

5497182

Funding for Equity Release Securitisation Transaction (No. 5) Limited

Report and Financial Statements

Period from 1 July 2005 to 31 July 2006



Funding for Equity Release Securitisation Transaction (No 5) Limited

Registered No 05497182

Officers and Professional Advisers

Directors

James Fairrie (Appointed 1 July 2005)

Mark Filer (Appointed 1 July 2005)

Robin Baker (Appointed 1 July 2005)

Wilmington Trust SP Services (London) Limited (Appointed 1 July 2005) (formerly known as SPV Management Limited)

Secretary

Wilmington Trust SP Services (London) Limited (Appointed 1 July 2005) (formerly known as SPV Management Limited)

Registered office

c/o Wilmington Trust SP Services (London) Limited

Tower 42, (Level 11)

International Financial Centre

25 Old Broad Street

London EC2N 1HQ

Bankers

Royal Bank of Scotland Plc

Corporate Banking

8th Floor

135 Bishopsgate

London EC2M 3UR

Auditors

Ernst & Young LLP

1 More London Place

London SE1 2AF

Director's report

The directors present their report on the affairs of Funding for equity release securitisation transaction (No 5) Limited ("the Company") together with the financial statements and auditors' report for the period ended 31 July 2006. These are the first set of accounts produced by the company and there are no prior period comparatives.

Principal activities and Business review

The Company was incorporated in Great Britain under the name of Funding for Equity Release Securitisation Transaction (No5) Limited on 1 July 2005. It is registered as a private limited company under the Companies Act 1985. The Company started trading on 18 August 2005.

The principal activity of the Company is the provision of financing to Equity Release Funding (No 5) Plc ("ERF 5"), a company used to facilitate the securitisation of equity release mortgages. The company makes available a credit facility in the form of an accreting loan to ERF 5, in order to provide liquidity during the early periods of the securitisation.

The directors expect the general level of activity to continue in the future.

Results and dividends

The results for the period and the state of the Company's affairs are set out in the accompanying financial statements. The profit for the period was £17,132.

No dividends were declared or paid by the Company during the period and the directors do not propose a final dividend.

Disclosure of information to auditors

At the date of Board approval of this Report and Financial Statements for the period ended 31 July 2006, each of the Directors has confirmed that

- as far as they are aware, there was no relevant audit information of which the auditors were unaware, and,
- they have taken all the steps necessary as a Director in order to make themselves aware of any relevant audit information and to establish that the auditors have been made aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Going concern

The directors believe that the company is a going concern and accordingly have prepared the financial statements accounts on this basis.

Directors' details and interests

The directors who served during the period are disclosed on page 1.

Wilmington Trust SP Services (London) Limited holds the entire issued share capital of the company. None of the other directors who served during the period had any interest in the company.

Employees

The company had no employees in the period. Wilmington Trust SP Services (London) Limited (formerly SPV Management Limited) perform the company secretarial function.

Director's report

Financial instruments

The company uses financial instruments comprising investments, borrowings, cash and various items (such as trade debtors and trade creditors) that arise directly from its operations

It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken

The main risks arising from the company's financial instruments are credit risk, interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below

Credit risk

Credit risk is principally the risk that the borrower will not be able to meet their interest obligation as they fall due. The ongoing credit risk of the investment is closely monitored by the directors

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Group considers the use of derivative financial instruments to mitigate any residual interest rate risk

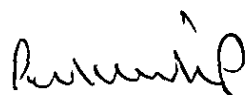
Liquidity risk

The Group's policy is to manage liquidity risk by matching the timing of the cash receipts its investments with those of the cash payments due on the sources of financing. The company has also established reserve short term funding facilities which can be used in the event that cash receipts from investments do not exceed cash payments due on sources of finance

Auditors

Ernst & Young LLP were appointed as auditors during the period and have expressed their willingness to continue in office

By order of the board



Wilmington Trust SP Services (London) Limited

Director

Date

30 MAY 2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Funding for Equity Release Securitisation Transaction (no 5) Limited

We have audited the company's financial statements for the period ended 31 July 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members Funding for Equity Release Securitisation Transaction (no 5) Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

Date *12 June 2007*

Profit & loss account

Period from 1 July 2005 to 31 July 2006

	<i>Notes</i>	<i>Period from 1 July 2005 to 31 July 2006 £'000</i>
Interest income	3	238
Other income		483
Interest expense	4	(220)
Other expense		(480)
		<hr/>
Operating profit and profit on ordinary activities before taxation	5	21
Tax on profit on ordinary activities	6	(4)
		<hr/>
Profit on ordinary activities after taxation and retained for the period		17
		<hr/> <hr/>

The results above arose wholly from continuing operations

The Company had no recognised gains or losses other than those included in the profit and loss account

The accompanying notes are an integral part of this profit and loss account

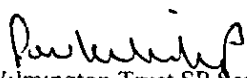
Funding for Equity Release Securitisation Transaction (No 5) Limited

Balance sheet

31 July 2006

	Notes	31 Jul 2006 £'000
Fixed assets		
Investments	7	10,488
Current assets		
Debtors amounts falling due within one year	8	51
Cash at bank		96
		147
Creditors amounts falling due within one year	9	(10,618)
Net current assets		(10,471)
Total assets less current liabilities		17
Capital and reserves		
Called-up share capital	10	–
Profit and loss account	11	17
Equity shareholders' funds		17

The financial statements were approved by the Board of Directors and signed on its behalf by


Wilmington Trust SP Services (London) Limited
Director

Date

30 MAY 2007

The accompanying notes are an integral part of this balance sheet

Cash flow statement

Period from 1 July 2005 to 31 July 2006

	<i>Notes</i>	<i>Period from 1 July 2005 to 31 July 2006 £'000</i>
Net cash inflow from operating activities	12	96
<i>Taxation</i>		
UK corporation tax paid		—
<i>Capital expenditure and financial investment</i>		
Loan Advanced		(10,488)
<i>Financing</i>		
Funds borrowed		10,488
<i>Increase in cash</i>		<u>96</u>

The accompanying notes are an integral part of this cash flow statement

Notes to the financial statements

at 31 July 2006

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below

Basis of accounting

The financial statements have been prepared in accordance with applicable UK law and accounting standards and under the historical cost convention

Investment income

Income is receivable from loans and is accounted for on an accruals basis to give a constant rate of return on the net amount outstanding

Interest expense

Interest expense paid on the secured loan notes is accounted for on an accruals basis to give a constant rate of return on the net amount outstanding

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Investments

Investments consist of a loan to a customer, interest on which is set at three month Libor plus 35bps and which is shown at cost. The directors consider there has been no impairment in value, as they believe the investments will be realised in full

Loans

The Company purchases discounted notes which are repriced every three months. Interest on loans payable is set at the prevailing commercial paper rate

2 Directors and employees

Wilmington Trust SP Services (London) Limited (formerly SPV Management Limited) are entitled to receive £6,000 per annum in respect of their role as director to the company. None of the other directors receive any emoluments from the company. None of the directors had any material interest in any contract of significance in relation to the business of the Company. The Company does not have any employees

Notes to the financial statements

at 31 July 2006

3. Interest income

	2006 £'000
Interest income on loan	238

4. Interest expense

	2006 £'000
Interest on funds borrowed	220

5. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging auditors' remuneration as follows

	2006 £'000
Auditors' fees – audit services	6

6. Taxation on profit on ordinary activities

The tax charge for the period comprises

	2006 £'000
UK corporation tax	4

Factors affecting the tax charge for the period

	2006 £'000
Profit on ordinary activities before tax	21
Tax on profit on ordinary activities at UK small companies corporation tax rate of 19%	4
	4

Notes to the financial statements

at 31 July 2006

7. Investments

	2006 £'000
Loan to ERF 5	10,488

The loan is priced at 3 month Libor plus 35bps

8. Debtors: amounts falling due within one year

	2006 £'000
Other debtors	26
Interest Receivable on Loan	25
	<u>51</u>

9 Creditors: amounts falling due within one year

	2005 £'000
Loans	10,488
Accrued interest expense	24
Other Creditors	102
Corporation tax payable	4
	<u>10,618</u>

The interest on the loan is linked to 3 months Commercial Paper costs of funds

10. Share capital

	2005 £
Authorised	
1 ordinary share of £1	1,000
Allotted, called-up and fully paid-up	
1 ordinary share of £1	<u>1</u>

The £1 ordinary share was issued on 1 July 2005 to Wilmington Trust SP Services (London) Limited (formerly SPV Management Limited) The share is held under the terms of a declaration of trust dated 5 July 2005

Notes to the financial statements

at 31 July 2006

11. Reconciliation of movement in shareholders' funds

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total 2006 £'000</i>
Retained profit for the period	–	17	17
At 31 July 2006	–	17	17

12. Reconciliation of operating profit to net cash inflow from operating activities

	<i>2006 £'000</i>
Profit on ordinary activities before taxation	21
(Increase) in debtors	(51)
Increase in creditors	126
Net cash inflow from operating activities	96

13. Analysis of changes in net debt

	<i>As at 1 July 2005 £'000</i>	<i>Cash flows £'000</i>	<i>As at 31 July 2006 £'000</i>
Cash at bank	–	96	96
Debt due within 1 year	–	(10,488)	(10,488)
Total	–	(10,392)	(10,392)

Reconciliation of net cashflow to movement in net debt

	<i>2005 £'000</i>
Increase in cash	96
Cash inflow from decrease in debt	–
Movement in net debt in the period	(10,488)
Net debt as at 31 July 2006	(10,392)

Notes to the financial statements

at 31 July 2006

14. Controlling party

One ordinary share of £1 00 was issued to Wilmington Trust SP Services (London) Limited (formerly SPV Management Limited). The share is held on trust under the terms of a declaration of trust with the ultimate beneficiaries being charities chosen by the Trustee

The directors regard Wilmington Trust SP Services (London) Limited, as Trustee of the Share Capital, to be the ultimate and intermediate controlling party

15. Related party disclosures

Wilmington Trust SP Services (London) Limited provide directors, secretarial and registration services to the Company. During the year, fees incurred for these services were £7,050. At 31 July there was no amount payable to Wilmington Trust SP Services (London) Limited