

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

Report and Financial Statements

31 July 2014

Registered No: 05497182

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COMPANIES HOUSE

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

1 More London Place

London SE1 2AF

Strategic Report

The directors present their Strategic Report for the year ended 31 July 2014.

Activities

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.

Business Review and Key Performance Indicators

There has been no change in the activities of the Company. The directors expect the general level of activity to continue in the future.

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 £164,510 (2013: £115,137).

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.

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.

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 from The Royal Bank of Scotland Plc ("RBS"), which can be used in the event that cash receipts from investments do not exceed cash payments due on sources of finance. As of July 2012, the Company has starting funding from RBS by way of the backstop Liquidity Facility Agreement. This will continue until the refinancing is complete in 12 July 2032.

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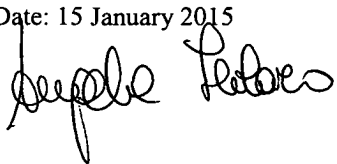
Strategic Report

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

Angela Icolaro for and on behalf of Wilmington Trust SP Services (London) Limited

Director

Date: 15 January 2015

A handwritten signature in black ink, appearing to read 'Angela Icolaro', written over the printed name.

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 2014.

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 £49,373 (2013 loss: £17,847)

No dividends were declared or paid by the Company during the year and the directors do not propose a final dividend (2013: nil).

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, a loan to ERF 5, matures on 12 July 2032. Following the downgrade of The Royal Bank of Scotland ("RBS"), by Moody's, FFERST 5 switched from Asset-Backed Commercial Paper ("ABCP") funding with Thames Asset Global Securitization No.1 Inc. ("TAGs") to full liquidity funding with RBS in July 2012. To date, the full liquidity facility of £180million, has been drawn down.

The Company will continue to source funding from RBS by way of the backstop Liquidity Facility Agreement as detailed in Note 9 until the refinancing is complete. For these reasons the directors continue to adopt the going concern basis of accounting in preparing the annual 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 2014, 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

Daniel Russell Fisher (resigned 31 July 2014)

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.

Registered No: 05497182

Directors' Report

Employees

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

Auditors

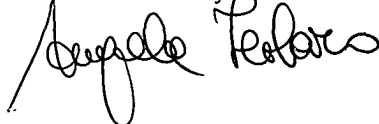
Ernst & Young LLP are deemed to be reappointed under the Companies Act 2006 and have indicated their willingness to continue in office as the Company's auditors.

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

Angela Icolaro for and on behalf of Wilmington Trust SP Services (London) Limited

Director

Date: 15 January 2015



Directors' responsibilities statements

The directors are responsible for preparing the 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 period. In preparing those 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 UK accounting standards have been followed 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 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15. 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 2014 and of its results 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.

Ernst & Young LLP

Kenneth Eglinton (*Senior statutory auditor*)

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

London

19 January 2015

Registered No: 05497182

Profit and Loss Account

For the year ended 31 July 2014

	Notes	2014 £'000	2013 £'000
Interest income	3	638	844
Other income		257	268
Interest expense	4	(638)	(849)
Other expense		(196)	(281)
Operating profit/ (loss) on ordinary activities before taxation	5	61	(18)
Tax on profit/ (loss) on ordinary activities	6	(12)	-
Profit/ (loss) on ordinary activities after taxation and for the year		49	(18)

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

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Balance Sheet

As at 31 July 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	7	30,850	35,850
Deposit	7	149,157	151,366
Current assets			
Debtors	8	24	353
Cash at bank		217	102
		<u>241</u>	<u>455</u>
Creditors: amounts falling due within one year	9	(180,083)	(187,555)
Net current assets		<u>(179,842)</u>	<u>(187,100)</u>
Total assets less current liabilities		<u>165</u>	<u>116</u>
Capital and reserves			
Called-up share capital	10	-	-
Profit and loss account	11	165	116
Equity shareholders' funds		<u>165</u>	<u>116</u>

The financial statements were approved by the Board of Directors on 15 January 2015.

Signed on behalf of the Board of Directors by:



Angela Icolaro for and on behalf of Wilmington Trust SP Services (London) Limited

Director

The accompanying notes are an integral part of this balance sheet

Cash Flow Statement

For the year ended 31 July 2014

	<i>Notes</i>	<i>2014</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Net cash inflow/ (outflow) from operating activities	12	146	(87)
Taxation			
UK corporation tax paid		-	(5)
Capital expenditure and financial investment			
Loan repaid/ (advanced)		5,000	(387)
Decrease in deposit		2,209	1,730
Financing			
Funds repaid		(7,240)	(1,343)
Increase/ (decrease) in cash		<u>115</u>	<u>(92)</u>

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

Notes to the financial statements

For the year ended 31 July 2014

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 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, a loan to ERF 5, matures on 12 July 2032. Following the downgrade of The Royal Bank of Scotland ("RBS"), by Moody's, FFERST 5 switched from Asset-Backed Commercial Paper ("ABCP") funding with Thames Asset Global Securitization No.1 Inc. ("TAGs") to full liquidity funding with RBS in July 2012. To date, the full liquidity facility of £180million, has been drawn down.

The Company will continue to source funding from RBS by way of the backstop Liquidity Facility Agreement as detailed in Note 9 until the refinancing is complete.

Notes to the financial statements

at 31 July 2014

2. Directors and employees

Wilmington Trust SP Services (London) Limited received £9,506 (2013: £9,154) 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 (2013: nil).

3. Interest income

	2014 £'000	2013 £'000
Interest income on loan	289	339
Interest income on deposits	349	505
	<u>638</u>	<u>844</u>

4. Interest expense

	2014 £'000	2013 £'000
Interest on funds borrowed	638	849
	<u>638</u>	<u>849</u>

5. Profit/ (Loss) on ordinary activities before taxation

The profit/ (loss) on ordinary activities before taxation is stated after charging the following:

	2014 £'000	2013 £'000
Auditors' fees – audit of the Company's accounts	15	11
	<u>15</u>	<u>11</u>

Notes to the financial statements

at 31 July 2014

6. Tax on profit/ (loss) on ordinary activities

The tax charge for the year comprises:

	2014 £'000	2013 £'000
<i>Current taxation:</i>		
Charge for the year	12	-
	<u>12</u>	<u>-</u>
Factors affecting the tax charge for the year		
	2014 £'000	2013 £'000
Profit/(Loss) on ordinary activities before tax	61	(18)
	<u>61</u>	<u>(18)</u>
Tax on profit/(loss) on ordinary activities at applicable rate of UK corporation tax of 20 % (2013: 20%)	12	(4)
Accounting (profits)/losses not taxable under SI 2006/3296 S14 (4)	(12)	4
Taxable profits calculated under SI 2006/3296 s14 (1)	12	-
	<u>12</u>	<u>-</u>
Actual tax charge	12	-
	<u>12</u>	<u>-</u>

7. Investments

	2014 £'000	2013 £'000
Loan to ERF 5	30,850	35,850
Deposit with BNP Paribas	149,157	151,366
	<u>180,007</u>	<u>187,216</u>

The Company has a commitment to provide a loan of £179,976,132 (2013: £187,215,873) to ERF5 of which the client has utilised £30,850,000 (2013: £35,850,000). The loan matures on 12 July 2032 and is priced at 3 month Libor plus 35bps.

FFERST 5 has moved from Asset-Backed Commercial Paper ("ABCP") to full liquidity funding from RBS since July 2012. To date, the full facility from RBS, amounting to £180million, has been drawn down.

Notes to the financial statements

at 31 July 2014

8. Debtors

	2014 £'000	2013 £'000
Other debtors due within one year	12	20
Interest receivable on loan	12	333
	<u>24</u>	<u>353</u>

9. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Loans	179,976	187,216
Accrued interest expense	43	27
Other creditors	52	312
Corporation tax payable	12	-
	<u>180,083</u>	<u>187,555</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 22 July 2015.

The Company has in place a backstop Liquidity Facility Agreement it entered with The Royal Bank of Scotland Plc. As at balance sheet date, the liquidity commitment is £179,976,132 (2013: £187,215,873). No commitment fee is payable on this commitment.

10. Share capital

	2014 £	2013 £
<i>Authorised</i>		
1,000 ordinary share of £1	1,000	1,000
<i>Allotted, called-up and fully paid-up</i>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

Notes to the financial statements

at 31 July 2014

11. Reconciliation of movement in shareholders' funds

	<i>Share Capital £'000</i>	<i>Profit & Loss Account £'000</i>	<i>Total £'000</i>
As at 1 August 2013	–	116	116
Profit for the year	–	49	49
As at 31 July 2014	–	165	165

12. Reconciliation of operating (loss)/profit to net cash (outflow) / inflow from operating activities

	<i>2014 £'000</i>	<i>2013 £'000</i>
Profit/(Loss) on ordinary activities before taxation	61	(18)
Decrease/(Increase) in debtors	329	(266)
(Decrease)/Increase in creditors	(244)	197
Net cash inflow/(outflow) from operating activities	146	(87)

13. Analysis of changes in net debt

	<i>As at 1 August 2013 £'000</i>	<i>Cash flows £'000</i>	<i>As at 31 July 2014 £'000</i>
Cash at bank	102	115	217
Debt due within 1 year	(187,216)	7,240	(179,976)
Total	(187,114)	7,355	(179,759)

Reconciliation of net cashflow to movement in net debt

	<i>£'000</i>
Net debt as at 1 August 2013	(187,114)
Increase in cash	115
Movement in net debt in the year	7,240
Net debt as at 31 July 2014	(179,759)

Notes to the financial statements

at 31 July 2014

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 £9,506 (2013: £9,154). At 31 July 2014, there was no amount payable to Wilmington Trust SP Services (London) Limited (2013: £ nil).