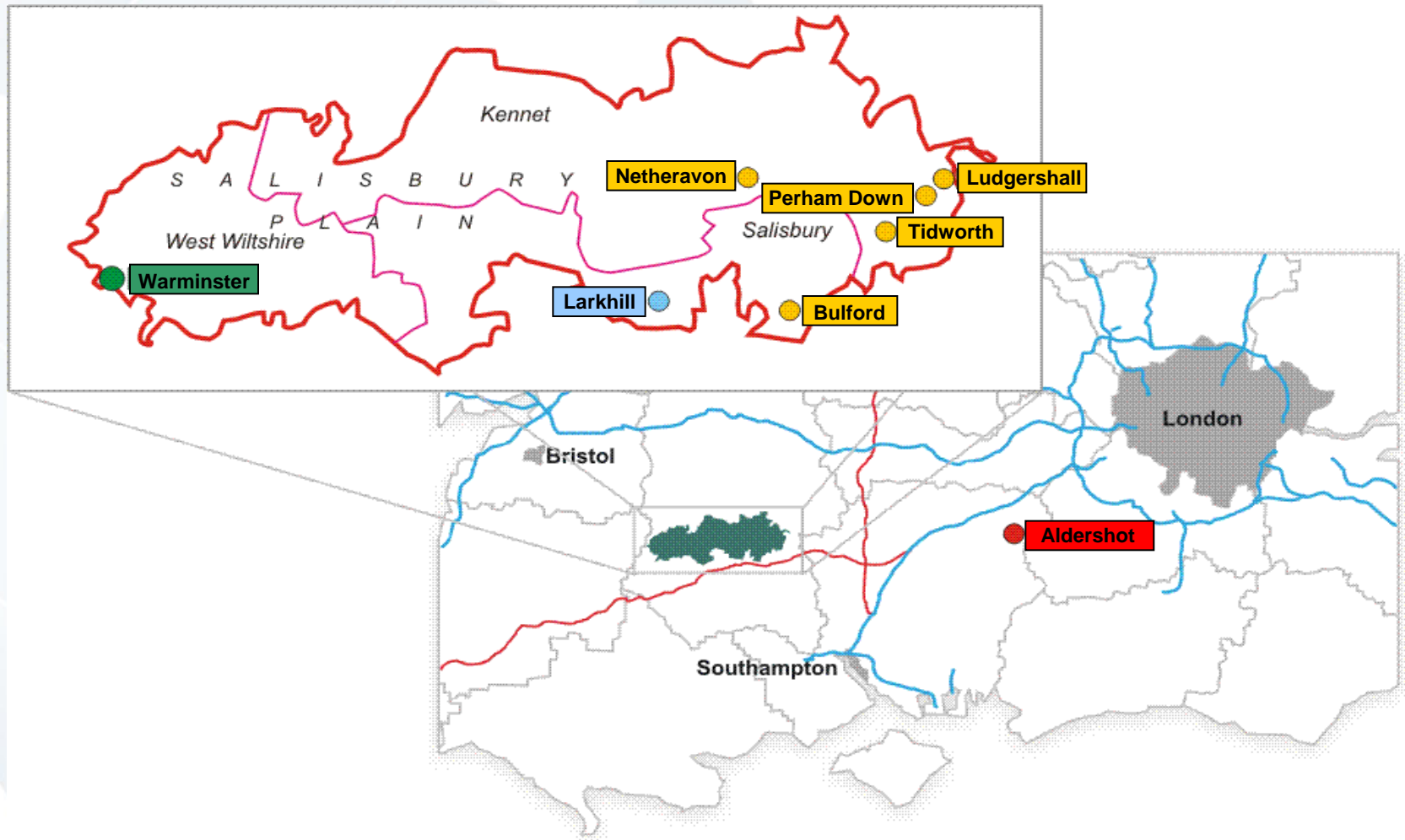
We will improve the quality of life of soldiers by delivering best in class service



What is the Contract?

A 35 year contract to
provide a service

Project Locations



Key Facts

- £8bn (real terms) 35 year PFI contract with Aspire Defence
- Construction Value £1.5bn, Steady State Revenue £235m pa
- Provides living and working accommodation to 18,700 military personnel, with total dependency more than 21,000
- Originally 10 year, now 8 year construction phase. 375 new buildings, a further 192 refurbished and 457 buildings demolished
- Previously 50+ support contracts. Aspire Defence Services manage/operate service provision – 50% self delivered 50% sub-contracted
- Local Help Desks, available 24/7 365 days a year

Services

Management & Administration	Assets and Facilities	Office Services	Welfare Services	Support to Security Services	Supply, Transport and Equipment Support Services	Living Accommodation Services
Performance Monitoring	Maintenance: M&E	Mailroom	Leisure Services	Security Passes	Weapons & Ammunition Management	Domestic Services
QA Admin	Building Fabric	Archiving	Civilian Catering	Reception	Stores	Parking Space Management
Helpdesk	Grounds	Admin and Clerical		Vetting	Laundry & Dry Cleaning	Mess Management
MIS	Ducting	Typing			Tailoring	Military Catering
HS&E	Civil Eng	PA Services			Shoe Repairs	Bar Services
HR	Furniture	Media Services			Travel Booking	Function Services
Reporting	Fixtures & Fittings	Model Making			Fuel & Lubricants	
Data Management	Estate Management	Reprographics			Fleet Management	
Visitor Management	Pest Control				Logistics	
	Waste Management				Vehicle Servicing	
	Window Cleaning					
	Utilities					
	Maintenance & Management					
	Cleaning					

Black – Self delivered
 Red – MUJV
 Green – Sodexo
 Blue – Babcock

Issuance Structure

The 2006 issuance for the financing of the project consisted of two fixed rate, wrapped, amortising Sterling debt tranches:-

Debt Issuance

Total Issuance	£ 1,463 million (plus additional £305 million of Variation Bonds) sold as: <ul style="list-style-type: none"> • Series A (Ambac): £ 731 million • Series B (MBIA): £ 731 million
Type	Fixed Rate Sterling
Underlying Rating	S&P: BBB+ Positive Moody's: Baa1 Positive
Legal Maturity	34 years (1 year tail on the Project Agreement)
Grace Period	8.5 years until amortisation commences

Debt Security Package

- Fixed and floating charges
- Security over project accounts and contracts
- Assignment of insurance policies
- Step-in rights

Variation Bonds

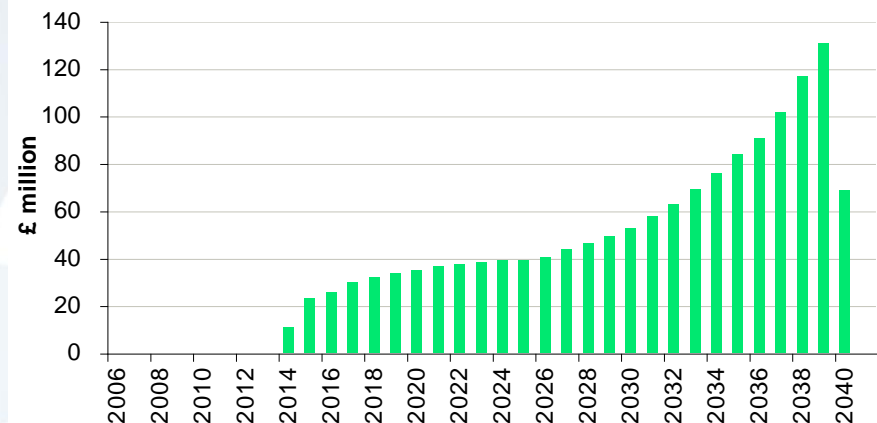
- £230m AVBs issued at FC not sold
- Committed until 8th Anniversary of FC
- Being cancelled

Bond Outstanding Principal and Amortisation Profile

The outstanding principal and the amortisation profile for the combined Series A and Series B bonds over time is shown below on an annual basis. Series A and Series B are repaid pro-rata

Outstanding Principal

Amortisation Profiles





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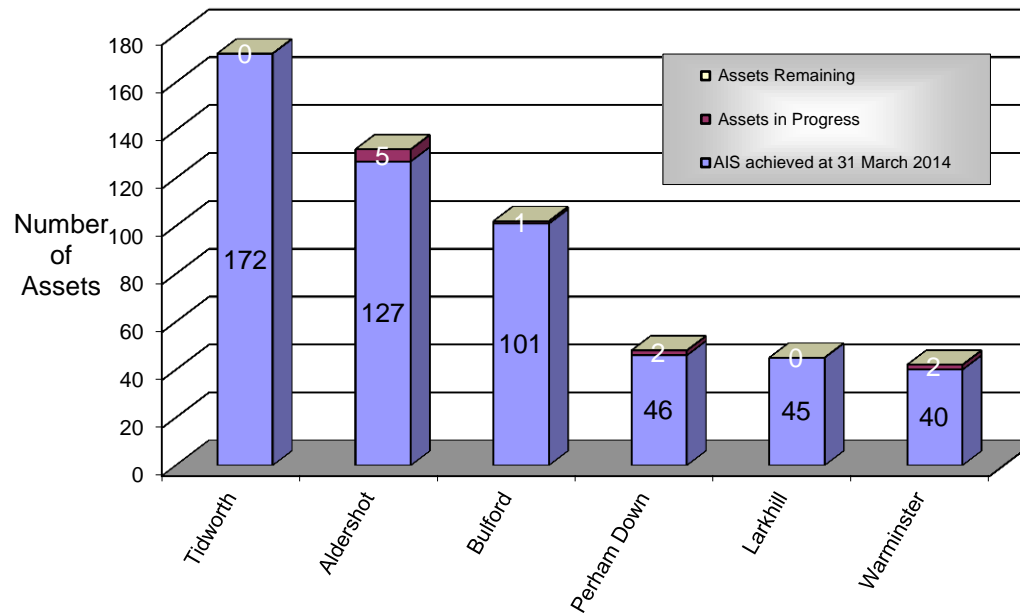
Update

Construction Overview

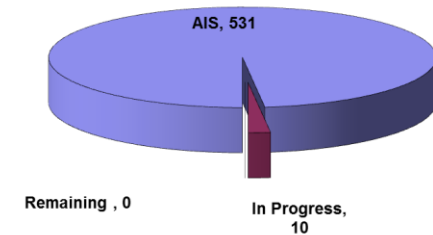
- £1.5bn capex, soon to complete year 8 of 8 (originally 10)
- 99.5% complete measured by primary assets
- Only 10 of 541 assets left in progress
- Heating System issue resolved commercially

Construction Progress – end March 2014

Construction Status at 31 March 2014

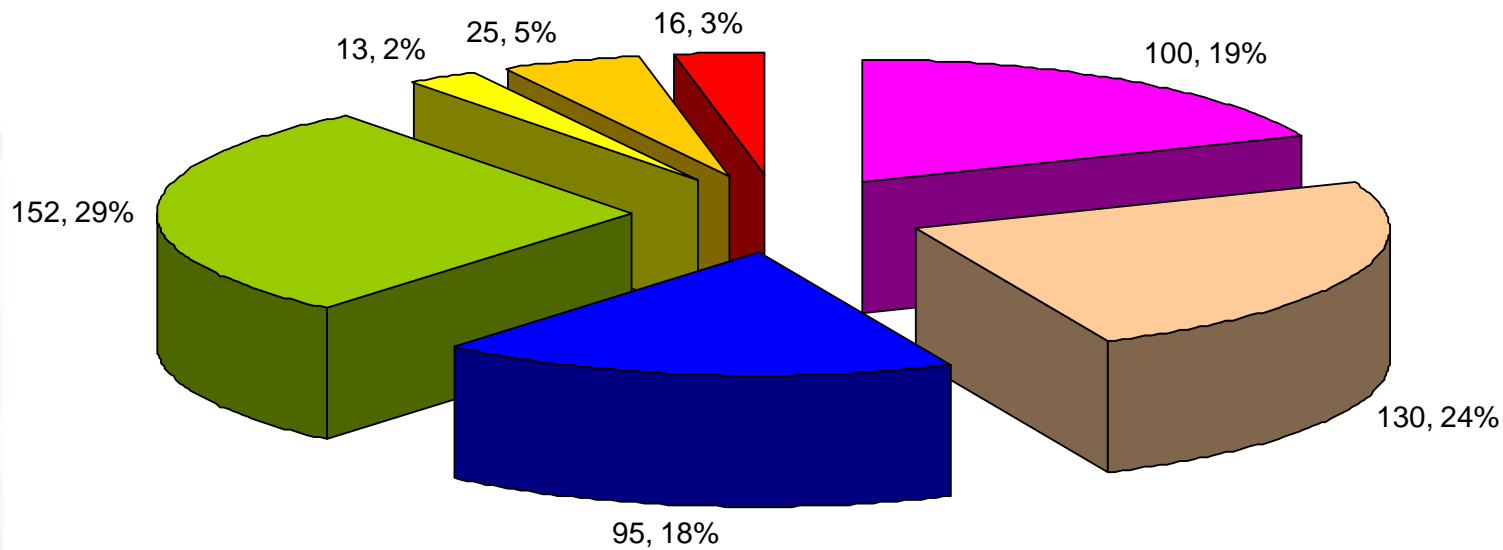


Construction



Delivery Record

Assets Delivered against Firm AIS dates



■ Early >1 month ■ Early 1wk - 1 month ■ Early 0 - 1 wk ■ On Time ■ Late 0 - 1 wk ■ Late 1 wk - 1 month ■ Late > 1 month

Liquidated Damages for Delayed Delivery

- Minimal LDs
- Non-offsetable damages £0.1m
- Early delivery credits £(2.5)m
- Offsetable damages £ 0.2 m
- Credit balance £(2.3)m

Heating and Hot Water

- Issue emerged Winter 09/10 with system failures
- Summer 2013:-
 - insurance claim settled
 - ADCW accepted a Defect, as contractually defined, is present
 - Lifecycle risk replacement/cost transferred to ADS
- Trials of technical solutions continue; hampered by mild Winter

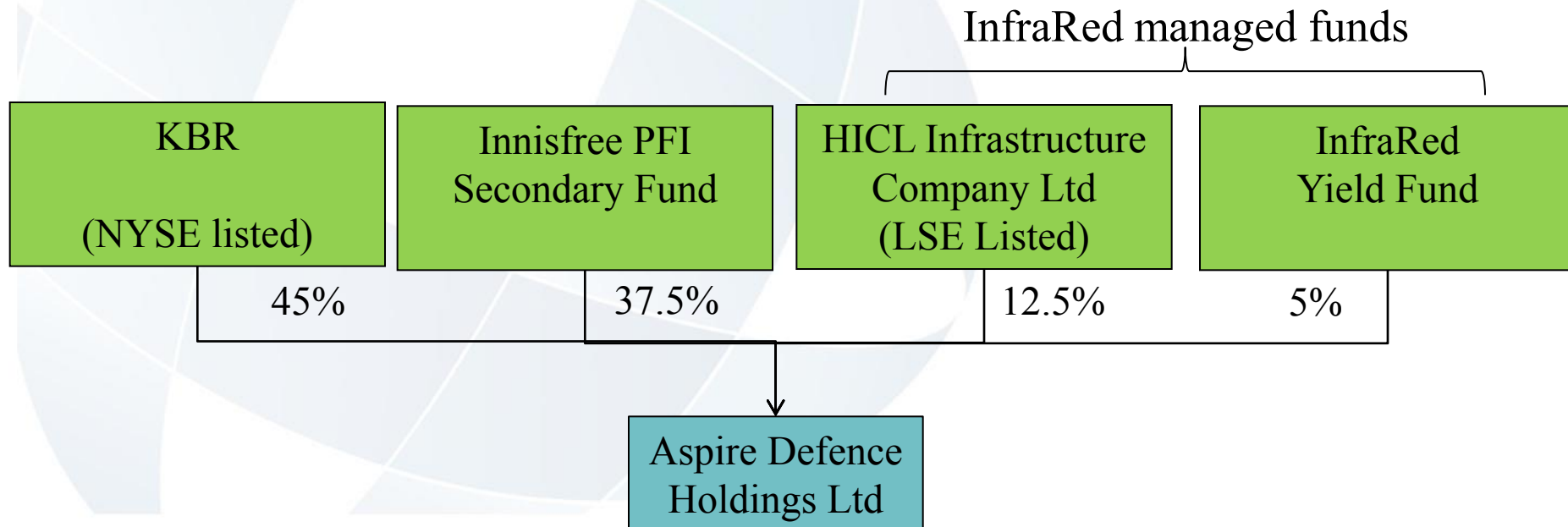
Service Delivery

- High customer satisfaction
- 24/7 Help Desks continue to be successful
- Minimal performance/availability deductions

	Unavailability Deductions	Performance Deductions	Total Deductions	Revenue	
	£000s	£000s	£000s	£000s	%
2006	0	2	2	45,971	0.00%
2007	104	0	104	114,391	0.09%
2008	139	0	139	154,894	0.09%
2009	69	5	74	167,352	0.04%
2010	62	2	64	194,035	0.03%
2011	89	0	89	229,262	0.04%
2012	8	0	8	267,617	0.00%
2013	23	0	23	280,502	0.01%
	494	9	503	1,454,024	0.03%

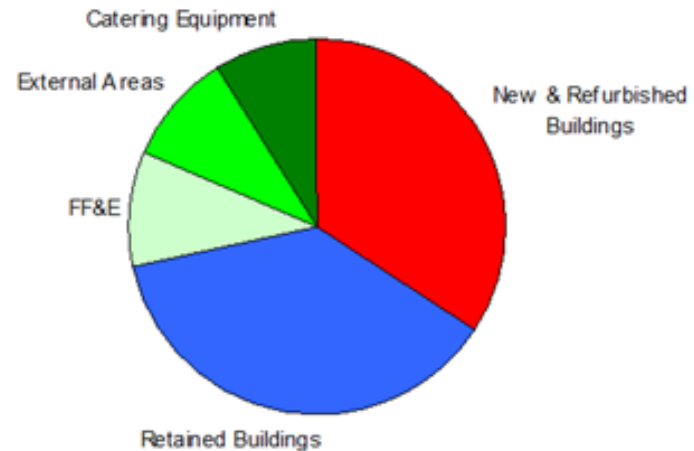
ProjCo Shareholders

- Carillion plc
 - divested shareholding in ADHL in 2009, 2010 and finally 2013
 - maintained 50% holding in sub-contractors ADS and ADCW
- Current structure:-

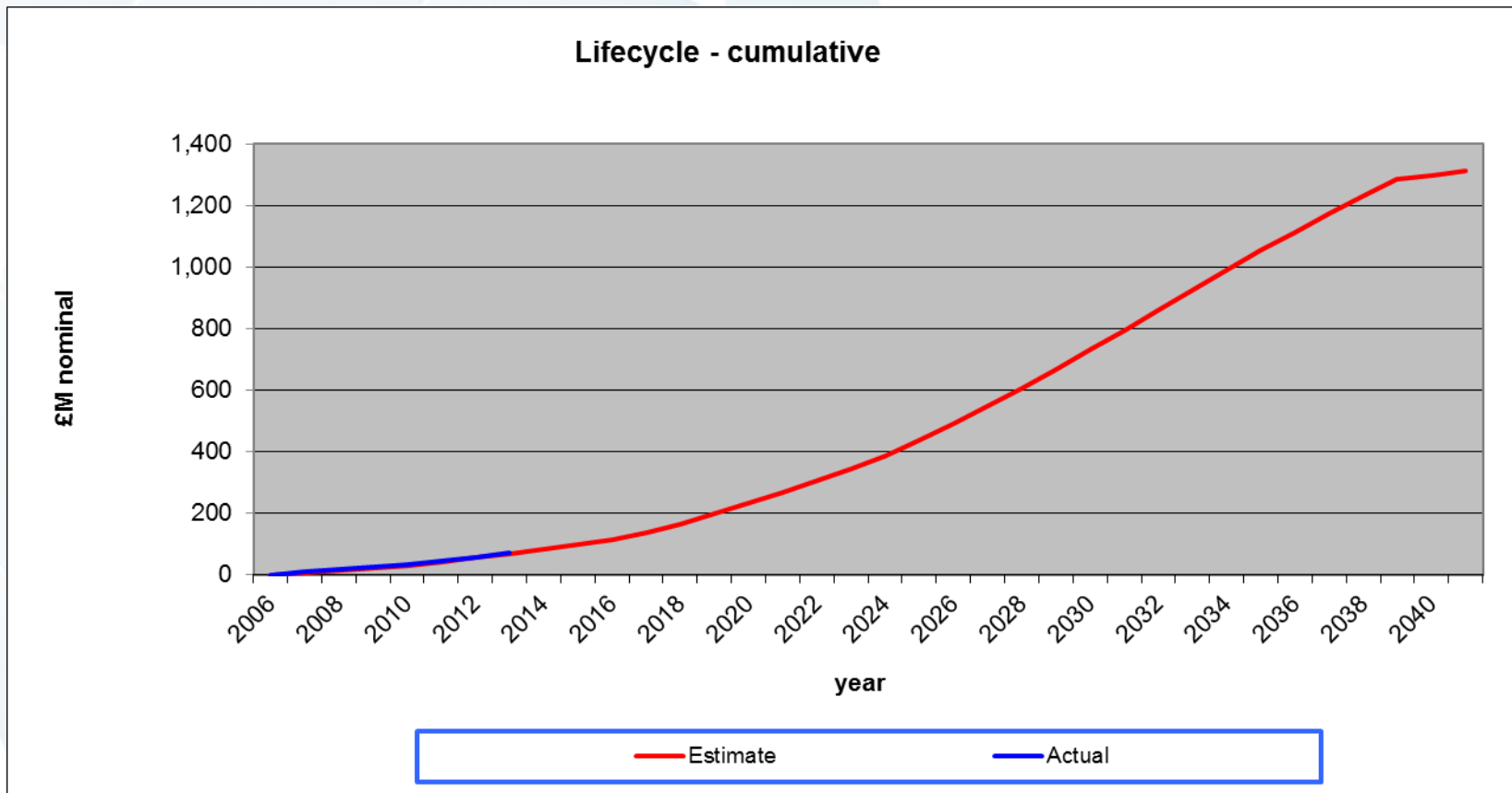


Lifecycle

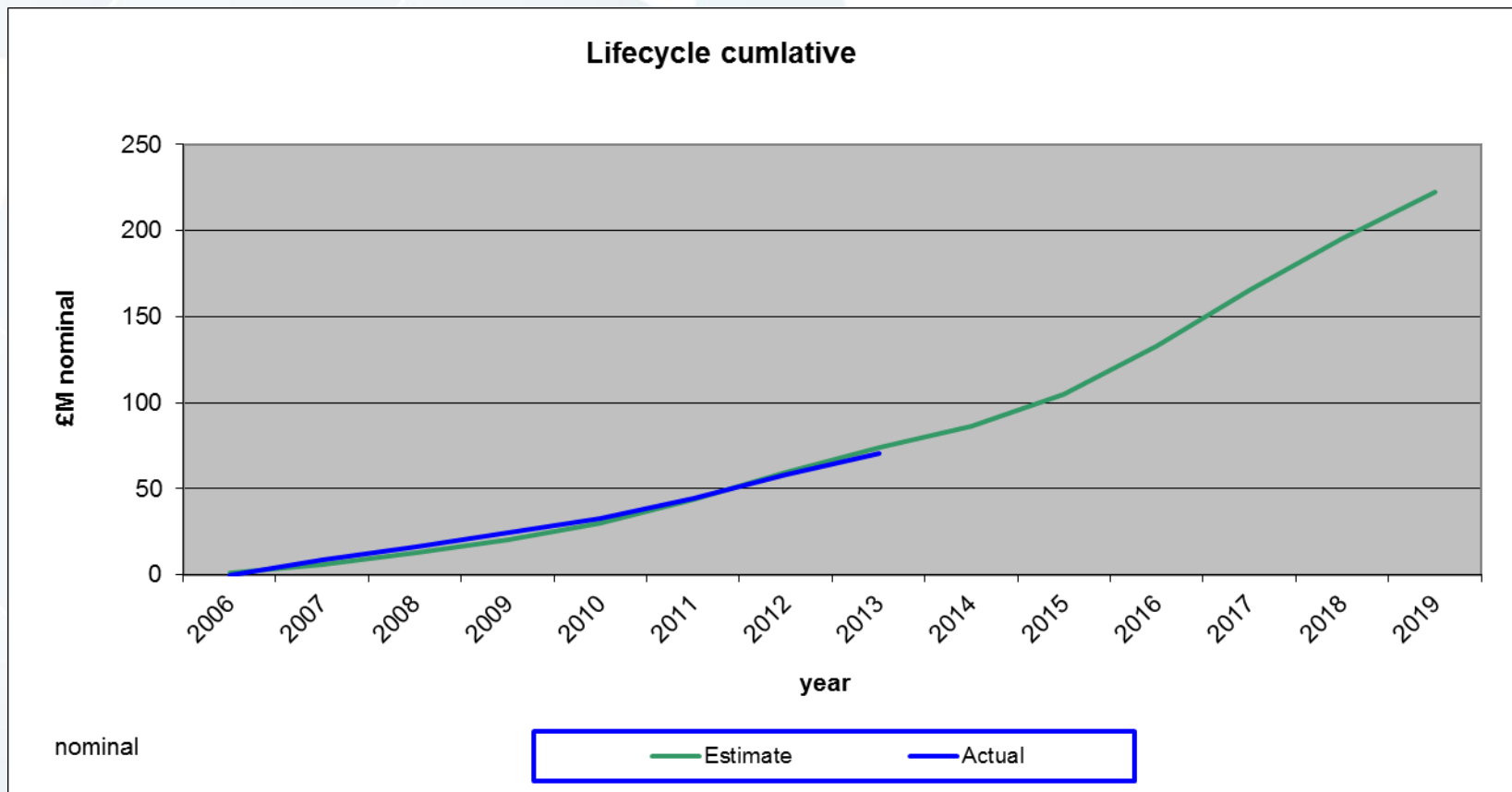
- Retained Estate (c $\frac{1}{3}$ of total), extensive surveys
 - 69 assets; 16 space types
 - Detailed pricing and condition
 - Extrapolated
 - Reconfirms adequacy of Retained Estate estimate
- Lifecycle of New and Refurbished Assets (c $\frac{1}{3}$ of total) largely yet to commence as lags programme delivery
- Original forecast maintained in current financial modelling in real terms



Lifecycle



Lifecycle



Finance

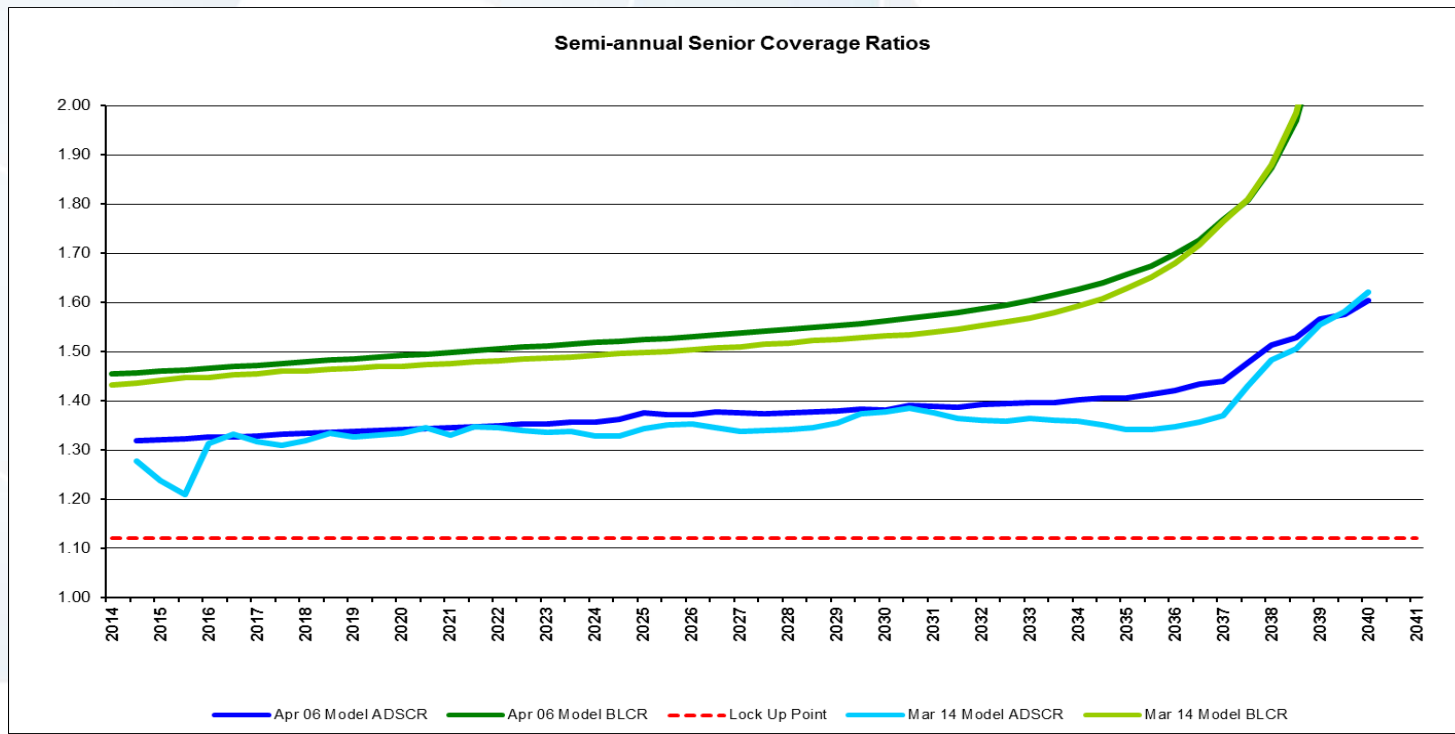
- Guaranteed Investment Contracts
 - Originally £1.1bn deposited including with both monolines
 - Novated and cash collateralised during the recent crisis
 - Now fully repaid to the original schedule
- Shareholder Loan Notes
 - Originally £119.9m supported by Letters of Credit
 - Now fully subscribed to the original schedule
 - LCs released accordingly
- ADCW Credit Support Package
 - Contractual mechanism generates decay as assets delivered
 - Originally £170m, now fully released

Finance - IFRS

- For companies in our position UK GAAP to be superseded by FRS102 or IFRS
- Decided to adopt IFRS effective 1.1.14
- Profit now recognised on construction activity
- Net interest no longer capitalised
- Effect is to accelerate profit recognition and hence tax flows
- Nevertheless cover ratios remain close to FC levels over longer term
- In graph overleaf darker lines are FC Base Case
- Near term ADSCR trough on account of IFRS adoption

Finance – Cover Ratios

- FC Base case ADSCR min 1.32 (2014) average 1.39, BLCR min 1.46
- Current forecast ADSCR min 1.21 (2015) average 1.36, BLCR min 1.43
- Distribution lock-ups at ADSCR <1.12, BLCR <1.15



Summary

- Construction nearing completion 2 years early
- Service delivery continues at a high standard
- Heating and Hot Water issue resolved commercially
- Carillion divested in June 2013; no operational effect
- Lifecycle costs and risks running to plan
- GICs repaid, Loan Notes subscribed and credit support released
- Switch to IFRS with effect from 1.1.14
- Potential variation to accommodate more troops



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Army Basing Plan

Background

- In 2011 Aspire briefed bondholders that 2010 SDSR may have implications for PAC but no detail was then available
- In March 2013 Secretary of State Basing Announcement notifying withdrawal from Germany
- Since then client has been considering:-
 - Detailed location options
 - Impact on other areas such as schools, medical facilities etc
 - Potential procurement routes
 - Potential cost versus budgets

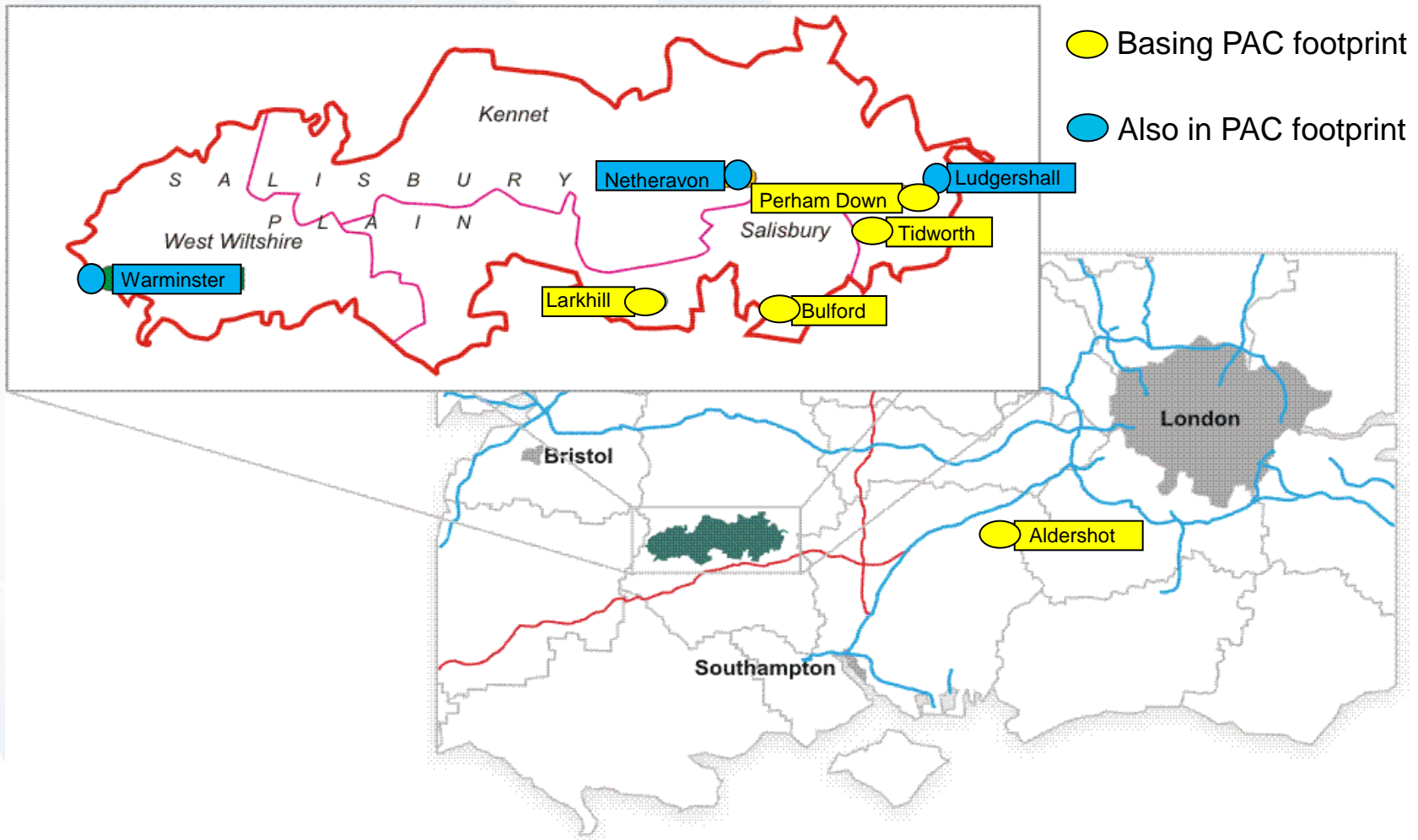
Army Basing Programme

- Reaction Force of three Armoured Infantry Brigades is the Army's remaining "teeth"
- PAC Footprint is already home to two of the three
- Need to consolidate basing on best training area available – allows other major benefits to flow such as economy of scale
- Hence
 - a third Armoured Infantry Brigade (less Armoured Cavalry) to Salisbury Plain and Aldershot, and
 - Convert 1 and 12 Mech Brigades to Armoured Infantry Brigades (incl. 47 Royal Artillery to Larkhill)

The Benefits of Aspire Delivery

- Assured Delivery
 - Building on 8+ years of proven delivery
 - Can deliver 2018 and all interim moves
 - Aspire “lives with” its solution until 2041
- An Integrated Solution
 - New assets “fold in” to existing service solution
 - Avoids difficult construction and service delivery interfaces
- Value For Money
 - Can Deliver Best Value
 - Benefits of sweating previous investment and economy of scale
 - Proven change management process

Project Locations



Garrison Example: Perham Down

- Currently 2 Engineer Regiments and construction complete
- ABP requires a further Engineer Regiment to be co-located
- Draft solution illustrated on following slides

Estate to be 'sweated' - 10.03.14

POL & Washdown to be utilised as existing

Servicing Bay to be utilised for
22, 26 & 35 Engr Regts

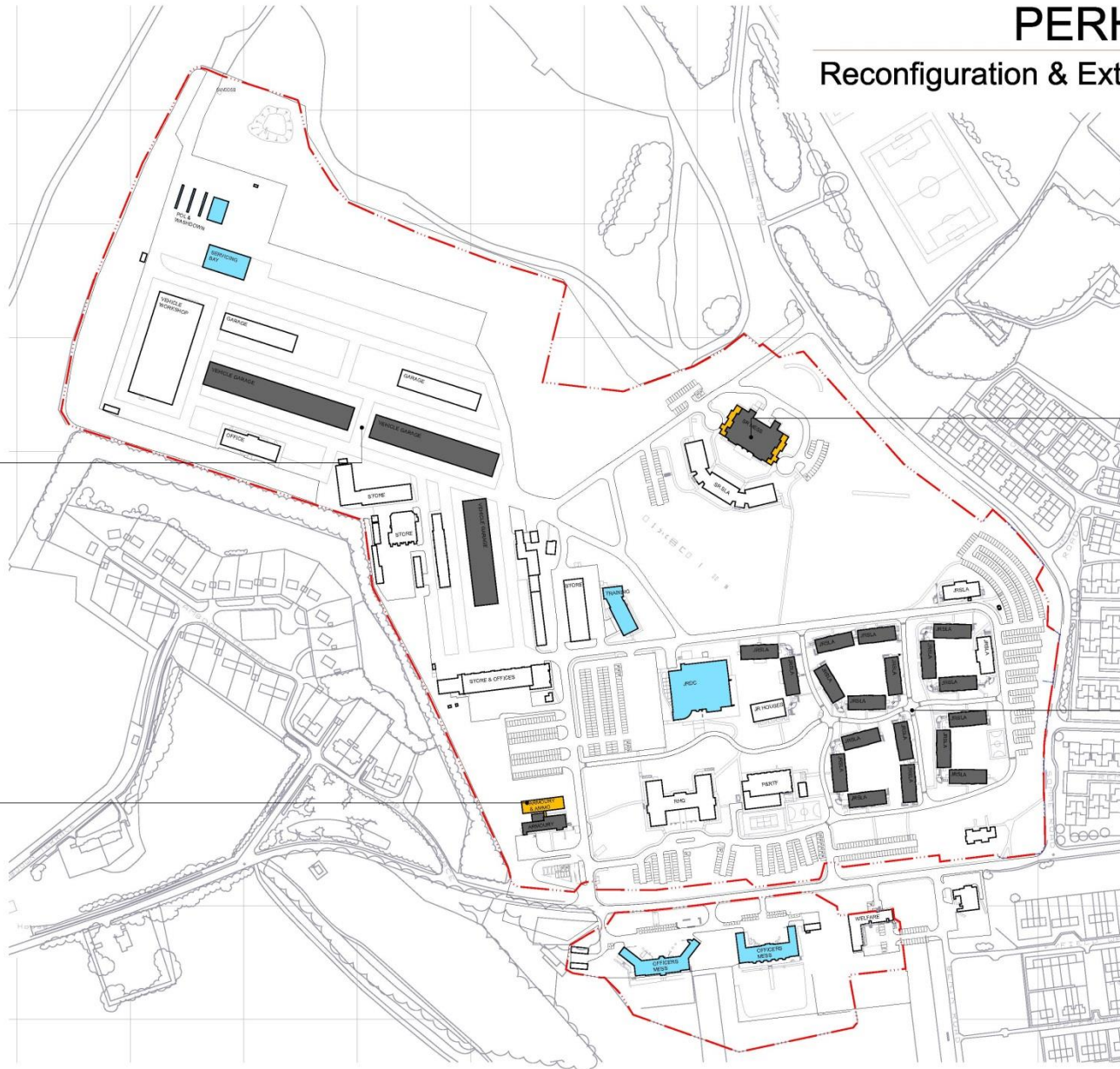
Existing Training building
classrooms to be managed for
22, 26 & 35 Engr Regts

Existing JR Dining Centre to cater for uplift in Junior Ranks membership

Existing Officers Messes for 22 & 26 Engr Regts Public Rooms & Kitchen to manage uplift in membership

PERHAM DOWN

Reconfiguration & Extension - 10.03.14



Minor reconfiguration to existing Vehicle Garages for 22/26 Engr Regt

Reconfiguration and Extension to existing SNCO Mess for 22/26 Engr Regt

Extension to existing Armoury to provide principally for 35 Engr Regt plus shortfall for 22/26 Engr Regt

Existing 18 x JRSLA with Communal Room conversions (4 bedspaces per block)

10.03.14

New Build - 10.03.14

New Build full-size all-weather pitch and sports changing facilities located outside of the wire

New Build Combined Stores, Garages, Troop Offices and Workshop principally for 35 Engr Regt

New Build Paired Officers /
SNCO Mess & SLA for 35
Engr Regt

New Build Offices to support training facilities for 35 Engr Regt, classrooms within existing Training Facility

New Build 4 x 40 bed JRSLA

New Build P&RTF including
Outliers Lockers and 2
Squash Courts

New Build RHQ for 35 Engr
Regt

New Build Officer SLA providing additional 15 bedspaces for 22/26 Engr Regt

ABP - Overall Changes to Accommodation

	Current	ABP Increment	Increase
Aldershot	2,827	279	10%
Bulford	1,999	747	37%
Larkhill	1,455	1,418	97%
Perham Down	802	321	40%
Tidworth	3,412	541	16%
TOTALS	11,910	3,306	28%

** Based on current available data*

ABP - Current Work

- Conversion of communal rooms to bedrooms
 - 32 of initial phase of 36 complete
 - Further 110 under procurement
 - Generates 584 further bedrooms
- Assessment Studies for SPTA and Aldershot
 - Nearing completion of original scope but a number of follow-on studies are being contracted.
- Discussions with DIO on procurement of Capital Works and Support Services through Aspire and terms that may apply



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Questions