

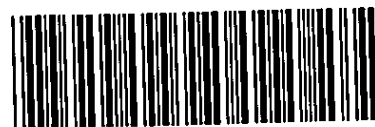
COMPANY REGISTRATION NUMBER 4319671

**Bridgewater (Home Reversions Number 2)
Limited**

Financial statements

30 September 2008

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Bridgewater (Home Reversions Number 2) Limited

Financial statements

Year ended 30 September 2008

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Bridgewater (Home Reversions Number 2) Limited

Officers and professional advisers

The board of directors

Andrew R Cunningham
Rupert J Dickinson
Andrew Pratt
Paul Barber
Mark J Robson
Peter Q P Couch
Nick On

Company secretary

Michael P Windle

Registered office

Citygate
St James' Boulevard
Newcastle Upon Tyne
NE1 4JE

Auditor

PricewaterhouseCoopers LLP
Chartered Accountants
& Registered Auditors
89 Sandford Road
Newcastle Upon Tyne
NE1 8HW

Bankers

Barclays Bank Plc
Barclays House
71 Grey Street
Newcastle Upon Tyne
NE99 1JP

Solicitors

Dickinson Dees
St Ann's Wharf
112 Quayside
Newcastle Upon Tyne
NE99 1SB

Bridgewater (Home Reversions Number 2) Limited

The directors' report

Year ended 30 September 2008

The directors present their report and the financial statements of the company for the year ended 30 September 2008.

Principal activities

The principal activity of the company during the year was property trading.

Directors

The directors who served the company during the year were as follows:

Andrew R Cunningham
Rupert J Dickinson
Andrew Pratt
Mark J Robson
Debra R Yudolph
Peter Q P Couch
Paul Barber

(Appointed 25 October 2007)

Nick On was appointed as a director on 23 January 2009.

Debra R Yudolph resigned as a director on 19 December 2008.

Directors' responsibilities

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). 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;
- 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 disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Bridgewater (Home Reversions Number 2) Limited

The directors' report *(continued)*

Year ended 30 September 2008

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

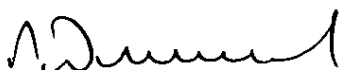
Auditor

A resolution to re-appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed by order of the directors



Michael P Windle
Company Secretary

Approved by the directors on 7 April 2009

Bridgewater (Home Reversions Number 2) Limited

Independent auditor's report to the shareholders of Bridgewater (Home Reversions Number 2) Limited

Year ended 30 September 2008

We have audited the financial statements of Bridgewater (Home Reversions Number 2) Limited for the year ended 30 September 2008, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 judgements 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.

Bridgewater (Home Reversions Number 2) Limited

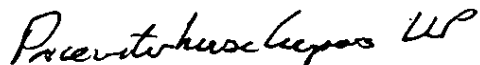
**Independent auditor's report to the shareholders of
Bridgewater (Home Reversions Number 2) Limited (continued)**

Year ended 30 September 2008

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 30 September 2008 and of its loss for the year 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.



**PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle Upon Tyne**

7 April 2009

Bridgewater (Home Reversions Number 2) Limited

Profit and loss account

Year ended 30 September 2008

	Note	2008 £	2007 £
Turnover	2	976,684	726,306
Cost of sales		(517,102)	(303,724)
Gross profit		459,582	422,582
Administrative expenses		(317,073)	(269,624)
Operating profit	3	142,509	152,958
Interest payable and similar charges		(434,252)	(418,897)
Loss on ordinary activities before taxation		(291,743)	(265,939)
Tax on loss on ordinary activities	4	84,605	79,782
Loss for the financial year		(207,138)	(186,157)
Balance brought forward		(116,108)	70,049
Balance carried forward		<u>(323,246)</u>	<u>(116,108)</u>

All of the activities of the company are classed as continuing.

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £207,138 attributable to the shareholders for the year ended 30 September 2008 (2007 - loss of £186,157).

The notes on pages 8 to 11 form part of these financial statements.

Bridgewater (Home Reversions Number 2) Limited

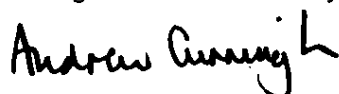
Balance sheet

30 September 2008

	Note	2008 £	2007 £
Current assets			
Stocks	5	6,230,241	6,623,895
Creditors: Amounts falling due within one year	6	<u>(6,533,486)</u>	<u>(6,720,002)</u>
Net current liabilities		<u>(303,245)</u>	<u>(96,107)</u>
Total assets less current liabilities		<u>(303,245)</u>	<u>(96,107)</u>
Capital and reserves			
Called-up equity share capital	9	20,001	20,001
Profit and loss account		<u>(323,246)</u>	<u>(116,108)</u>
Deficit	10	<u>(303,245)</u>	<u>(96,107)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors and authorised for issue on 7 April 2009, and are signed on their behalf by:



Andrew R Cunningham
Director

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The notes on pages 7 form part of these financial statements.

Bridgewater (Home Reversions Number 2) Limited

Notes to the financial statements

Year ended 30 September 2008

1. Accounting policies

Basis of accounting

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

The financial statements are prepared on the going concern basis in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout the year.

Grainger plc has confirmed to the directors of the company that it will provide such financial support as shall enable the company to continue as a going concern for at least 12 months from the signing of these accounts.

Cash flow statement

The company is a wholly owned subsidiary of Grainger plc and the cash flows of the company are included in the consolidated cash flow statement of Grainger plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from preparing a cash flow statement.

Turnover

Turnover comprises gross rentals, gross sale proceeds of trading properties and land, and sundry other income, exclusive of VAT. Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding contract.

Stocks

Trading properties are shown in the financial statements at the lower of cost to the company and net realisable value. Cost to the company includes legal and surveying charges incurred during the acquisition plus improvement costs. Net realisable value is the net sale proceeds which the company expects on sale of a property with vacant possession.

Repairs are expensed in the profit and loss account as incurred. Improvement costs are capitalised.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

The total turnover of the company has been derived from its principal activity wholly undertaken in the UK as defined in the directors' report.

Bridgewater (Home Reversions Number 2) Limited

Notes to the financial statements

Year ended 30 September 2008

3. Operating profit

Operating profit is stated after charging:

	2008	2007
	£	£
Auditor's fees	<u>400</u>	<u>400</u>

Audit fees are borne by another Group company.

There are no persons holding service contracts with the company. None of the directors received any remuneration from the company during the year, or in the previous year.

4. Taxation on ordinary activities

(a) Analysis of charge in the year

	2008	2007
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 29% (2007 - 30%)	<u>(84,605)</u>	<u>(79,782)</u>
Total current tax	<u>(84,605)</u>	<u>(79,782)</u>

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements.

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 29% (2007 - 30%).

	2008	2007
	£	£
Loss on ordinary activities before taxation	<u>(291,743)</u>	<u>(265,939)</u>
Loss on ordinary activities by rate of tax	<u>(84,605)</u>	<u>(79,782)</u>
Total current tax (note 4(a))	<u>(84,605)</u>	<u>(79,782)</u>

(c) Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the 2008 Budget Statement and were enacted in the 2008 Finance Act. All changes that had been enacted or substantively enacted at the balance sheet date are included in these financial statements where applicable. There are no other factors that are expected to significantly affect the taxation charge in future years.

Bridgewater (Home Reversions Number 2) Limited

Notes to the financial statements

Year ended 30 September 2008

5. Stocks

	2008 £	2007 £
Trading properties	<u>6,230,241</u>	<u>6,623,895</u>

The replacement value of stock (sale at market value of the property subject to occupation by a resident) is £9,072,815 (2007: £10,620,075) based on market value at 30 September 2008.

Stock is stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is the net sales proceeds which the company expects on sale of a property with vacant possession. The directors have reviewed the vacant possession valuations of the properties. They have concluded that the net realisable value exceeds the book cost of the properties and therefore no provision against the carrying value of stock is required.

6. Creditors: Amounts falling due within one year

	2008 £	2007 £
Amounts owed to group undertakings	6,533,486	6,719,938
Other creditors	—	64
	<u>6,533,486</u>	<u>6,720,002</u>

Included within amounts owed to group undertakings is an unsecured loan with a closing balance of £5,867,000 (2007: £6,720,000). Interest is charged at 6.90% (2007: 6.33%) on the average balance of the loan during the year, which was £6,293,500 (2007: £6,621,096). The loan is repayable on demand. All other amounts owed to group undertakings are unsecured, bear no interest, and are repayable on demand.

7. Contingent liabilities

At 30 September 2008 the company, together with certain of its fellow subsidiaries, has guaranteed bank loans of £1,077,000,000 (2007 : £1,125,474,000) of certain fellow subsidiaries by means of a legal charge over its assets and book debts.

8. Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the Grainger plc group.

9. Share capital

Authorised share capital:

	2008 £	2007 £
20,100 Ordinary shares of £1 each	<u>20,100</u>	<u>20,100</u>

Allotted, called up and fully paid:

	2008 No	£	2007 No	£
Ordinary shares of £1 each	<u>20,001</u>	<u>20,001</u>	<u>20,001</u>	<u>20,001</u>

Bridgewater (Home Reversions Number 2) Limited

Notes to the financial statements

Year ended 30 September 2008

10. Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Loss for the financial year	(207,138)	(186,157)
Opening shareholders' (deficit)/funds	<u>(96,107)</u>	<u>90,050</u>
Closing shareholders' deficit	<u>(303,245)</u>	<u>(96,107)</u>

11. Ultimate parent undertaking and controlling party

The directors regard Grainger plc, a company registered in England and Wales, as the ultimate parent undertaking and the ultimate controlling party, being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Grainger plc consolidated financial statements may be obtained from The Secretary, Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

Grainger Equity Release Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.

Grainger plc has confirmed to the directors of the company that it will provide such financial support as shall enable the company to continue as a going concern for at least 12 months from the signing of these accounts.