

**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**COMPANY INFORMATION**

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|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b>            | Ashish Kashyap<br>Shane Edward Law<br>Paul Barber<br>Antony L Pierce                                                                                 |
| <b>Registered number</b>    | 11858177                                                                                                                                             |
| <b>Registered office</b>    | Cross House<br>Westgate Road<br>Newcastle upon Tyne<br>NE1 4XX                                                                                       |
| <b>Independent auditors</b> | PricewaterhouseCoopers LLP<br>Chartered accountants & Statutory auditors<br>Central Square South<br>Orchard Street<br>Newcastle upon Tyne<br>NE1 3AZ |
| <b>Bankers</b>              | Barclays Bank PLC<br>5 St Ann's Street<br>Quayside<br>Newcastle upon Tyne<br>NE1 3DX                                                                 |
| <b>Solicitors</b>           | Womble Bond Dickinson LLP<br>St Ann's Wharf<br>112 Quayside<br>Newcastle upon Tyne<br>NE1 3DX                                                        |

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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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The directors present their strategic report for the year ended 30 September 2020.

**Strategy and business model**

The Retirement Bridge Group is the market leader in the home reversion segment of the equity release market. Our objective is to be a leader in the home reversions market, delivering sustainable long-term returns to our investors and our partners from a combination of sales, rents and fee income. We will achieve this by maintaining our leadership role within the industry, acquiring portfolios of similar products if they meet our target return thresholds, (subject to regulatory approval where applicable) optimising our financial gearing and managing the cost base.

Through our business model we deliver strong returns from our reversionary assets and our expertise allows us to supplement these returns by generating management fee income. Our expertise and the scale of our assets and operations enable us to generate sustainable income streams.

In recent months we have commenced an initiative to assist a lifetime mortgage provider manage the sale of complex properties in negative equity; identifying potential property related risks in LTM portfolios and actions to address these risks is an area of future growth for the group, sharing our experience gained from managing the sale of many hundreds of reversionary assets over the years.

**Financial position**

Reversionary Assets: we acquire tenanted properties at a discount to vacant possession value and sell them when they become vacant. We continue to seek acquisition opportunities for reversionary and other similar assets in the sector.

As a result of the sale of these reversionary assets, over the course of the year, total assets less current liabilities has dropped to £244m from £272m. The directors are pleased with the group's position in light of the current trading conditions resulting from the global pandemic.

**Sales**

The majority of our recurring sales revenues and profit on sale comes from the sale of properties when they fall vacant thereby releasing the inherent reversionary surplus. In addition, when we decide that a particular property no longer offers attractive future growth we may sell these properties while occupied (tenanted sales). We also take advantage of opportunities for adding value by refurbishing a select number of properties before sale.

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**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **Business review**

The company is a direct subsidiary of Equity Release Investment Company Limited and its ultimate parent undertaking is Retirement Bridge Investments Limited. The company was incorporated to separate the property owning and property management companies within the Retirement Bridge Group in order to facilitate the utilisation of £74m debenture loans, secured against the property assets, from new funders in the prior year.

The directors of Retirement Bridge Investments Limited manage the group's strategy and risks at a group level, rather than at an individual company level. Similarly, the financial and operational performance of the business is assessed at a business unit level. The directors of the group are satisfied with the results for the year ended 30 September 2020.

The group's directors believe that analysis using financial and non-financial measures is not necessary or appropriate to understand the business' development, performance or position.

Following the COVID-19 outbreak in December 2019, which resulted in a global pandemic, we remain cautious about the impact on the business. The nationwide 'lockdown' put in place by the UK government resulted in the initial closure of estate agencies and the suspension of all, but vacant, property moves which dramatically affected our property sales during April and May. The re-opening of estate agencies, relaxation of property moving restrictions, the impact of the new temporary stamp duty relief and pent up demand has since resulted in a marked increase in activity in the UK housing market. The sales performance of our pipeline properties has mirrored the broader market, with agreed sales well above pre-pandemic volumes during the months of June to September 2020.

### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. The principal risks and uncertainties of the group include:

- a deterioration and/or instability of wider Global/European economic markets leading to long-term flat or negative house price inflation, which in turn would impact the value of assets;
- a lack of availability of finance for the group to achieve its strategic objectives;
- a failure to meet current or increased legal or regulatory obligations;
- a failure to attract, retain and develop our people;
- a significant failure within or by a key third-party supplier or contractor;
- a global pandemic or local epidemic leading to an economic 'lockdown' affecting key third party suppliers and/or the UK housing market;
- a significant Health and Safety incident;
- the UK leaving the European Union may lead to a fall in the value of assets through unstable housing markets and may reduce availability of appropriately priced financing to implement the current strategies; and
- the economic impact from the end of the furlough scheme, combined with the end of the stamp duty relief on 30 March 2021, may lead to a short-term dip in sales transactions and property sales prices.

The directors meet regularly to review strategies and monitor available economic data.

The directors monitor progress by means of daily and weekly sales reports and monthly management reports from all areas of the business including operational sales, property management reports, monthly management accounts and risk and compliance reports. Budgets are prepared annually and forecasts reviewed regularly.

The directors are responsible for the development and maintenance of an appropriate system of internal controls and reviews its effectiveness. The review is ongoing but can only provide reasonable rather than absolute assurance, managing risk accordingly. Improvements in internal controls are incorporated into the group's policies and procedures manuals and are communicated to staff as they are identified and updated.

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**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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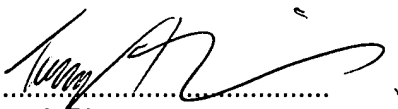
**Future developments**

The directors expect the performance of the group to continue satisfactorily for the foreseeable future based on the positive news in respect of a COVID-19 vaccine, new origination opportunities in the pipeline and the resilience of the UK housing market.

**Directors' statement of compliance with duty to promote the success of the Group**

From the perspective of the directors, as a result of the company board of directors being embedded within the group board of directors, the matters that they are responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the group board in relation to both the group and to the company. The directors have also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the group board has considered the matters set out in s172 (for the group and for the entity) is set out in the Retirement Bridge Investment Limited group's annual report, which does not form part of this report.

This report was approved by the board on 12 March 2021 and signed on its behalf.

  
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**Antony L. Pierce**  
Director

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**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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The directors present their report and the audited consolidated financial statements for the year ended 30 September 2020.

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 audited financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 Group will continue in business.

The directors are responsible for keeping adequate 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Principal activities**

The principal activity of the company is that of a holding and investment company. The principal activity of the group is that of property trading.

**Results and dividends**

The loss for the year, after taxation, amounted to £14,679k (2019 - £6,779k).

The directors do not recommend the payment of a final dividend.

**Directors**

The directors of the company who were in office during the year and up to the date of the signing of the financial statements were:

Ashish Kashyap  
Shane Edward Law  
Paul Barber  
Antony L Pierce

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**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**Principal risks and uncertainties**

The directors have disclosed information relating to principal risks and uncertainties in the strategic report but also note the following;

*Financial risk*

The activities of the group expose it to a number of financial risks including interest rate risk, and liquidity risk.

*Interest rate risk*

The group has interest bearing assets and liabilities. The majority of liabilities attract fixed rates of interest.

*Liquidity risk*

The funding needs of the business are reviewed in detail on a continuous basis as part of the internal planning and forecasting processes. The group maintains a combination of long term and short term debt facilities to ensure that sufficient funds are available for operations and planned investments.

**Greenhouse gas emissions, energy consumption and energy efficiency action**

The Group has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

**Matters covered in the strategic report**

The company has chosen to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch 7 to be contained in the directors report. This information relates to future developments and has been included in the strategic report in accordance with the Companies Act 2006 s.414C(11).

**Going concern**

The directors have prepared the company and group financial statements on the going concern basis after carefully considering the implications of the COVID-19 pandemic on the group's and company's performance, as stated in Note 2 to the financial statements.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.



**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 12 March 2021 and signed on its behalf.



**Antony L Pierce**  
Director

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## EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

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## Report on the audit of the financial statements

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### Opinion

In our opinion, Equity Release Investment Company 2 Limited's group financial statements and company financial statements ("the financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2020 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 September 2020; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EQUITY RELEASE INVESTMENT  
COMPANY 2 LIMITED**

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

***Responsibilities for the financial statements and the audit***

***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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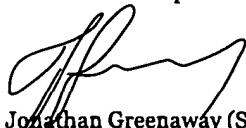
## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior statutory auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Newcastle upon Tyne  
Date: 12 March 2021

# EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

|                                                        |      | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|--------------------------------------------------------|------|---------------------------------|------------------------------------------------------|
|                                                        | Note |                                 |                                                      |
| Turnover                                               | 4    | 44,012                          | 18,509                                               |
| Cost of sales                                          |      | (35,071)                        | (16,536)                                             |
| <b>Gross profit</b>                                    |      | <b>8,941</b>                    | <b>1,973</b>                                         |
| Administrative expenses                                |      | (1,631)                         | (2,041)                                              |
| Other operating income                                 | 5    | 34                              | 139                                                  |
| <b>Operating profit</b>                                | 6    | <b>7,344</b>                    | <b>71</b>                                            |
| Interest receivable and similar income                 | 8    | 82                              | 7                                                    |
| Interest payable and similar expenses                  | 9    | (23,695)                        | (10,399)                                             |
| <b>Loss before taxation</b>                            |      | <b>(16,269)</b>                 | <b>(10,321)</b>                                      |
| Tax on loss                                            | 10   | 1,590                           | 3,542                                                |
| <b>Loss for the financial year/period</b>              |      | <b>(14,679)</b>                 | <b>(6,779)</b>                                       |
| <b>Other comprehensive expense</b>                     |      |                                 |                                                      |
| Cash flow hedge reserve movement                       |      | (389)                           | (333)                                                |
| <b>Other comprehensive expense for the year/period</b> |      | <b>(389)</b>                    | <b>(333)</b>                                         |
| <b>Total comprehensive expense for the year/period</b> |      | <b>(15,068)</b>                 | <b>(7,112)</b>                                       |
| <b>Loss for the period attributable to:</b>            |      |                                 |                                                      |
| Non-controlling interests                              |      | -                               | -                                                    |
| Owners of the parent Company                           |      | (14,679)                        | (6,779)                                              |
|                                                        |      | <b>(14,679)</b>                 | <b>(6,779)</b>                                       |

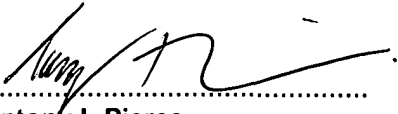
The notes on pages 15 to 30 form part of these financial statements.

**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**  
**REGISTERED NUMBER: 11858177**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**

|                                                            | Note | 2020<br>£000    | 2019<br>£000   |
|------------------------------------------------------------|------|-----------------|----------------|
| <b>Fixed assets</b>                                        |      |                 |                |
| Intangible assets                                          | 11   | 1,338           | 1,464          |
|                                                            |      | <u>1,338</u>    | <u>1,464</u>   |
| <b>Current assets</b>                                      |      |                 |                |
| Stocks                                                     | 13   | 312,042         | 344,384        |
| Debtors: amounts falling due within one year               | 14   | 4,521           | 3,953          |
| Cash at bank and in hand                                   | 15   | 12,138          | 9,660          |
|                                                            |      | <u>328,701</u>  | <u>357,997</u> |
| <b>Current liabilities</b>                                 |      |                 |                |
| Creditors: amounts falling due within one year             | 16   | (86,242)        | (87,431)       |
|                                                            |      | <u>242,459</u>  | <u>270,566</u> |
| <b>Net current assets</b>                                  |      | <u>242,459</u>  | <u>270,566</u> |
| <b>Total assets less current liabilities</b>               |      | <u>243,797</u>  | <u>272,030</u> |
| <b>Non current liabilities</b>                             |      |                 |                |
| Creditors: amounts falling due after more than one year    | 17   | (265,977)       | (279,142)      |
|                                                            |      | <u>(22,180)</u> | <u>(7,112)</u> |
| <b>Net liabilities</b>                                     |      | <u>(22,180)</u> | <u>(7,112)</u> |
| <b>Capital and reserves</b>                                |      |                 |                |
| Called up share capital                                    | 20   | -               | -              |
| Other reserves                                             | 21   | (722)           | (333)          |
| Profit and loss account                                    | 21   | (21,458)        | (6,779)        |
| <b>Equity attributable to owners of the parent Company</b> |      | <u>(22,180)</u> | <u>(7,112)</u> |
| <b>Total equity</b>                                        |      | <u>(22,180)</u> | <u>(7,112)</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 March 2021.

  
**Antony L Pierce**  
 Director

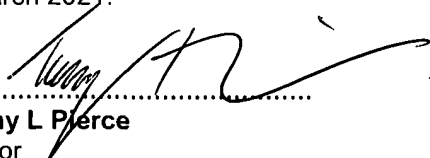
The notes on pages 15 to 30 form part of these financial statements.

**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**  
**REGISTERED NUMBER: 11858177**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**

|                                                         | Note | 2020<br>£000     | 2019<br>£000     |
|---------------------------------------------------------|------|------------------|------------------|
| <b>Fixed assets</b>                                     |      |                  |                  |
| Investments                                             | 12   | 170,154          | 170,154          |
|                                                         |      | <u>170,154</u>   | <u>170,154</u>   |
| <b>Current assets</b>                                   |      |                  |                  |
| Debtors: amounts falling due within one year            | 14   | 9                | 9                |
|                                                         |      | <u>9</u>         | <u>9</u>         |
| <b>Current liabilities</b>                              |      |                  |                  |
| Creditors: amounts falling due within one year          | 16   | (123,684)        | (112,967)        |
|                                                         |      | <u>(123,675)</u> | <u>(112,958)</u> |
| <b>Net current liabilities</b>                          |      | <u>(123,675)</u> | <u>(112,958)</u> |
| <b>Total assets less current liabilities</b>            |      | <u>46,479</u>    | <u>57,196</u>    |
| <b>Non current liabilities</b>                          |      |                  |                  |
| Creditors: amounts falling due after more than one year | 17   | (61,072)         | (62,157)         |
|                                                         |      | <u>(61,072)</u>  | <u>(62,157)</u>  |
| <b>Net liabilities</b>                                  |      | <u>(14,593)</u>  | <u>(4,961)</u>   |
| <b>Capital and reserves</b>                             |      |                  |                  |
| Called up share capital                                 | 20   | -                | -                |
| Profit and loss account brought forward                 |      | (4,961)          | -                |
| Loss for the year                                       |      | (9,632)          | (4,961)          |
|                                                         |      | <u>(14,593)</u>  | <u>(4,961)</u>   |
| Profit and loss account carried forward                 |      | (14,593)         | (4,961)          |
| <b>Total equity</b>                                     |      | <u>(14,593)</u>  | <u>(4,961)</u>   |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 March 2021.

  
**Antony L Pierce**  
 Director

The notes on pages 15 to 30 form part of these financial statements.

**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

|                                                    | Called up<br>share capital<br>£000 | Other<br>reserves<br>£000 | Profit and<br>loss account<br>£000 | Equity<br>attributable<br>to owners of<br>parent<br>Company<br>£000 | Total equity<br>£000 |
|----------------------------------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------------------------------------------------|----------------------|
| <b>At 4 March 2019</b>                             | -                                  | -                         | -                                  | -                                                                   | -                    |
| Loss for the period                                | -                                  | -                         | (6,779)                            | (6,779)                                                             | (6,779)              |
| Cash flow hedge reserve movement                   | -                                  | (333)                     | -                                  | (333)                                                               | (333)                |
| Shares issued during the period                    | -                                  | -                         | -                                  | -                                                                   | -                    |
| <b>At 30 September 2019 and 1<br/>October 2019</b> | -                                  | (333)                     | (6,779)                            | (7,112)                                                             | (7,112)              |
| Loss for the year                                  | -                                  | -                         | (14,679)                           | (14,679)                                                            | (14,679)             |
| Cash flow hedge reserve movement                   | -                                  | (389)                     | -                                  | (389)                                                               | (389)                |
| <b>At 30 September 2020</b>                        | -                                  | (722)                     | (21,458)                           | (22,180)                                                            | (22,180)             |

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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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|                                                | <b>Called up<br/>share capital<br/>£000</b> | <b>Profit and<br/>loss account<br/>£000</b> | <b>Total equity<br/>£000</b> |
|------------------------------------------------|---------------------------------------------|---------------------------------------------|------------------------------|
| <b>At 4 March 2019</b>                         | -                                           | -                                           | -                            |
| Loss for the period                            | -                                           | (4,961)                                     | (4,961)                      |
| Shares issued during the period                | -                                           | -                                           | -                            |
| <b>At 30 September 2019 and 1 October 2019</b> | -                                           | (4,961)                                     | (4,961)                      |
| Loss for the year                              | -                                           | (9,632)                                     | (9,632)                      |
| <b>At 30 September 2020</b>                    | -                                           | (14,593)                                    | (14,593)                     |



**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

|                                                               | <b>2020</b>     | <b>2019</b>     |
|---------------------------------------------------------------|-----------------|-----------------|
|                                                               | <b>£000</b>     | <b>£000</b>     |
| <b>Cash flows from operating activities</b>                   |                 |                 |
| Loss for the financial year                                   | (14,679)        | (6,779)         |
| <b>Adjustments for:</b>                                       |                 |                 |
| Amortisation of intangible assets                             | 126             | 52              |
| Interest paid                                                 | 23,695          | 10,316          |
| Interest received                                             | (82)            | (7)             |
| Taxation charge                                               | (1,590)         | (3,542)         |
| Decrease in stocks                                            | 32,342          | 14,731          |
| Decrease/(increase) in debtors                                | 179             | (355)           |
| Decrease in creditors                                         | (410)           | (1,598)         |
| Net fair value gains recognised in P&L                        | -               | (99)            |
| Corporation tax (paid)/received                               | (321)           | 1,651           |
| <b>Net cash generated from operating activities</b>           | <b>39,260</b>   | <b>14,370</b>   |
| <b>Cash flows from investing activities</b>                   |                 |                 |
| Cash acquired on investment in subsidiaries                   | -               | 18,231          |
| Interest received                                             | 4               | 7               |
| Gain on settlement of hedging instrument                      | -               | 99              |
| <b>Net cash from investing activities</b>                     | <b>4</b>        | <b>18,337</b>   |
| <b>Cash flows from financing activities</b>                   |                 |                 |
| Purchase of debenture loans                                   | -               | 98,742          |
| Repayment of debenture loans                                  | (33,264)        | (14,509)        |
| Loans from group companies repaid                             | (602)           | (106,027)       |
| Interest paid                                                 | (2,920)         | (1,253)         |
| <b>Net cash used in financing activities</b>                  | <b>(36,786)</b> | <b>(23,047)</b> |
| <b>Net increase in cash and cash equivalents</b>              | <b>2,478</b>    | <b>9,660</b>    |
| Cash and cash equivalents at beginning of year                | 9,660           | -               |
| <b>Cash and cash equivalents at the end of year</b>           | <b>12,138</b>   | <b>9,660</b>    |
| <b>Cash and cash equivalents at the end of year comprise:</b> |                 |                 |
| Cash at bank and in hand                                      | 12,138          | 9,660           |
|                                                               | <b>12,138</b>   | <b>9,660</b>    |

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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**1. General information**

The company is a private company limited by shares, registered in England and Wales, United Kingdom. The address of the registered office is Cross House, Westgate Road, Newcastle upon Tyne, NE1 4XX.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

**2.2 Going concern**

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout.

As part of the company's ongoing review of going concern, the directors have reviewed the company position in detail and have considered the impact of the COVID-19 pandemic on the company's performance.

Whilst it is difficult to predict the continued impact that COVID-19 might have on the company's business, the directors have considered the impact as low overall due to the high level of available cash held by the wider Retirement Bridge Group and the value of trading properties currently in the sales pipeline across all portfolios. Whilst it is possible that there may be a decline in the level of house prices and some sales may fall through, the majority of the current pipeline is expected to translate to turnover in the next 12 months. The company is a cross-guarantor to a loan within the wider Retirement Bridge Group, and the group requires less than half of the pipeline within the relevant portfolio to convert to sales revenue to continue to meet debt interest payments without resorting to the utilisation of the cash liquidity reserve.

Furthermore, Retirement Bridge Investments Limited, the ultimate parent company, has confirmed to the directors of the group that it will continue to provide financial and operational support, for at least 12 months from the signing of these financial statements and thereafter for the foreseeable future, to allow the company and group to meet its ongoing liabilities as and when they become due.

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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**2. Accounting policies (continued)**

**2.3 Basis of consolidation**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**2.4 Revenue recognition**

Turnover comprises gross property 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 enters into a legally binded contract. Gross rentals are recognised on a straight line basis over the lease term on an accruals basis. Sundry other income is recognised when it becomes receivable.

**2.5 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**2. Accounting policies (continued)**

**2.6 Intangible assets**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

**2.7 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

**2.8 Stocks**

Trading properties are stated at the lower of cost and net realisable value. Costs include legal and surveying charges incurred during acquisition plus improvement costs. Net realisable value is the net sales proceeds which the company expects on sale of a property with vacant possession.

Repairs are expensed to the income statements as incurred.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less any estimated improvement costs to sell. The impairment loss is recognised immediately in profit or loss.

**2.9 Cash at bank and in hand**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 1 day.

**2.10 Hedge accounting**

The Group uses variable to fixed interest rate swaps to manage its exposure to cash flow risk on its bank loans. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

# EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In determining that the value of trading properties are not carried at more than their recoverable amount an external valuation has been applied.

There are no other areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements.

### 4. Turnover

An analysis of turnover by class of business is as follows:

|                                          | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|------------------------------------------|---------------------------------|------------------------------------------------------|
| Rental income                            | 570                             | 234                                                  |
| Proceeds from sale of trading properties | 43,442                          | 18,275                                               |
|                                          | <u>44,012</u>                   | <u>18,509</u>                                        |

All turnover arose within the United Kingdom.

### 5. Other operating income

|                                          | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|------------------------------------------|---------------------------------|------------------------------------------------------|
| Other operating income                   | 34                              | 40                                                   |
| Gain on settlement of hedging instrument | -                               | 99                                                   |
|                                          | <u>34</u>                       | <u>139</u>                                           |

# EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 6. Operating profit

The operating profit is stated after charging/(crediting):

|                                                             | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|-------------------------------------------------------------|---------------------------------|------------------------------------------------------|
| Amortisation of intangible fixed assets, including goodwill | 126                             | 52                                                   |
| Gain on settlement of hedging instrument                    | -                               | (99)                                                 |
|                                                             | <u>126</u>                      | <u>(99)</u>                                          |

None of the directors received any remuneration from the group during the period in respect of their services to the company or the group. There are no other persons holding service contracts with the company or group.

### 7. Auditors' remuneration

|                                                                                                                  | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------------------------------------|
| Fees payable to the Group's auditors and its associates for the audit of the Group's annual financial statements | 111                             | 101                                                  |
|                                                                                                                  | <u>111</u>                      | <u>101</u>                                           |

The Group has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the financial statements of the parent Company.

### 8. Interest receivable and similar income

|                           | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|---------------------------|---------------------------------|------------------------------------------------------|
| Other interest receivable | 82                              | 7                                                    |
|                           | <u>82</u>                       | <u>7</u>                                             |

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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**9. Interest payable and similar expenses**

|                                       | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|---------------------------------------|---------------------------------|------------------------------------------------------|
| Interest on debentures and bank loans | 21,230                          | 8,975                                                |
| Interest payable to group companies   | 2,465                           | 1,341                                                |
| Other interest payable                | -                               | 83                                                   |
|                                       | 23,695                          | 10,399                                               |

**10. Tax on loss**

|                                            | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|--------------------------------------------|---------------------------------|------------------------------------------------------|
| <b>Current tax</b>                         |                                 |                                                      |
| Adjustments in respect of previous periods | (433)                           | -                                                    |
| Group taxation relief                      | (459)                           | (380)                                                |
| <b>Total current tax</b>                   | (892)                           | (380)                                                |
| <b>Deferred tax</b>                        |                                 |                                                      |
| Deferred tax                               | (698)                           | (3,162)                                              |
| <b>Total deferred tax</b>                  | (698)                           | (3,162)                                              |
| <b>Tax on loss</b>                         | (1,590)                         | (3,542)                                              |

**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**10. Tax on loss (continued)**

**Factors affecting tax credit for the year/period**

The tax assessed for the year/period is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

|                                                                                              | 30<br>September<br>2020<br>£000 | 7 months<br>ended<br>30<br>September<br>2019<br>£000 |
|----------------------------------------------------------------------------------------------|---------------------------------|------------------------------------------------------|
| Loss before tax                                                                              | (16,269)                        | (10,321)                                             |
| Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%) | (3,091)                         | (1,961)                                              |
| <b>Effects of:</b>                                                                           |                                 |                                                      |
| Non-tax deductible amortisation of goodwill and impairment                                   | 24                              | 9                                                    |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment    | 3,042                           | 1,572                                                |
| Deferred tax not previously recognised on brought forward losses                             | (1,215)                         | (3,162)                                              |
| Adjustments to deferred tax charge in respect of prior periods                               | 429                             | -                                                    |
| Adjustments to corporation tax charge in respect of prior periods                            | (433)                           | -                                                    |
| Change to tax rates affecting tax losses carried forward                                     | (336)                           | -                                                    |
| Group relief surrendered                                                                     | 459                             | 380                                                  |
| Receipt for group relief                                                                     | (459)                           | (380)                                                |
| Indexation allowances                                                                        | (10)                            | -                                                    |
| <b>Total tax credit for the year/period</b>                                                  | <b>(1,590)</b>                  | <b>(3,542)</b>                                       |

**Factors that may affect future tax charges**

No provisions have been made for the tax that would become payable if the group's properties were sold at their year end replacement values. The total unprovided tax in respect of this is £28,681k (2019: £24,324k). There are no other factors that are expected to significantly affect the taxation charge in future years.



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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**11. Intangible assets**

**Group**

|                                     | <b>Goodwill<br/>£000</b> |
|-------------------------------------|--------------------------|
| <b>Cost</b>                         |                          |
| At 1 October 2019                   | 1,516                    |
| At 30 September 2020                | <u>1,516</u>             |
| <b>Amortisation</b>                 |                          |
| At 1 October 2019                   | 52                       |
| Charge for the year on owned assets | 126                      |
| At 30 September 2020                | <u>178</u>               |
| <b>Net book value</b>               |                          |
| At 30 September 2020                | <u><u>1,338</u></u>      |
| <i>At 30 September 2019</i>         | <u><u>1,464</u></u>      |

Intangible assets are made up of goodwill on acquisition of Retirement Bridge Group Holdings Limited on 30 April 2019.

The Company has no intangible assets.

**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**12. Investments**

**Company**

|                          | <b>Investments<br/>in<br/>subsidiary<br/>companies<br/>£000</b> |
|--------------------------|-----------------------------------------------------------------|
| <b>Cost or valuation</b> |                                                                 |
| At 1 October 2019        | <b>170,154</b>                                                  |
| At 30 September 2020     | <b>170,154</b>                                                  |

On 30 April 2019 the company acquired 100% of the share capital of Retirement Bridge Group Holdings for consideration of £170,154k. The investment in Retirement Bridge Group Holdings Limited, and its subsidiaries, has been included in the company's balance sheet at its fair value at the date of acquisition.

**Direct subsidiary undertaking**

The following was a direct subsidiary undertaking of the Company:

| <b>Name</b>                              | <b>Registered office</b> | <b>Class of<br/>shares</b> | <b>Holding</b> |
|------------------------------------------|--------------------------|----------------------------|----------------|
| Retirement Bridge Group Holdings Limited | England and Wales        | Ordinary                   | 100%           |

# EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 12. Investments (continued)

#### Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

| Name                                                 | Registered office | Class of shares | Holding |
|------------------------------------------------------|-------------------|-----------------|---------|
| Retirement Bridge Limited                            | England and Wales | Ordinary        | 100%    |
| Home Properties Limited                              | England and Wales | Ordinary        | 100%    |
| Bridgewater Property Holdings Limited                | England and Wales | Ordinary        | 100%    |
| Hamsard 2518 Limited                                 | England and Wales | Ordinary        | 100%    |
| Reversions Financing Limited                         | England and Wales | Ordinary        | 100%    |
| New Sovereign Reversions Limited                     | England and Wales | Ordinary        | 100%    |
| Bridgewater Lifetime Mortgages Limited               | England and Wales | Ordinary        | 100%    |
| Bridgewater Contractual Tenancies Limited            | England and Wales | Ordinary        | 100%    |
| Retirement Bridge Housing Limited                    | England and Wales | Preference      | 100%    |
| EL Investments Limited                               | England and Wales | Ordinary        | 100%    |
| Equity Release Investment Properties Limited         | England and Wales | Ordinary        | 100%    |
| Homesafe Equity Release LP *                         | England and Wales | N/A             | 100%    |
| Retirement Bridge Home Reversions LP                 | England and Wales | N/A             | 100%    |
| Milford Reversions Limited                           | England and Wales | Ordinary        | 100%    |
| Economic Reversions Limited                          | England and Wales | Ordinary        | 100%    |
| Elm Property Investments LLP                         | England and Wales | N/A             | 100%    |
| Elm Reversions Limited                               | England and Wales | Ordinary        | 100%    |
| Retirement Housing No.1 (2007) Limited               | England and Wales | Ordinary        | 100%    |
| Retirement Housing Management (Isle of Man) Limited  | Isle of Man       | Preference      | 100%    |
| Retirement Housing Management (Guernsey) Limited     | Guernsey          | Preference      | 100%    |
| The Capital Appreciation Trust Limited               | Guernsey          | Preference      | 100%    |
| The Capital Appreciation Trust (Isle of Man) Limited | Isle of Man       | Preference      | 100%    |
| BPT (Full Reversions) Limited                        | England and Wales | Ordinary        | 100%    |
| BPT Bridgewater (Home Reversions) Limited            | England and Wales | Ordinary        | 100%    |
| Hamsard 2517 Limited                                 | England and Wales | Ordinary        | 100%    |
| Hamsard 2517 (New Business) Limited                  | England and Wales | Ordinary        | 100%    |
| Reversions Financing (No.1) 2011 Limited             | England and Wales | Ordinary        | 100%    |
| Hamsard 2492 Limited                                 | England and Wales | Ordinary        | 100%    |
| Hamsard 2342 Limited                                 | England and Wales | Ordinary        | 100%    |
| Bridgewater (Home Reversions Number 1) Limited       | England and Wales | Ordinary        | 100%    |
| Bridgewater (Home Reversions Number 2) Limited       | England and Wales | Ordinary        | 100%    |
| Bridgewater Equity Release Limited                   | England and Wales | Ordinary        | 100%    |
| Bridgewater Equity Release Nominees (No. 1) Limited  | England and Wales | Ordinary        | 100%    |
| Bridgewater Equity Release Nominees (No. 2) Limited  | England and Wales | Ordinary        | 100%    |
| Nitro 2 Limited                                      | England and Wales | Ordinary        | 100%    |
| Bridgewater Tenancies Limited                        | England and Wales | Ordinary        | 100%    |
| Bridgewater Tenancies Nominees Limited               | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Limited                  | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 1 Limited   | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 2 Limited   | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 3 Limited   | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 4 Limited   | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 5 Limited   | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 6 Limited   | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 7 Limited   | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 8 Limited   | England and Wales | Ordinary        | 100%    |

# EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 12. Investments (continued)

#### Indirect subsidiary undertakings (continued)

| Name                                                | Registered office | Class of shares | Holding |
|-----------------------------------------------------|-------------------|-----------------|---------|
| Equity Release (Increments) Nominees No. 9 Limited  | England and Wales | Ordinary        | 100%    |
| Equity Release (Increments) Nominees No. 10 Limited | England and Wales | Ordinary        | 100%    |
| Sovereign Reversions Limited                        | England and Wales | Ordinary        | 100%    |
| The Welfare Dwellings Trust Limited                 | England and Wales | Ordinary        | 100%    |
| Sovereign Nominees Limited                          | England and Wales | Ordinary        | 100%    |
| Sovereign Nominees No. 2 Limited                    | England and Wales | Ordinary        | 100%    |
| Sovereign Reversions Holdings Limited               | England and Wales | Ordinary        | 100%    |
| The Home and Capital Trust Group Limited #          | England and Wales | Ordinary        | 100%    |
| Sovereign Retirement Capital Limited *              | England and Wales | Ordinary        | 100%    |
| Capital Reversions Limited *                        | England and Wales | Ordinary        | 100%    |
| Reversionary Gains I Limited                        | Scotland          | Ordinary        | 100%    |
| Reversionary Gains II Limited *                     | Scotland          | Ordinary        | 100%    |

\* These indirectly owned subsidiary undertakings were dissolved in August and September 2020.

# This indirectly owned subsidiary undertaking was dissolved post year end on 20th October 2020.

The registered office of all subsidiaries incorporated in England and Wales is Cross House, Westgate Road, Newcastle upon Tyne, NE1 4XX.

The registered office of subsidiaries incorporated in Guernsey is C/O Lancaster Guernsey, 2nd Floor, West Wing, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 4LL.

The registered office of the subsidiaries incorporated in Isle of Man is C/O Turnstone Group, Dolberg House, 9 Athol Street, Douglas, Isle of Man, IM1 1LD.

The registered office of the subsidiaries incorporated in Scotland is C/O Pinsent Masons, 13 Queens Road, Aberdeen, AB15 4YL.

### 13. Stocks

|                    | Group<br>2020<br>£000 | Group<br>2019<br>£000 |
|--------------------|-----------------------|-----------------------|
| Trading properties | 312,042               | 344,384               |
|                    | <u>312,042</u>        | <u>344,384</u>        |

At the year end, the replacement value of stock as assessed by external valuers is £342,518k (2019: £350,991k). The carrying value is equal to the net realisable value at the year end reporting date.

The stock expense to cost of sales in the income statement amounted to £33,307k (2019: £11,139k).

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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**14. Debtors: amounts falling due within one year**

|                                | <b>Group<br/>2020<br/>£000</b> | <i>Group<br/>2019<br/>£000</i> | <b>Company<br/>2020<br/>£000</b> | <i>Company<br/>2019<br/>£000</i> |
|--------------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Trade debtors                  | 196                            | 172                            | -                                | -                                |
| Other debtors                  | 221                            | 426                            | -                                | -                                |
| Deferred taxation              | 3,986                          | 3,288                          | -                                | -                                |
| Tax recoverable                | 48                             | -                              | -                                | -                                |
| Prepayments and accrued income | 70                             | 67                             | 9                                | 9                                |
|                                | <b>4,521</b>                   | <i>3,953</i>                   | <b>9</b>                         | <i>9</i>                         |

**15. Cash at bank and in hand**

|                          | <b>Group<br/>2020<br/>£000</b> | <i>Group<br/>2019<br/>£000</i> |
|--------------------------|--------------------------------|--------------------------------|
| Cash at bank and in hand | 12,138                         | 9,660                          |
|                          | <b>12,138</b>                  | <i>9,660</i>                   |

# EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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

|                                    | <b>Group</b>  | <i>Group</i>  | <b>Company</b> | <i>Company</i> |
|------------------------------------|---------------|---------------|----------------|----------------|
|                                    | <b>2020</b>   | <i>2019</i>   | <b>2020</b>    | <i>2019</i>    |
|                                    | <b>£000</b>   | <i>£000</i>   | <b>£000</b>    | <i>£000</i>    |
| Debenture loans                    | <b>14,679</b> | <i>16,078</i> | <b>4,134</b>   | <i>4,657</i>   |
| Trade creditors                    | <b>58</b>     | <i>31</i>     | <b>5</b>       | <i>-</i>       |
| Amounts owed to group undertakings | <b>66,354</b> | <i>64,491</i> | <b>118,131</b> | <i>106,851</i> |
| Corporation tax                    | <b>-</b>      | <i>1,242</i>  | <b>-</b>       | <i>-</i>       |
| Other creditors                    | <b>267</b>    | <i>474</i>    | <b>-</b>       | <i>-</i>       |
| Accruals and deferred income       | <b>4,884</b>  | <i>5,115</i>  | <b>1,414</b>   | <i>1,459</i>   |
|                                    | <b>86,242</b> | <i>87,431</i> | <b>123,684</b> | <i>112,967</i> |

Group debenture loans are mainly fixed rate, are secured by specific assets held by the group's subsidiaries and bear interest at average rate of 6.99% (2019: 6.88%). There are four loans in place with repayments linked to the cashflows generated from the sale of the underlying trading assets.

The company debenture loan is secured via fixed and floating charges over the trading properties of the Group and all other assets and undertakings of the Company and its Group. It incurs interest at a rate of 11% per annum and is repayable in monthly instalments over 7 years, based on surplus cash generated in the Group, instead of having a fixed repayment profile.

Amounts owed to group undertakings bore interest at 3.3% above LIBOR, are unsecured with no fixed date of repayment and are repayable on demand. Interest payable for the year amounted to £2,465k (2019: £1,341k).

### 17. Creditors: amounts falling due after more than one year

|                                    | <b>Group</b>   | <i>Group</i>   | <b>Company</b> | <i>Company</i> |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | <b>2020</b>    | <i>2019</i>    | <b>2020</b>    | <i>2019</i>    |
|                                    | <b>£000</b>    | <i>£000</i>    | <b>£000</b>    | <i>£000</i>    |
| Debentures loans                   | <b>265,255</b> | <i>278,809</i> | <b>61,072</b>  | <i>62,157</i>  |
| Financial instruments (after 1 yr) | <b>722</b>     | <i>333</i>     | <b>-</b>       | <i>-</i>       |
|                                    | <b>265,977</b> | <i>279,142</i> | <b>61,072</b>  | <i>62,157</i>  |

Group debenture loans are mainly fixed rate, are secured by specific assets held by the group's subsidiaries and bear interest at average rate of 6.99% (2019: 6.88%). There are four loans in place with repayments linked to the cashflows generated from the sale of the underlying trading assets.

The company debenture loan is secured via fixed and floating charges over the trading properties of the Group and all other assets and undertakings of the Company and its Group. It incurs interest at a rate of 11% per annum and is repayable in monthly instalments over 7 years, based on surplus cash generated in the Group, instead of having a fixed repayment profile.

**EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

**18. Financial instruments**

|                                                                                                                    | <b>Group<br/>2020<br/>£000</b> | <i>Group<br/>2019<br/>£000</i> | <b>Company<br/>2020<br/>£000</b> | <i>Company<br/>2019<br/>£000</i> |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| <b>Financial assets</b>                                                                                            |                                |                                |                                  |                                  |
| Financial assets that are debt instruments measured at amortised cost                                              | <u>417</u>                     | <u>598</u>                     | <u>-</u>                         | <u>-</u>                         |
| <b>Financial liabilities</b>                                                                                       |                                |                                |                                  |                                  |
| Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio | (722)                          | (333)                          | -                                | -                                |
| Financial liabilities measured at amortised cost                                                                   | <u>(346,613)</u>               | <u>(359,883)</u>               | <u>(183,342)</u>                 | <u>(173,665)</u>                 |
|                                                                                                                    | <u><b>(347,335)</b></u>        | <u><b>(360,216)</b></u>        | <u><b>(183,342)</b></u>          | <u><b>(173,665)</b></u>          |

Financial assets that are debt instruments measured at amortised cost comprise of all other financial assets of the group.

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio comprise of an interest rate swap entered into on 25 June 2019 to receive interest at LIBOR and pay interest at a fixed rate. The interest rate swap was entered into to mitigate the cash flow risk of fluctuating interest rates. The swap was based on an initial principal amount of £59.2m and amortises in line with the expected debt profile over time, maturing on 25 June 2022.

Financial liabilities measured at amortised costs comprise of all other financial liabilities of the group.

# EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

## 19. Deferred taxation

| Group        | Mean  | SD    | N  |
|--------------|-------|-------|----|
| Control      |       |       |    |
| Pretest      | 60.78 | 19.00 | 10 |
| Posttest     | 60.78 | 19.00 | 10 |
| Intervention |       |       |    |
| Pretest      | 60.78 | 19.00 | 10 |
| Posttest     | 60.78 | 19.00 | 10 |

|                            | 2020<br>£000 |
|----------------------------|--------------|
| At beginning of year       | 3,288        |
| Credited to profit or loss | 698          |
| <b>At end of period</b>    | <b>3,986</b> |

|                            | Group<br>2020<br>£000 | Group<br>2019<br>£000 |
|----------------------------|-----------------------|-----------------------|
| Tax losses carried forward | 3,986                 | 3,288                 |
|                            | <u>3,986</u>          | <u>3,288</u>          |

The provision for deferred tax is solely made up of unused tax losses. The group has tax losses of £20,976k (2019: £19,288k) arising in the United Kingdom that are available for offset against future taxable profits in the group.

## 20. Called up share capital

|                                           | 2020<br>£000 | 2019<br>£000 |
|-------------------------------------------|--------------|--------------|
| <b>Allotted, called up and fully paid</b> |              |              |
| 1 (2019 - 1) Ordinary share of £0.01      | -            | -            |

## 21. Reserves

## Other reserves

The cash flow hedge reserve records the movement in the fair value of the hedging instrument.

### Profit and loss account

This reserve records retained earnings and accumulated losses.



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| <b>EQUITY RELEASE INVESTMENT COMPANY 2 LIMITED</b> |
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**22. Contingent liabilities**

At 30 September 2020, the company guaranteed loans of £66,272k (2019: £68,071k) by means of a legal charge over its assets and book debts. At the same date, the group guaranteed loans of £282,364k (2019: £298,119k) by means of legal charges over the group's assets and book debts. Details of the repayment profiles are shown in the statutory financial statements of Retirement Bridge Investments Limited.

**23. Related party transactions**

The Company and Group has taken advantage under paragraph 33.1A of FRS 102 in not disclosing transactions with other companies. There are no other transactions which are required to be disclosed under the terms of FRS 102.

**24. Controlling party**

Equity Release Investment Company Limited is the immediate parent company, and the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 30 September 2020, by virtue of its 100% shareholding in the Company. The consolidated financial statements of Equity Release Investment Company Limited can be obtained from Cross House, Westgate Road, Newcastle upon Tyne, NE1 4XX.

Retirement Bridge Investments Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 September 2020. The consolidated financial statements of Retirement Bridge Investments Limited can be obtained from Cross House, Westgate Road, Newcastle upon Tyne, NE1 4XX.

Patron Capital V LP is deemed to be the ultimate controlling party by virtue of its level of control over Retirement Bridge Investments Limited.