

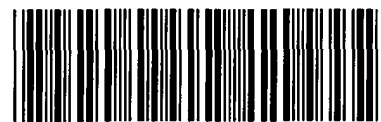
# **Funding for Equity Release Securitisation Transaction (No.5) Limited**

## **Report and Financial Statements**

31 July 2015

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  
Mignon Clarke  
Mark Howard Filer

## **Secretary**

Wilmington Trust SP Services (London) Limited

## **Registered Office**

c/o Wilmington Trust SP Services (London) Limited  
Third Floor  
1 King's Arms Yard  
London EC2R 7AF

## **Bankers**

The Royal Bank of Scotland Plc  
Corporate Banking  
8th Floor  
135 Bishopsgate  
London EC2M 3UR

## **Auditors**

Ernst and Young LLP  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

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

Registered No: 05497182

## Strategic Report

The directors present their Strategic Report for the year ended 31 July 2015.

### Activities

The principal activity of the Company is the provision of financing to Equity Release Funding (No 5) Plc ("ERF 5") a special purpose 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 as part of the securitisation.

### Business Review and Key Performance Indicators

There has been no change in the activities of the Company during the year.

The Company has been in discussions with ERF5 and The Royal Bank of Scotland Plc ("RBS"), the provider of the back stop liquidity, to restructure the financing of the Company.

The Company has met its level of expected profits for the financial year, and determined that its assets are not impaired as at balance sheet date. As at balance sheet date, the company has net assets of £187,445 (2014: £164,510).

The key performance indicator for the Company is the performance of the Company's principal asset, a loan to ERF 5. Based on the investor reports supplied by ERF 5 and enquiries performed, the directors are not aware of any indicators that ERF 5 will be unable to repay its obligations as they fall due. There have been no instances of defaulted principal and interest repayments from ERF 5 to Funding for Equity Release Securitisation Transaction (No. 5) Limited ("FFERST 5"). Accordingly, the directors have a reasonable expectation that no impairment provision is required for the investments.

### Subsequent events

Since the year end, in January 2016, the Company has restructured its finances and has agreed to transfer all of its credit facility obligations in relation to ERF5 to a third party and to repay in full and terminate the back stop liquidity facility provided by RBS.

No decision has yet been taken as to whether to wind the Company up or to seek further opportunities.

### Principal Risks and Uncertainties and 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.

## Strategic Report

### Principal Risks and Uncertainties and Financial Instruments (continued)

#### 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 its loans to cash receipts from its investments. The Company has also established reserve short term funding facilities from RBS, which can be used in the event that cash receipts from investments do not exceed cash payments due on sources of finance. The Company has fully dawn down the backstop liquidity facility commitment with RBS since July 2012 to ensure it can meet its credit facility obligations to ERF5 following the rating downgrades of RBS.

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



Mark Piler

For and on behalf of Wilmington Trust SP Services (London) Limited

Director

Date: 8 April 2016

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

Registered No: 05497182

## Directors' 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 auditor's report for the year ended 31 July 2015.

### 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 £22,935 (2014: £49,373)

No dividends were declared or paid by the Company during the year and the directors do not propose a final dividend (2014: £nil).

### Going concern

The Company is funded by a liquidity facility provided by RBS which has been fully drawn down following the historic rating downgrades of RBS. Since the year end, in January 2016, the Company has restructured its finances and has agreed to transfer all of its credit facility obligations in relation to ERF5 to a third party and to repay in full and terminate the liquidity facility.

The Company has met its level of expected profits for the financial year and determined that its assets are not impaired as at balance sheet date.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future having taken into account the cash balances and net assets of the Company following the restructuring of its finances in January 2016 and the expected future business of the Company. No decision has yet been taken as to whether to wind the Company up or to seek further opportunities. The Directors have therefore decided to continue to adopt the going concern basis in preparing the financial statements.

The principal risks and uncertainties and discussion of financial instruments is made in the Strategic Report on pages 2 and 3.

### Disclosure of information to auditors

At the date of Board approval of this Report and Financial Statements for the year ended 31 July 2015, 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

Mignon Clarke

Martin McDermott (resigned on 5 December 2014)

Mark Howard Filer (appointed on 5 December 2014)

### 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.

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

Registered No: 05497182

## Directors' Report

### Employees

The Company has no employees. Wilmington Trust SP Services (London) Limited performs the Company secretarial function.

### 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.



Mark Filer

For and on behalf of Wilmington Trust SP Services (London) Limited

Director

Date: 8 April 2016

## **Directors' responsibilities statements**

The directors are responsible for preparing the strategic report, directors' 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 that are sufficient to show and explain the Company's transactions and 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 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 member 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 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2015 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



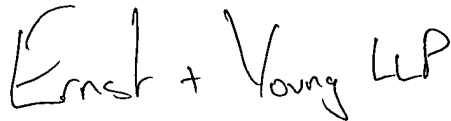
# Independent auditors' report

to the member 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.



Simon Ludlam (*Senior statutory auditor*)

*for and on behalf of Ernst & Young LLP, Statutory Auditor*

*London*

*8 April 2016*

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

Registered No: 05497182

## Profit and Loss Account

For the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Interest income	3	700	638
Other income		251	257
Interest expense	4	(694)	(638)
Other expense		(228)	(196)
<b>Operating profit on ordinary activities before taxation</b>			
	5	29	61
Tax on profit on ordinary activities	6	(6)	(12)
<b>Profit on ordinary activities after taxation and for the year</b>			
		23	49

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

Registered No: 05497182

## Balance Sheet

As at 31 July 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Investments	7	29,900	30,850
Deposit	7	144,733	149,157
<b>Current assets</b>			
Debtors	8	24	24
Cash at bank		211	217
		<u>235</u>	<u>241</u>
<b>Creditors:</b> amounts falling due within one year	9	(174,680)	(180,083)
<b>Net current assets</b>		<u>(174,445)</u>	<u>(179,842)</u>
<b>Total assets less current liabilities</b>		<u>188</u>	<u>165</u>
<b>Capital and reserves</b>			
Called-up share capital	10	-	-
Profit and loss account	11	188	165
<b>Equity shareholders' funds</b>		<u>188</u>	<u>165</u>

The financial statements were approved by the Board of Directors on 8<sup>th</sup> April 2016

Signed on behalf of the Board of Directors



Mark Filer

For and on behalf of Wilmington Trust SP Services (London) Limited

Director

The accompanying notes are an integral part of this balance sheet

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

Registered No: 05497182

## Cash Flow Statement

For the year ended 31 July 2015

	<i>Notes</i>	<i>2015 £'000</i>	<i>2014 £'000</i>
<b><i>Net cash inflow from operating activities</i></b>	12	11	146
<b><i>Taxation</i></b>			
UK corporation tax paid		(12)	-
<b><i>Capital expenditure and financial investment</i></b>			
Loan repaid		950	5,000
Decrease in deposit		4,424	2,209
<b><i>Financing</i></b>			
Funds repaid		(5,379)	(7,240)
<b><i>(Decrease)/ increase in cash</i></b>		<u>(6)</u>	<u>115</u>

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

## Notes to the financial statements

For the year ended 31 July 2015

### 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 receivable 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 variable 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 on a rolling basis to match the duration of loan to ERF5. Interest on loans payable is set at the prevailing LIBOR rate.

#### **Going concern**

The Company's business activities, future developments and principal risks and uncertainties are set out in the Directors' Report and the Strategic Report.

The Company is funded by a liquidity facility provided by RBS which has been fully drawn down following the historic rating downgrades of RBS. Since the year end, in January 2016, the Company has restructured its finances and has agreed to transfer all of its credit facility obligations in relation to ERF5 to a third party and to repay in full and terminate the liquidity facility.

The Company has met its level of expected profits for the financial year and determined that its assets are not impaired as at balance sheet date.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future having taken into account the cash balances and net assets of the Company following the restructuring of its finances in January 2016 and the expected future business of the Company. No decision has yet been taken as to whether to wind the Company up or to seek further opportunities. The Directors have therefore decided to continue to adopt the going concern basis in preparing the financial statements.

## Notes to the financial statements

at 31 July 2015

### 2. Directors and employees

Wilmington Trust SP Services (London) Limited received £9,742 (2014: £9,506) for providing corporate services to 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 (2014: nil).

### 3. Interest income

	2015 £'000	2014 £'000
Interest income on loan	280	289
Interest income on deposits	420	349
	<u>700</u>	<u>638</u>

### 4. Interest expense

	2015 £'000	2014 £'000
Interest on funds borrowed	694	638
	<u>694</u>	<u>638</u>

### 5. Profit on ordinary activities before taxation

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

	2015 £'000	2014 £'000
Auditors' fees – audit of the Company's accounts	15	15
	<u>15</u>	<u>15</u>

## Notes to the financial statements

at 31 July 2015

### 6. Tax on profit on ordinary activities

The tax charge for the year comprises:

	2015 £'000	2014 £'000
<i>Current taxation:</i>		
Charge for the year	6	12
	<u>6</u>	<u>12</u>

#### Factors affecting the tax charge for the year

	2015 £'000	2014 £'000
<b>Profit on ordinary activities before tax</b>	<b>29</b>	<b>61</b>
	<u>        </u>	<u>        </u>
Tax on profit on ordinary activities at applicable rate of UK corporation tax of 20% (2014: 20%)	6	12
Accounting profits not taxable under SI 2006/3296 S14 (4)	(6)	(12)
Taxable profits calculated under SI 2006/3296 s14 (1)	6	12
	<u>        </u>	<u>        </u>
Actual tax charge	6	12
	<u>        </u>	<u>        </u>

### 7. Investments

	2015 £'000	2014 £'000
Loan to ERF 5	29,900	30,850
Deposit with BNP Paribas	144,733	149,157
	<u>174,633</u>	<u>180,007</u>

The Company has a commitment to provide a loan of £174,597,315 (2014: £179,976,132) to ERF5 of which the client has utilised £29,900,000 (2014: £30,850,000). The loan matures on 12 July 2032 and is priced at 3 month Libor plus 35bps.

FFERST 5 is funded by a liquidity facility provided by RBS. To date, the full facility from RBS, amounting to £175million (2014: £180million), has been drawn down.

## Notes to the financial statements

at 31 July 2015

### 8. Debtors

	2015 £'000	2014 £'000
Other debtors due within one year	12	12
Interest receivable on loan	12	12
	<u>24</u>	<u>24</u>

### 9. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Loans	174,597	179,976
Accrued interest expense	48	43
Other creditors	29	52
Corporation tax payable	6	12
	<u>174,680</u>	<u>180,083</u>

Loans payable are held at cost and renewed on a rolling basis to match the duration of loan to ERF5. Interest on loans payable is set at 3 month LIBOR plus 33bps and the current loan note matures on 19 July 2016.

The Company has in place a backstop Liquidity Facility Agreement it entered with RBS which is renewable annually. As at balance sheet date, the liquidity commitment is £174,597,315 (2014: £179,976,132) and has been fully drawn down. No commitment fee is payable on this commitment.

### 10. Share capital

	2015 £	2014 £
<i>Authorised</i>		
1,000 ordinary share of £1	1,000	1,000
	<u>          </u>	<u>          </u>
<i>Allotted, called-up and fully paid-up</i>		
1 ordinary share of £1	1	1
	<u>          </u>	<u>          </u>



## Notes to the financial statements

at 31 July 2015

### 11. Reconciliation of movement in shareholders' funds

	<i>Share Capital £'000</i>	<i>Profit &amp; Loss Account £'000</i>	<i>Total £'000</i>
As at 1 August 2014	–	165	165
Profit for the year	–	23	23
As at 31 July 2015	–	188	188

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

	<i>2015 £'000</i>	<i>2014 £'000</i>
Profit on ordinary activities before taxation	29	61
Decrease in debtors	-	329
Decrease in creditors	(18)	(244)
Net cash inflow from operating activities	11	146

### 13. Analysis of changes in net debt

	<i>As at 1 August 2014 £'000</i>	<i>Cash flows £'000</i>	<i>As at 31 July 2015 £'000</i>
Cash at bank	217	(6)	211
Debt due within 1 year	(179,976)	5,379	(174,597)
Total	(179,759)	5,373	(174,386)

#### Reconciliation of net cashflow to movement in net debt

	<i>£'000</i>
Net debt as at 1 August 2014	(179,759)
Decrease in cash	(6)
Movement in net debt in the year	5,379
Net debt as at 31 July 2015	(174,386)

## Notes to the financial statements

at 31 July 2015

### 14. Controlling party

One ordinary share of £1 was issued to Wilmington Trust SP Services (London) 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 under the terms of a Corporate Services Agreement. During the year, fees incurred for these services were £9,742 (2014: £9,506). At 31 July 2015, there was no amount payable to Wilmington Trust SP Services (London) limited (2014: £nil).

### 16. Subsequent events

Since the year end, in January 2016, the Company has restructured its finances and has agreed to transfer all of its credit facility obligations in relation to ERF5 to a third party and to repay in full and terminate the back stop liquidity facility provided by RBS.