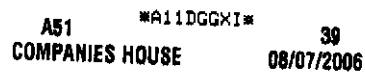
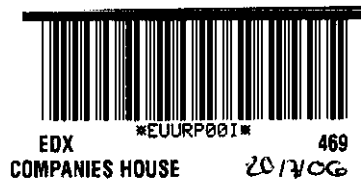


Registration number 5348582

Grainger Equity Release Management Limited

Directors' report and financial statements

for the period ended 30 September 2005



Grainger Equity Release Management Limited

Company information

Directors	Andrew R Cunningham	Appointed 03/03/2005
	Rupert J Dickinson	Appointed 03/03/2005
	Geoffrey J Davis	Appointed 03/03/2005
	Peter Q P Couch	Appointed 03/03/2005
	Marie L Glanville	Appointed 03/03/2005
Secretary	Marie Glanville	
Company number	5348582	
Registered office	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE	
Auditors	PricewaterhouseCoopers LLP 89 Sandyford Road Newcastle Upon Tyne NE99 1PL	
Business address	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE	
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	

Grainger Equity Release Management Limited

Contents

	Page
Directors' report	1 - 2
Independent Auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 10

Grainger Equity Release Management Limited

Directors' report for the period ended 30 September 2005

The directors present their report and the financial statements for the period ended 30 September 2005.

Incorporation

The company was incorporated on 1 February 2005 as Grainger Equity Release Management Limited.

Principal activity

The principal activity of the company is property management.

The directors consider the level of the company's activities to be satisfactory and expect it to continue to be so in future years.

Results and dividends

The results for the period are set out on page 5.

The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the period are as stated below:

Andrew R Cunningham	Appointed 03/03/2005
Rupert J Dickinson	Appointed 03/03/2005
Geoffrey J Davis	Appointed 03/03/2005
Peter Q P Couch	Appointed 03/03/2005
Marie L Glanville	Appointed 03/03/2005

The directors have no beneficial interest in the share capital of the company.

The beneficial interests of the following directors in the shares of the ultimate holding company, Grainger Trust plc, are shown in the annual report of Grainger Trust plc.

Andrew R Cunningham
Rupert J Dickinson

The beneficial interests of Peter Q P Couch in the shares of the ultimate holding company, Grainger Trust plc, are shown in the annual report of Bridgewater Property Holdings Limited.

The beneficial interests of all other directors in the shares of the ultimate holding company, Grainger Trust plc, are shown in the annual report of Northumberland and Durham Property Trust Limited.

Grainger Equity Release Management Limited

Directors' report for the period ended 30 September 2005

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other

Independent Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 23 June 2006 and signed on its behalf by

Marie Glanville
Secretary

A handwritten signature in black ink, appearing to be 'Marie Glanville', written over a large, stylized circular flourish.

Grainger Equity Release Management Limited

Independent auditors' report to the members of Grainger Equity Release Management Limited

We have audited the financial statements of Grainger Equity Release Management Limited for the period ended 30 September 2005 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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.

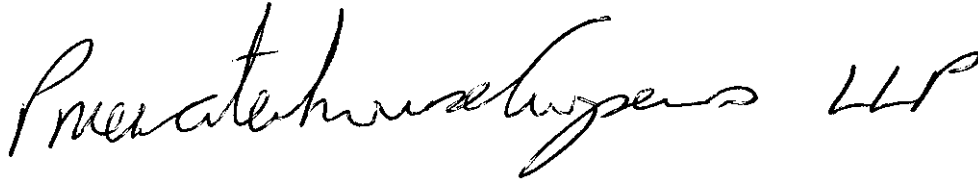
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Grainger Equity Release Management Limited

Independent auditors' report to the shareholders of Grainger Equity Release Management Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', is written across the page.

PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Newcastle Upon Tyne
23 June 2006

Grainger Equity Release Management Limited

**Profit and loss account
for the period ended 30 September 2005**

Continuing operations

	Notes	Period ended 30/09/05 £
Turnover	2	478,019
Other income		478,019
Administrative expenses		(478,019)
Profit on ordinary activities before taxation	3	-
Tax on profit on ordinary activities		-
Profit on ordinary activities after taxation		-
Retained profit for the period		-

There are no recognised gains or losses other than the profit for the above financial period and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above, and their historical cost equivalents.

The notes on pages 7 to 10 form an integral part of these financial statements.

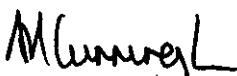
Grainger Equity Release Management Limited

**Balance sheet
as at 30 September 2005**

	Notes	30/09/05	
		£	£
Fixed assets			
Investments	4		1,000
Creditors: amounts falling due within one year	5	(999)	
Net current liabilities			(999)
Net assets			1
Capital and reserves			
Called up share capital	6		1
Equity shareholders' funds	7		1

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies .

The financial statements were approved by the Board on 23 June 2006 and signed on its behalf by


Andrew R Cunningham
Director

The notes on pages 7 to 10 form an integral part of these financial statements.

Grainger Equity Release Management Limited

Notes to the financial statements for the period ended 30 September 2005

1. Statement of accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

1.1. Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985.

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement because it is a small company.

1.2. Cash Flow

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

1.3. Turnover

Turnover comprises management fees and sundry other income, and is exclusive of VAT.

1.4. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Grainger Equity Release Management Limited

Notes to the financial statements for the period ended 30 September 2005

..... continued

1.5. 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:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

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 for the period has been derived from its principal activity wholly undertaken in the UK as defined in the directors' report.

3. Profit on ordinary activities before taxation

The audit fee has been included in the overall audit fee for the Grainger Trust group, which has been paid for by Grainger Trust plc.

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

Grainger Equity Release Management Limited

Notes to the financial statements for the period ended 30 September 2005

..... continued

4. Fixed asset investments	Participating interests shares £	Total £
Cost		
Additions	1,000	1,000
At 30 September 2005	1,000	1,000
Net book value		
At 30 September 2005	1,000	1,000
4.1. Principal interests of the company		
All companies are incorporated in England & Wales unless otherwise indicated.		
Participating interests		
Homesafe Equity Release Limited Partnership		
5. Creditors: amounts falling due within one year		30/09/05 £
Amounts owed to group undertaking		999
6. Share capital		30/09/05 £
Authorised		
100 Ordinary shares of 100p each		100
Allotted, called up and fully paid		
1 Ordinary shares of 100p each		1
7. Reconciliation of movements in equity shareholders' funds		30/09/05 £
Net proceeds of equity share issue		1
Net addition to shareholders' funds		1

Grainger Equity Release Management Limited

**Notes to the financial statements
for the period ended 30 September 2005**

..... continued

8. Related party disclosures

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 Trust plc group.

9. Ultimate parent undertaking

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

10. Controlling interest

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

Homesafe Equity Release Limited Partnership
Annual report
for the period ended 30 September 2005

Registered Number 375434

Homesafe Equity Release Limited Partnership

Annual report

for the period ended 30 September 2005

Contents

Partnership information for the period ended 30 September 2005	1
General Partners' report for the period ended 30 September 2005	2
Independent auditors' report to the partners of Homesafe Equity Release Limited Partnership	3
Profit and loss account for the period ended 30 September 2005	4
Statement of total recognised gains and losses for the period ended 30 September 2005	4
Balance sheet as at 30 September 2005	5
Statement of accounting policies	6
Notes to the financial statements for the period ended 30 September 2005	7

Homesafe Equity Release Limited Partnership

Partnership information for the period ended 30 September 2005

General Partner

Grainger Equity Release Management Limited

Limited Partners

Grainger Equity Release Investment Properties Limited

Registered office

Citygate

St James' Boulevard

Newcastle Upon Tyne

NE1 4JE

Independent auditors

PricewaterhouseCoopers LLP

89 Sandyford Road

Newcastle upon Tyne

NE99 1PL

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

Homesafe Equity Release Limited Partnership

General Partners report for the period ended 30 September 2005

The general partner presents its annual report together with the audited financial statements for the period ended 30 September 2005.

Incorporation

Incorporated as Homesafe Equity Release Limited Partnership on 17 March 2005.

Principal activities

The principal activity of Homesafe Equity Release Limited Partnership is the acquisition of interests in residential properties for investment purposes.

Results

The profit and loss account is set out on page 4 and shows the result for the period.

Limited Partners

The limited partners and their interests are set out in note 3 of the financial statements.

Statement of general partners responsibilities

The partnership agreement requires the General Partner to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period. The General Partner is required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Partnership will continue in business.

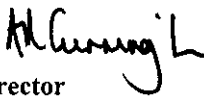
The General Partner confirms that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2005 and that applicable accounting standards have been followed.

The General Partner is also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of Homesafe Equity Release Limited Partnership



Director

26 July 2006

Homesafe Equity Release Limited Partnership

Independent auditors report to the partners of Homesafe Equity Release Limited Partnership

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and are prepared and the accounting policies set out on page 6.

Respective responsibilities of partners and directors

As described on page 2 the General Partner is responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. This report, including the opinion, has been prepared for and only for the partners in accordance with the partnership agreement 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 in to whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 partners in the preparation of the financial statements, and of whether the accounting policies are appropriate to the partnerships 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the partnership's affairs at 30 September 2005 and of its result for the period then ended.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

26 July 2006

Homesafe Equity Release Limited Partnership

Consolidated profit and loss account for the period ended 30 September 2005

No income or expenses were incurred during the period and hence no profit and loss account is presented.

Consolidated statement of total recognised gains and losses for the period ended 30 September 2005

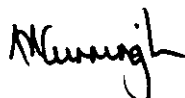
	2005
	£
Profit for the period	-
Revaluation of investment property	(129,287)
Total recognised gains and losses for the period	(129,287)

Homesafe Equity Release Limited Partnership

Partnership balance sheet as at 30 September 2005

	Note	2005 £
Fixed assets		
Tangible assets	1	1,680,842
Current assets		
Cash at bank and at hand		2,000
Creditors: amounts falling due within one year	2	(1,761,129)
Net liabilities		(78,287)
Capital and reserves		
Partners capital	3	51,000
Revaluation reserve	4	(129,287)
Profit and loss account	4	-
Partners deficit	5	(78,287)

The financial statements on pages 4 to 9 were approved by the General Partner on 26 July 2006 and signed on its behalf by:



Director

Homesafe Equity Release Limited Partnership

Statement of accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain freehold land and buildings and are prepared in accordance with the accounting policies set out below:

Turnover

Turnover represents net rentals to outside customers at invoiced amounts less value added tax and arises solely within the United Kingdom.

Investment properties

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Repairs are expensed to the profit and loss account as incurred. Improvement costs are capitalized. Investment properties are revalued to open market value annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Any permanent diminution in the value of investment properties is charged to the profit and loss account to the extent that a deficit exceeds revaluation surpluses.

No depreciation is provided in respect of investment properties. The directors consider that this accounting policy results in the financial statements giving a true and fair view. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Purchases and sales of properties are accounted for when exchanged contracts become unconditional.

Taxation

No provision is made in the accounts of the partnership for tax liabilities (if any) arising on the partner's shares of net income or capital gains.

Deferred taxation

Deferred tax is provided on timing differences in subsidiary companies where the company has an obligation to pay more or less tax in the future as a result of the reversal of those timing differences.

Cash flow statement

No cash flow statement has been prepared as a cash flow statement is not required by the partnership agreement.

Homesafe Equity Release Limited Partnership

Notes to the financial statements for the year ended 30 September 2005

1 Tangible fixed assets

	Freehold investment properties
	£
<hr/>	
<i>Valuation</i>	
Opening balance	-
Additions	1,810,129
Revaluations	(129,287)
Disposals	-
<hr/>	
Closing balance	1,680,842
<hr/>	

The properties have been valued by the General Partner on an open market value basis.

On a historical cost basis, the properties would have been included as follows:

	2005
	£
<hr/>	
Cost	1,810,129
<hr/>	

Homesafe Equity Release Limited Partnership

2 Creditors: amounts falling due within one year

	2005 £
Amounts owed to related undertakings	1,761,129

3 Partners apital

	£
At 30 September 2005	51,000

Grainger Equity Release Management Limited is the general partner and contributed £1,000 in Capital to the partnership during the period and is neither entitled to nor receives any remuneration or share of profits from the partnership other than a reimbursement of its expenses.

Grainger Equity Release Investment Properties is the limited partner and contributed £50,000 during the period to the partnership and is entitled to the profits.

Homesafe Equity Release Limited Partnership

4 Reserves

Partnership	Revaluation reserve	Profit and loss account
	£	£
At 1 October 2004	-	-
Revaluation of investment properties	(129,287)	-
Retained profit for the period	-	-
At 30 September 2005	(129,287)	-

5 Reconciliation of movement in partners' funds

Partnership	2005 £
Total recognised gain for the period	(129,287)
Capital introduced in the period	51,000
Net increase in partner funds	(78,287)
Partner funds at 17 March 2005	-
Partner deficit at 30 September 2005	(78,287)

6 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 Trust plc group.

Financial statements of the General Partner are obtainable from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

7 Ultimate Parent Undertaking

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

The directors of Grainger Trust plc have confirmed that they will continue to support the Partnership for the foreseeable future.