

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

Report and Financial Statements

31 July 2009

Registered No: 05497182

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

Registered No: 05497182

Directors

Wilmington Trust SP Services (London) Limited

Sunil Masson

Jean-Christophe Schroeder

Secretary

Wilmington Trust SP Services (London) Limited

Registered Office

c/o Wilmington Trust SP Services (London) Limited

Fifth Floor

6 Broad Street Place

London EC2M 7JH

Bankers

The Royal Bank of Scotland Plc

Corporate Banking

8th Floor

135 Bishopsgate

London EC2M 3UR

Auditors

Ernst and Young LLP

1 More London Place

London SE1 2AF

Directors' report

The directors present their report on the affairs of Funding for Equity Release Securitisation Transaction (No 5.) Ltd ("the Company") together with the financial statements and auditors' report for the year ended 31 July 2009.

Principal activities and business review

The principal activity of the Company is the provision of financing to Equity Release Funding (No 5) Plc ("ERF 5") a vehicle 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 year and the state of the Company's affairs are set out in the accompanying financial statements. The profit for the year was £15,000 (2008: £25,000)

No dividends were declared or paid by the Company during the year and the directors do not propose a final dividend (2008: nil).

Disclosure of information to auditors

At the date of Board approval of this Report and Financial Statements for the year ended 31 July 2009, 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 418 of the Companies Act 2006.

Directors

The directors who served during the year and at the date of these financial statements were as follows;

Wilmington Trust SP Services (London) Limited

Sunil Masson

Jean-Christophe Schroeder

Directors' and officers' liability insurance and indemnity provision

During the year the Company had in force an indemnity provision in favour of one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 and 235 of the Companies Act 2006.

Employees

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

Directors' 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 interest rates on assets and liabilities are either set according to different bases or 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 Company considers the use of derivative financial instruments to mitigate any residual interest rate risk.

Liquidity risk


Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The company manages liquidity risk by matching the payments due on issued loan notes to cash receipts from its investments. 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 are deemed to be reappointed under the Companies Act 2006 and have indicated their willingness to continue in office as the Company's auditors

Approved by the Board of Directors and signed on behalf of the Board.

Director



for Wilmington Trust SP Services (London) Limited

Date: 27 January 2010

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the 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). Under Company law, the directors must not approve the financial statements unless they are satisfied that they 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 2006. 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 financial statements of Funding For Equity Release Securitisation Transaction (No 5) Limited for the year ended 31 July 2009 which comprise the Profit and Loss Account, the Balance Sheet,, the Cash Flow Statement and the related notes 1 to 16. The 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 Sections 495 and 496 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Funding for Equity Release Securitisation Transaction (No.5) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Woosey (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London

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Profit and Loss Account

For The Year Ended 31 July 2009

	<i>Notes</i>	<i>2009</i> <i>£000</i>	<i>2008</i> <i>£000</i>
Interest income	3	903	1,159
Other income		330	350
Interest expense	4	(711)	(1,085)
Other expense		(497)	(399)
<hr/>			
Operating profit and profit on ordinary activities before taxation	5	25	25
Tax on profit on ordinary activities	6	(10)	-
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Profit on ordinary activities after taxation and retained for the year		15	25
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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.

Balance Sheet

At 31 July 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Investments	7	24,963	21,163
Current assets			
Debtors	8	38	80
Cash at bank		173	137
		211	217
Creditors: amounts falling due within one year	9	(25,101)	(21,322)
Net current assets		(24,890)	(21,105)
Total assets less current liabilities		73	58
Capital and reserves			
Called-up share capital	10	-	-
Profit and loss account	11	73	58
Equity shareholders' funds		73	58

The financial statements were approved by the Board of Directors on 27 January 2010

Signed on behalf of the Board of Directors



Wilmington Trust SP Services (London) Limited

Director

27 January 2010

The accompanying notes are an integral part of this balance sheet

Cash Flow Statement

For The Year Ended 31 July 2009

	<i>Notes</i>	<i>2009 £000</i>	<i>2008 £000</i>
Net cash inflow / (outflow) from operating activities	12	36	(70)
<i>Taxation</i>			
UK corporation tax paid		-	(4)
<i>Capital expenditure and financial investment</i>			
Loan Advanced		(3,800)	(4,275)
<i>Financing</i>			
Funds borrowed		3,800	4,275
<i>Increase/(Decrease) in cash</i>		<u>36</u>	<u>(74)</u>

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

Notes to the financial statements

at 31 July 2009

1. Accounting policies

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

Basis of accounting

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

Interest income and interest payable

Income is receivable and payable from loans and is accounted for on an accruals basis.

Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity, taking into account relief for overseas taxation where appropriate.

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

Investments

Investments consist of a fixed rate loan to a customer which is shown at cost less any permanent diminution in value. The directors consider there has been no impairment in value, as they believe the investments will be realised in full.

Loans

Loans payable are held at cost and are renewed every three months. Interest on loans payable is set at the prevailing commercial paper rate.

Going concern

The Company has met its level of expected profits for the financial period, and determined that its assets are not impaired as at balance sheet date. The Company's principal asset, Loan to ERF 5, matures on 12 July 2032. This is funded by rolling short term loan notes issued to Thames Asset Global Securitisation No.1, Inc ('TAGS Inc'). TAGS Inc is committed to provide rolling funding until the final maturity date of 12 July 2032.

Notes to the financial statements

at 31 July 2009

2. Directors and employees

Wilmington Trust SP Services (London) Limited (formerly SPV Management Limited) received £7,000 (2008 £7,000) in respect of their role as director to the Company.

None of the directors received any emoluments from the Company (2008 nil).

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 (2008 nil).

3. Interest income

	2009 £000	2008 £000
Interest income on loan	903	1,159

4. Interest expense

	2009 £000	2008 £000
Interest on funds borrowed	711	1,085

5. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging the following:

	2009 £000	2008 £000
Auditors' fees – audit of the Company's accounts	8	7

Notes to the financial statements

at 31 July 2009

6. Tax on profit on ordinary activities

The tax charge for the year comprises:

	2009 £000	2008 £000
Charge for the year	5	5
Tax effect on accounting profits not taxable under SI 2006/3296 S14 (4)	-	(5)
Under provision in respect of prior periods	5	-
	<u>10</u>	<u>-</u>
Current tax charge for the year	<u>10</u>	<u>-</u>

Factors affecting the tax charge for the year

	2009 £000	2008 £000
Profit on ordinary activities before tax	25	25
Tax on group profit on ordinary activities at applicable rate of 21 % (2008: 20%)	5	5
Tax effect on accounting profits not taxable under SI 2006/3296 S14 (4)	(5)	(5)
Taxable profits calculated under SI 2006/3296 s14 (1)	5	-
Under provision in respect of prior periods	5	-
	<u>10</u>	<u>-</u>

7. Investments

	2009 £'000	2008 £'000
Loan to ERF 5	24,963	21,163

The Company has a commitment to provide the loan to ERF 5 amounting to £233,000,000. The loan matures on 12 July 2032 and is priced at 3 month Libor plus 35bps.

Notes to the financial statements

at 31 July 2009

8. Debtors

	2009 £'000	2008 £'000
Other debtors due within one year	21	16
Interest Receivable on loan	17	64
	<u>38</u>	<u>80</u>

9. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Loans	24,963	21,163
Accrued interest expense	6	59
Other creditors	122	100
Corporation tax payable	10	-
	<u>25,101</u>	<u>21,322</u>

The loan payable represents net proceeds from issuing short-term discounted notes to TAGS Inc. which re-prices every 3 months. Interest payable on the TAGS Inc. loan is based on the prevailing commercial paper yield. Notes are issued to TAGS Inc on a short term rolling basis with a final maturity date of 12 July 2032. The current loan note matures on 27 July 2010.

10. Share capital

	2009 £'000	2008 £'000
Authorised 1,000 ordinary share of £1	1,000	1,000
Allotted, called-up and fully paid-up 1 ordinary share of £1	<u>1</u>	<u>1</u>

Notes to the financial statements

at 31 July 2009

11. Reconciliation of movement in shareholders' funds

	<i>Share Capital £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
At 1 August 2008	–	58	58
Retained profit for the year	–	15	15
At 31 July 2009	–	73	73

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

	<i>2009 £000</i>	<i>2008 £000</i>
Profit on ordinary activities before taxation	25	25
Decrease/ (Increase) in debtors	42	(19)
Decrease in creditors	(31)	(76)
Net cash inflow / (outflow) from operating activities	36	(70)

13. Analysis of changes in net debt

	<i>As at 1 August 2008 £'000</i>	<i>Cash flows £'000</i>	<i>As at 31 July 2009 £'000</i>
Cash at bank	137	36	173
Debt due within 1 year	(21,163)	(3,800)	(24,963)
Total	(21,026)	(3,764)	(24,790)

Reconciliation of net cashflow to movement in net debt

	<i>£'000</i>
Net debt as at 1 August 2008	(21,026)
Increase in cash	36
Movement in net debt in the year	(3,800)
Net debt as at 31 July 2009	(24,790)

Notes to the financial statements

at 31 July 2009

14. Controlling party

One ordinary share of £1 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 £7,000 (2008: £7,000). At 31 July 2009 there was no amounts payable to Wilmington Trust SP Services (London) Limited (2008: £ nil).