

Registration number 5348582

Grainger Equity Release Management Limited

Directors' report and financial statements

for the year ended 30 September 2006

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Grainger Equity Release Management Limited

Company information

Directors	Andrew R Cunningham Rupert J Dickinson Peter Q P Couch
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 NE1 8HW
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

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Grainger Equity Release Management Limited

Directors' report for the year ended 30 September 2006

The directors present their report and the financial statements for the year ended 30 September 2006

Principal activity

The principal activity of the company is property management

Results and dividends

The results for the year are set out on page 5

The directors do not recommend payment of a final dividend (2005 £nil)

Auditors and disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and establish that the company's auditors are aware of that information.

Post balance sheet events

On 15 March 2007 the authorised and issued share capital of the company was increased by £2,000,000 in order to strengthen the company's balance sheet. Grainger Equity Release Limited acquired 100% of this increase in share capital.

Directors and their interests

The directors who served during the year are as stated below

Andrew R Cunningham

Rupert J Dickinson

Geoffrey J Davis Resigned 02/11/2006

Peter Q P Couch

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 plc (formerly 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 plc (formerly Grainger Trust plc), are shown in the annual report of Bridgewater Property Holdings Limited

The beneficial interests of Geoffrey J Davis in the shares of the ultimate holding company, Grainger plc (formerly 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 year ended 30 September 2006

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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 year. 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 irregularities.

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 was approved by the Board on 27 March 2007 and signed on its behalf by

Marie Glanville
Secretary



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 year ended 30 September 2006 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 auditors

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.

Grainger Equity Release Management Limited

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

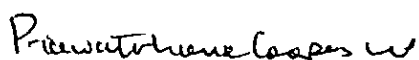
Opinion

In our opinion

The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit 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 & Registered Auditors
Newcastle Upon Tyne
27 March 2007

Grainger Equity Release Management Limited

**Profit and loss account
for the year ended 30 September 2006**

		Year ended 30/09/06 £	Period ended 30/09/05 £
	Notes		
Turnover	2	1,963,500	-
Administrative expenses		(1,870,000)	-
Profit on ordinary activities before taxation	3	93,500	-
Tax on profit on ordinary activities	4	(28,050)	-
Profit on ordinary activities after taxation		65,450	-
Retained profit for the year		65,450	-

There are no recognised gains or losses other than the profit for the above two financial periods 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

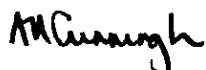
The notes on pages 7 to 11 form an integral part of these financial statements.

Grainger Equity Release Management Limited

**Balance sheet
as at 30 September 2006**

		30/09/06		30/09/05	
	Notes	£	£	£	£
Fixed assets					
Investments	5		2,000		1,000
Current assets					
Debtors	6	864,451		-	
		<u>864,451</u>		<u>-</u>	
Creditors: amounts falling due within one year	7	<u>(801,000)</u>		<u>(999)</u>	
Net current assets/(liabilities)			63,451		(999)
Net assets			<u>65,451</u>		<u>1</u>
Capital and reserves					
Called up share capital	8		1		1
Profit and loss account	9		65,450		-
Equity shareholders' funds	10		<u>65,451</u>		<u>1</u>

The financial statements were approved by the Board on 27 March 2007 and signed on its behalf by



Andrew R Cunningham
Director

The notes on pages 7 to 11 form an integral part of these financial statements.

Grainger Equity Release Management Limited

Notes to the financial statements for the year ended 30 September 2006

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.

1.2. Cash Flow

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 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.

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.

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.

1.6. Group accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts.

The financial statements contain information about Grainger Equity Release Management Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of the ultimate parent company, Grainger plc, a company registered in England and Wales.

Grainger Equity Release Management Limited

Notes to the financial statements for the year ended 30 September 2006

continued

2. Turnover

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

	Year ended 30/09/06	Period ended 30/09/05
3. Profit on ordinary activities before taxation		
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration	400	400

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

4. Tax on profit on ordinary activities

	Year ended 30/09/06 £	Period ended 30/09/05 £
Analysis of charge in period		
Current tax		
UK corporation tax	28,050	-

Factors affecting tax charge for period

There is no difference between the tax assessed for the period and the standard rate of corporation tax in the UK (30 per cent)

	2006 £	2005 £
Profit on ordinary activities before taxation	93,500	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2005 30%)	28,050	-

Grainger Equity Release Management Limited

Notes to the financial statements for the year ended 30 September 2006

continued

5. Fixed asset investments

	£
Cost	
At 1 October 2005	1,000
Additions	1,000
At 30 September 2006	<u>2,000</u>
Net book values	
At 30 September 2006	<u>2,000</u>
At 30 September 2005	<u>1,000</u>

The above investments represent capital introduced as General Partner into two limited partnerships (2005 one) See note 5.1

5.1. Principal interests of the company

All companies are incorporated in England & Wales unless otherwise indicated

Company	Nature of business
Homesafe Equity Release Limited Partnership	Property investment
Grainger Home Reversions Limited Partnership	Property investment

The company is the General Partner in both of the above partnerships. The company has invested £1,000 in each partnership as at 30 September 2006. The company is neither entitled to, or receives any remuneration or share of profits from either partnership other than a re-imbursement of its expenses.

6. Debtors	30/09/06	30/09/05
	£	£
Amounts owed by group undertakings	<u>864,451</u>	<u>-</u>

Grainger Equity Release Management Limited

Notes to the financial statements for the year ended 30 September 2006

continued

7. Creditors: amounts falling due within one year	30/09/06	30/09/05
	£	£
Amounts owed to group undertakings	<u>801,000</u>	<u>999</u>
8. Share capital	30/09/06	30/09/05
	£	£
Authorised		
100 Ordinary shares of 100p each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 Ordinary share of 100p each	<u>1</u>	<u>1</u>
9. Profit and loss account	£	
At 1 October 2005	-	
Retained profit for the year	<u>65,450</u>	
At 30 September 2006	<u>65,450</u>	
10. Reconciliation of movements in equity shareholders' funds	30/09/06	30/09/05
	£	£
Profit for the year	65,450	-
Net proceeds of equity share issue	-	1
Net addition to shareholders' funds	<u>65,450</u>	<u>1</u>
Opening shareholders' funds	1	-
Closing shareholders' funds	<u>65,451</u>	<u>1</u>

11. 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 plc group

Grainger Equity Release Management Limited

Notes to the financial statements for the year ended 30 September 2006

. continued

12. Ultimate parent undertaking

The directors regard Grainger 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 plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

13. Controlling interest

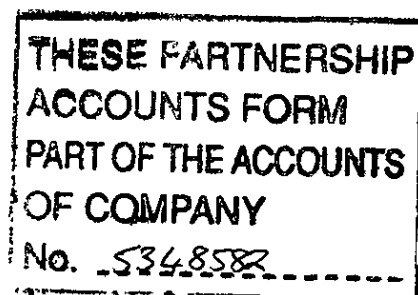
Grainger Equity Release Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.

14. Post balance sheet events

On 15 March 2007 the authorised and issued share capital of the company was increased by £2,000,000 in order to strengthen the company's balance sheet. Grainger Equity Release Limited acquired 100% of this increase in share capital.

Homesafe Equity Release Limited Partnership
Annual report
for the year ended 30 September 2006

Registered Number LP010352



COMPANIES HOUSE

Homesafe Equity Release Limited Partnership

Annual report

for the year ended 30 September 2006

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Homesafe Equity Release Limited Partnership

Partnership information for the year ended 30 September 2006

General Partner

Grainger Equity Release Management Limited

- 5348582

Limited Partner

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

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

Homesafe Equity Release Limited Partnership

General Partners' report for the year ended 30 September 2006

The general partner presents its annual report together with the audited financial statements for the year ended 30 September 2006

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 5 and shows the result for the year

Limited Partner

The limited partner and its interest is set out in note 3 of the financial statements

Statement of General Partner's responsibilities

The General Partner shall prepare and keep such accounting and other records and prepare such accounting statements as are required by law or the Deed of Limited Partnership

The General Partner shall ensure that proper books of account shall be kept and that all entries thereto are promptly made so that at all times the books of account are complete, accurate and up to date and in accordance with generally accepted accounting standards in the UK

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

Grainger Equity Release Management Limited

On behalf of Homesafe Equity Release Limited Partnership

Marie Glanville
Secretary



27 March 2007

Homesafe Equity Release Limited Partnership

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

We have audited the financial statements of Homesafe Equity Release Limited Partnership for the year ended 30th September 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the General Partner and auditors

The General Partner's responsibilities for preparing the Annual Report and 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 General Partner's 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 Partners as a body in accordance with the Deed of Limited Partnership, 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 Deed of Limited Partnership. We also report to you if, in our opinion, the General Partner's Report is not consistent with the financial statements, if the limited partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the General Partner's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the limited partnership'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.

Homesafe Equity Release Limited Partnership

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 limited partnership's affairs as at 30th September 2006 and of its loss for the year then ended, and
- have been properly prepared in accordance with the provisions of the Deed of Limited Partnership

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

27 March 2007

Homesafe Equity Release Limited Partnership

Profit and loss account for the year ended 30 September 2006

	2006	2005
	£	£
Administration expenses	(33)	-
Loss for the financial year	(33)	-

Statement of total recognised gains and losses for the year ended 30 September 2006

	2006	2005
	£	£
Loss for the year	(33)	-
Revaluation of investment property	210,000	(129,287)
Total recognised gains/(losses) for the financial year	209,967	(129,287)

Homesafe Equity Release Limited Partnership

Partnership balance sheet as at 30 September 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	1	11,211,687	1,680,842
Current assets			
Cash at bank and at hand		-	2,000
Creditors amounts falling due within one year	2	(11,080,007)	(1,761,129)
Net Assets/(liabilities)		131,680	(78,287)
Capital and reserves			
Partners' capital	3	51,000	51,000
Revaluation reserve	4	80,713	(129,287)
Profit and loss account	4	(33)	-
Partners' Fund/(deficit)	5	131,680	(78,287)

The financial statements on pages 4 to 10 were approved by the General Partner on 27 March 2007 and signed on its behalf by



Andrew R Cunningham
Director

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

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

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 capitalised. In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, unless any impairment of an individual property is considered permanent, in which case the deficit is taken to the profit and loss account and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19 as described above. The basis of valuation is more fully explained in note 1.

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.

Cash flow statement

The limited partnership 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.

Homesafe Equity Release Limited Partnership

Notes to the financial statements for the year ended 30 September 2006

1 Tangible fixed assets

	Freehold investment properties £
<i>Valuation</i>	
Opening balance	1,680,842
Additions	9,320,845
Revaluations	210,000
Closing balance	11,211,687

The limited partnership's investment properties have been valued at their open market value at the balance sheet date by in house Chartered Surveyors and the valuations were reviewed and approved by the General Partner. A structured sample of the in house valuations were reviewed by Allsop & Co, Chartered Surveyors, independent of the General Partner. Based on the results of that review, Allsop & Co have concluded that they have a high degree of confidence in those valuations. These represent estimates of the open market value of the properties subject to the tenancies then existing.

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

	2006 £	2005 £
Cost	11,130,974	1,810,129

Homesafe Equity Release Limited Partnership

2 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	11,036,314	1,761,129
Trade Creditors	43,693	-
	11,080,007	1,761,129

3 Partners' Capital

	£
At 30 September 2006 and 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 Limited is the Limited Partner and contributed £50,000 during the period to the partnership and is entitled to the profits

4 Reserves

Partnership	Revaluation reserve £	Profit and loss account £
At 1 October 2005	(129,287)	-
Revaluation of investment properties	210,000	-
Loss for the year	-	(33)
At 30 September 2006	80,713	(33)

Homesafe Equity Release Limited Partnership

5 Reconciliation of movement in partners' funds

Partnership	2006	2005
	£	£
Total recognised gain for the period	209,967	(129,287)
Capital introduced in the period	-	51,000
Net increase in partner funds	209,967	(78,287)
Partner deficit at 30 September 2005	(78,287)	-
Partner funds/(deficit) at 30 September 2006	131,680	(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 plc (formerly Grainger Trust plc) group

Financial statements of the General Partner may be obtained from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ

7 Ultimate Parent Undertaking

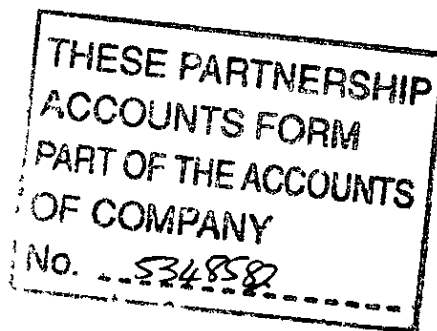
The Partners regard Grainger plc, a company registered in England and Wales, as the ultimate controlling party, being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the parent's consolidated financial statements may be obtained from The Secretary,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

8 Post balance sheet events

On 15 March 2007, the Limited Partner, Grainger Equity Release Investment Properties Limited, contributed an additional £5,000,000 in partners capital

Grainger Home Reversions Limited Partnership
Annual report
for the period ended 30 September 2006

Registered Number LP011316



Grainger Home Reversions Limited Partnership
Annual report
for the period ended 30 September 2006
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Grainger Home Reversions Limited Partnership

Partnership information for the period ended 30 September 2006

General Partner

Grainger Equity Release Management Limited

Limited Partner

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

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

Grainger Home Reversions Limited Partnership

General Partners report for the period ended 30 September 2006

The general partner presents its annual report together with the audited financial statements for the period from registration to 30 September 2006

Registration

Registered as Grainger Home Reversions Limited Partnership on 22 May 2006

Principal activities

The principal activity of Grainger Home Reversions Limited Partnership is the acquisition of interests in residential properties for investment purposes

Results

The Partnership has not commenced its activities during the period ended 30 September 2006 and, accordingly, no profit and loss account is presented

Limited Partner

The limited partner and its interest is set out in note 2 of the financial statements

Statement of general partner's responsibilities

The General Partner shall prepare and keep such accounting and other records and prepare such accounting statements as are required by law or the Deed of Limited Partnership

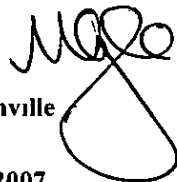
The General Partner shall ensure that proper books of account shall be kept and that all entries thereto are promptly made so that at all times the books of account are complete, accurate and up to date and in accordance with generally accepted accounting standards in the UK

Independent auditors

The auditors, PricewaterhouseCoopers LLP have been appointed as the Partnerships' first auditors and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the annual general meeting

Grainger Equity Release Management Limited

On behalf of Grainger Homes Reversions Limited Partnership



Marie Glanville
Secretary
27 March 2007

Grainger Home Reversions Limited Partnership

Independent auditors report to the partners of Grainger Home Reversions Limited Partnership

We have audited the financial statements of Grainger Home Reversions Limited Partnership for the year ended 30th September 2006 which comprise the Balance Sheet, the statement of accounting policies, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the General Partner and auditors

The General Partner's responsibilities for preparing the Annual Report and 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 General Partner's 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 Partners as a body in accordance with the Deed of Limited Partnership, 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 Deed of Limited Partnership. We also report to you if, in our opinion, the General Partner's Report is not consistent with the financial statements, if the limited partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the General Partner's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the limited partnership'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 Home Reversions Limited Partnership

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 limited partnership's affairs as at 30th September 2006 and
- have been properly prepared in accordance with the provisions of the Deed of Limited Partnership

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

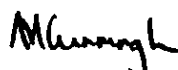
27 March 2007

Grainger Home Reversions Limited Partnership

Partnership balance sheet as at 30 September 2006

	Note	2006 £
Current assets		
Debtors	1	51,000
Net Assets		51,000
Capital and reserves		
Partner's capital	2	51,000
Partner's Fund	3	51,000

The financial statements on pages 5 to 8 were approved by the General Partner on 27 March 2007 and signed on its behalf by



Andrew R Cunningham
Director

The notes on pages 6 – 8 form an integral part of these financial statements.

Grainger Home Reversions 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

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

Cash flow statement

The limited partnership 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

Grainger Home Reversions Limited Partnership

Notes to the financial statements for the year ended 30 September 2006

1 Debtors

	2006
	£
Amounts owed by group undertakings	51,000
Closing balance	51,000

2 Partners Capital

	£
At 30 September 2006	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 Limited is the limited partner and contributed £50,000 during the period to the partnership and is entitled to the profits

3 Reconciliation of movement in partners' funds

Partnership	2006
	£
Capital introduced in the period	51,000
Partner funds at 30 September 2006	51,000

Grainger Home Reversions Limited Partnership

4 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 (formerly Grainger Trust plc) group

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

5 Ultimate Parent Undertaking

The Partners regard Grainger 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 plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE

6 Post balance sheet events

On 15 March 2007, the Limited Partner, Grainger Equity Release Investment Properties Limited, contributed an additional £5,000,000 in partner's capital