

Reference: O-LE-AL-11-0169  
Your Reference:



MBIA UK Insurance Limited  
1 Great St Helen's  
London  
EC3A 6HX

Ambac Assurance UK Limited  
2<sup>nd</sup> Floor, 21 Great Winchester Street  
London  
EC2N 2JA

16 March 2011

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 2010**

Solid progress has again been made during 2010 on all aspects of the Project.

On the construction aspects of the Project scope, the Company successfully delivered another 95 assets into service across garrisons on Salisbury Plain and in Aldershot during 2010. This brings the total new and refurbished assets delivered since Financial Close to 339, or approximately 60% of the total construction scope, 92% of which have either been delivered earlier than or within one week of the planned date. In aggregate, circa 6,000 single en suite bedrooms out of a total of circa 11,500 have been delivered.

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 2010, a further twenty five per cent of the existing estate inherited from the Authority at financial close in 2006 was successfully accepted into service as planned. The acceptance into service of the inherited estate has now been completed and it is now fully subject to the "Availability" based payment regime.

Three of Aspire Defence Limited's financial counterparties were adversely affected by the effects of the global credit crisis. During 2009 arrangements were completed to receive financial assets as collateral against these credit exposures. During 2010 those collateral arrangements have remained in place but exposures, and hence collateral held, have reduced as scheduled repayments have been received. After the end of the period covered by this report, in March 2011, three of four Guaranteed Investment Contract exposures were retired following the receipt of final scheduled repayments.

**ASPIRE DEFENCE LIMITED**

Aspire Business Centre | Ordnance Road | Tidworth | SP9 7QD | T 0845 168 2000 | W [www.aspiredefence.co.uk](http://www.aspiredefence.co.uk)

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

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.


In March 2010, Standard and Poor's reassessed the Project's underlying credit rating as BBB with a stable outlook from its previous rating of BBB- also with a stable outlook.

#### 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



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**A R McColl**  
Director  
Aspire Defence Limited



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**P Smart**  
Director  
Aspire Defence Limited