

Reference: O-LE-AL-10-0104

Your Reference:



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

Ambac Assurance UK Limited
Level 7, 6 Broadgate
London
EC2M 2QS

17 February 2010

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 2009

Solid progress has again been made during 2009 on all aspects of the Project.

On the construction aspects of the Project scope, the Company successfully delivered another 74 assets into service across garrisons on Salisbury Plain and in Aldershot during 2009. This brings the total new and refurbished assets delivered since Financial Close to 244, or approximately 43% of the total construction scope, 90% of which have either been delivered earlier than or within one week of the planned date. In aggregate, circa 4,000 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 2009, a further thirty percent of the existing estate inherited from the Authority at financial close in 2006 was successfully accepted into service as planned. In aggregate, seventy five percent of the inherited estate has been accepted into service.

A number of the Company's financial counterparties have continued to be adversely affected by the effects of the global credit crisis, which has led to a number of amendments to the Project's contractual arrangements.

In 2008, three of the Company's guaranteed investment contracts ("GICs") were novated following credit rating downgrades and then one of them was collateralised following another downgrade. Subsequently, in 2009, three GICs with two institutions were also collateralised following credit rating downgrades of the counterparties. As at 31 December 2009, three of four GIC exposures (or 69% by value) were collateralised with high quality financial assets held by a third party custodian.

During 2009, measures have also been put in place to enhance the security offered by letters of credit issued by Citibank N.A. following its downgrade, and, in relation to Citibank N.A.'s role as our Account Bank, measures to ensure that the majority of the Company's cash assets are protected from any deterioration in its financial position.

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 Company continues to be accredited as an "Investor in People" and its quality and environmental management systems remain certified to ISO standard 9001 and 14001 respectively.

In October 2009 Moody's reassessed the Project's underlying credit rating as Baa2 with a stable outlook, from its previous rating of Baa3 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