Annual Report
& Accounts 2002

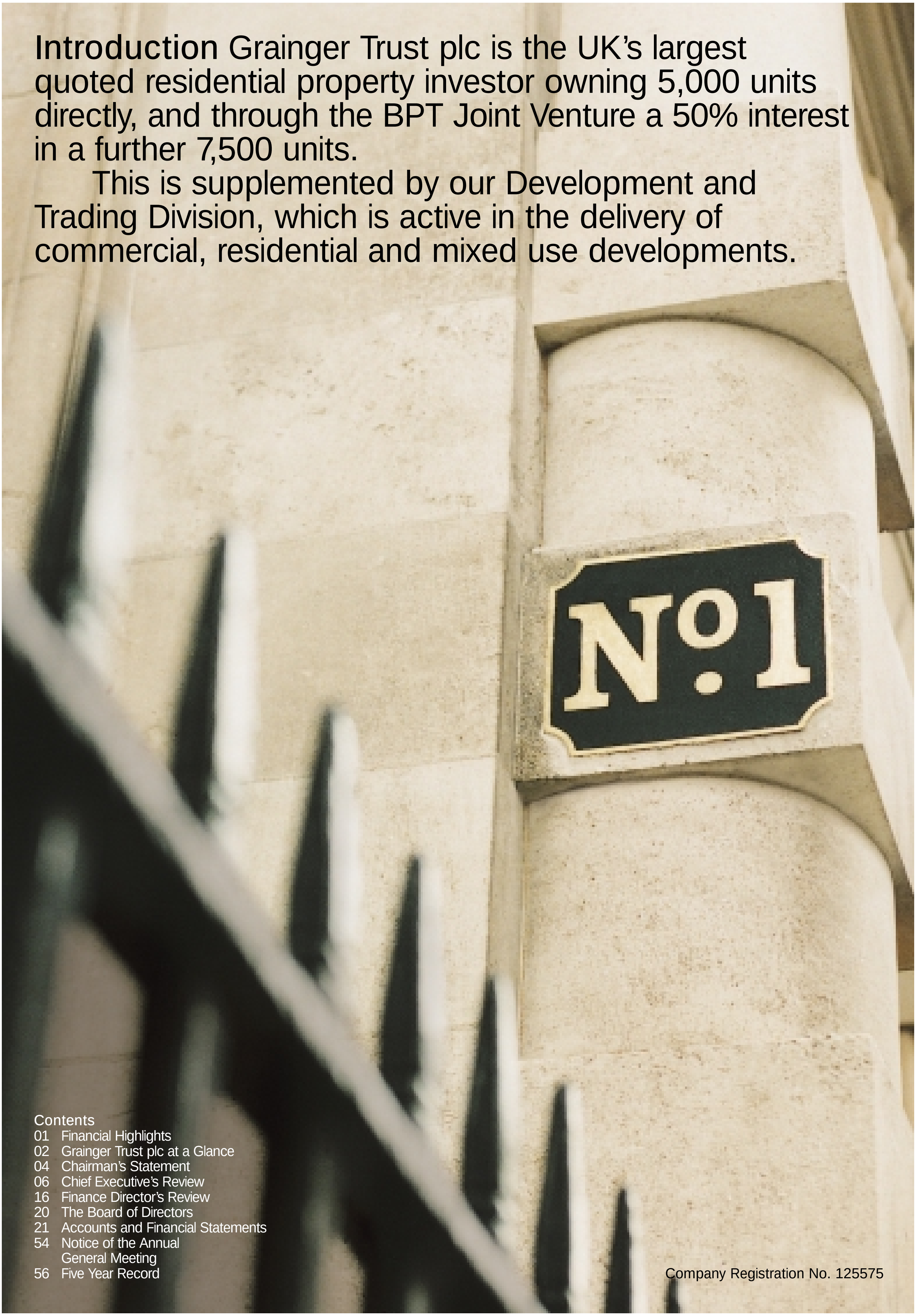
grainger trust plc

A strong traditional base…

…developing for the future

Introduction Grainger Trust plc is the UK's largest quoted residential property investor owning 5,000 units directly, and through the BPT Joint Venture a 50% interest in a further 7,500 units.

This is supplemented by our Development and Trading Division, which is active in the delivery of commercial, residential and mixed use developments.



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Company Registration No. 125575

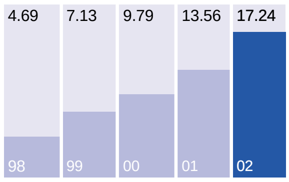
Financial Highlights

Compound annual growth rate over the last five years:
Net asset value 34%
Profit before tax 42%
Earnings per share 30%
Dividends 14%

Net asset value per share (£)** ***

£17.24

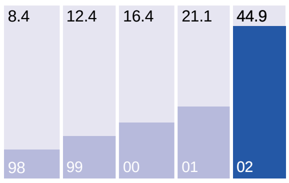
+27.1%



Profit before tax (£m)* **

£44.9m

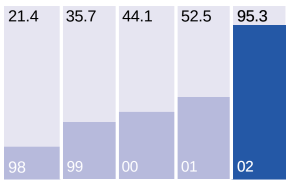
+113.0%



Earnings per share (p)* **

95.3p

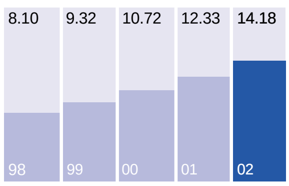
+81.5%



Dividends per share (p)

14.18p

+15.0%



* Before exceptional items and includes share of Joint Venture
** Figures for 1998 to 2001 are restated, where relevant, to take account of FRS 19
*** The net asset value per share is based on the market value of trading properties and the market value of Grainger's share of the Joint Venture

Grainger Trust plc at a Glance

The Company now comprises two main operating Divisions. Together with the BPT Joint Venture, these provide a significant contribution to the performance of the Group.

Tenanted Residential

Key figures

Property valuation
£393.6m

Operating contribution*
£30.0m

Number of properties
4,928

Tanhouse Farm Road, Solihull

Tenanted Residential highlights

- Purchase of £85m of tenanted stock in the year including £30m Ideal Benefit Portfolio (see picture left)
- Sale of 785 properties for gross consideration of £51m
- Strong market reflected in both trading profits up 41% and valuation of tenanted portfolio up 37%
- Creation of asset management function advising Schroders ResPUT on strategy, fundraising and acquisitions

BPT Joint Venture

Key figures

Property valuation £730.6m	Grainger share** £365.3m
Operating contribution* £80.7m	Grainger share** £40.3m
Number of properties 7,508	**50% Grainger share of BPT Joint Venture with Deutsche Bank Real Estate Opportunities Group

Barnsbury Road, London N1

BPT Joint Venture highlights

- £373.8m of sales from portfolio – £332.9m in the year to September 2002
- Management changes to address changed priorities going forward
- Now undertaking third party property management for Grainger, Schroders ResPUT and other property owners
- Grainger have received cash distributions of £85m (£33m in the year and £52m since year end) against original investment of £56m

Development and Trading

Key figures

Property valuation
£132.1m

Operating contribution*
£12.1m

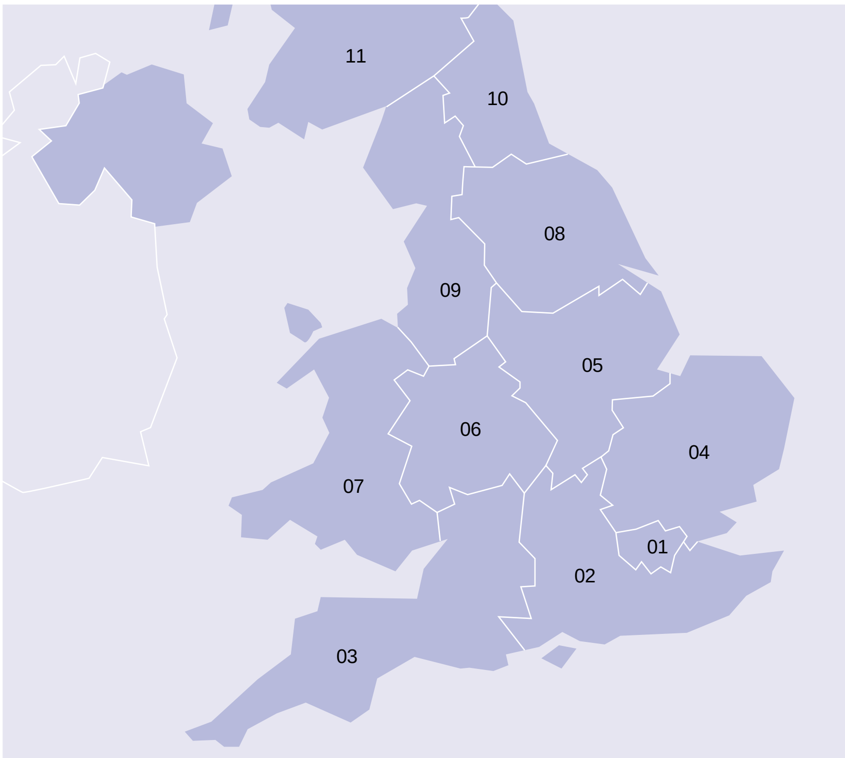
Number of properties
53

Pimlico Place, London SW1

Development and Trading highlights

- Award winning distribution development in Thurrock let and sold during the year
- Construction commenced on our 79 unit apartment scheme at Pimlico Place, SW1. We have exchanged contracts on 61 units
- Further land sales at our Basingstoke residential development site. Seven acres sold during the year
- Grainger Homes, our niche house building operation established and secures 34 sales and reservations on initial projects

*Profit on ordinary activities before interest and taxation



Proportion of Group profit*

36%

Proportion of property assets by valuation

44%

Pricing band breakdown (by vacant possession value)

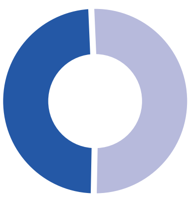
< £50,000:	12%
£50,000 – £100,000:	18%
£100,000 – £250,000:	49%
£250,000 – £500,000:	17%
> £500,000:	4%

Geographical split by market valuation

01 London	42%
02 South East	14%
03 South West	8%
04 East	5%
05 East Midlands	4%
06 West Midlands	11%
07 Wales	0%
08 Yorkshire	2%
09 North West	11%
10 North East	2%
11 Scotland	1%

Proportion of Group profit*

49%



Proportion of property assets by valuation

41%

Pricing band breakdown (by vacant possession value)

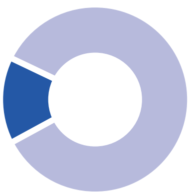
< £50,000:	3%
£50,000 – £100,000:	16%
£100,000 – £250,000:	66%
£250,000 – £500,000:	13%
> £500,000:	2%

Geographical split by market valuation

01 London	46%
02 South East	20%
03 South West	4%
04 East	9%
05 East Midlands	2%
06 West Midlands	8%
07 Wales	0%
08 Yorkshire	4%
09 North West	5%
10 North East	1%
11 Scotland	1%

Proportion of Group profit*

15%



Proportion of property assets by valuation

15%

Lot size breakdown

< £1m:	5%
£1m – £3m:	33%
£3m – £5m:	24%
£5m – £10m:	9%
> £10m:	29%

Geographical split by market valuation

01 London	34%
02 South East	38%
03 South West	1%
04 East	6%
05 East Midlands	1%
06 West Midlands	6%
07 Wales	0%
08 Yorkshire	0%
09 North West	7%
10 North East	7%
11 Scotland	0%

*Profit on ordinary activities before interest and taxation

Chairman's Statement

Grainger Trust has had an outstanding year, but uncertainty in the property market suggests that caution is the best policy, going forward.

This year has seen an excellent performance by the Group with very significant increases in the main indicators of financial performance – profit before tax, earnings per share and net asset value. We have also built a solid platform for future sustainable growth by reducing gearing and putting in place a revised management structure.

Our core Tenanted Residential business produced a very strong result, driven by the robust housing market. We have noted some recent slowing in the market, particularly in London and the South East but prices in most other regions of the UK have continued to rise since the year end. We are, however, conscious that the rate of house price increases seen recently cannot be sustained in the long term and we are, therefore, increasingly cautious in our response to market conditions and to opportunities that are presented to us.

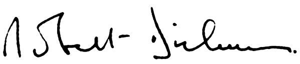
We are delighted with the progress made in Bromley our Joint Venture Company with Deutsche Bank Real Estate Opportunities Group ('DBREOG'), which was established to acquire BPT plc in May 2001. The rationalisation of the original BPT portfolio has continued apace and by the year end the Joint Venture had sold approximately 30% of the units acquired. As part of the disposal process management structures have been put in place that provide both BPT and Grainger with opportunities for future profit generation through the receipt of property and asset management fees.

The success of the Joint Venture operation can be measured by the cash returns we have received on our original financial investment of £56m. By the year end we had received £33m of loan stock repayments and interest and the refinancing of the Bromley debt in December 2002 enabled a further distribution of £52m to be made to each of the Joint Venture partners. The significant sales achieved in 2002 must be regarded as a one-off consequence of the rationalisation programme and we do not therefore expect the level of profit contribution from the Joint Venture in the year to be repeated.

Our Development and Trading Division has made good progress during the year. This operation acts as a very useful counterbalance to our core Tenanted Residential business, providing us with both the opportunity to realise higher levels of entrepreneurial return and to give us exposure to other sectors of the property market. We are careful to ensure that the Development and Trading portfolio remains cash generative. We consider opportunities not only in the context of potential return but also the level of risk that it is realistic for the Group to accept.

This year has seen a tremendous level of change in the Group. The increase in size of our activities and the management input we have had at BPT have required a considerable level of commitment and dedication on the part of all of our staff. I would like to thank them for their contribution during what has been a demanding, sensitive but ultimately rewarding period of significant change.

The retirement of Stephen Dickinson and the increases in the scale and complexity of the Group's activities have given us the opportunity to restructure the Executive Board. Rupert Dickinson, who during his secondment to BPT last year, was the driving force behind the rationalisation programme, becomes Chief Executive. Andrew Cunningham, while retaining the role of Finance Director, becomes Deputy Chief Executive and Sean Slade has been appointed to the Board as Director of Development.



Robert Dickinson
Chairman

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1 North Road, Nottingham, Tenanted Residential
2 Moor Court, Newcastle, BPT
3 Garrick Court, Altrincham, Development and Trading

We wish, particularly, to record our thanks and appreciation for the very considerable achievements of Stephen Dickinson who retires from the post of Managing Director after 28 years service. During that time he has presided over a remarkable sustained period of growth and profitability and he has left a solid platform for continued success in the future. His wise counsel and great experience will not be lost to the Group, as he has agreed to stay on the Board as part time Deputy Chairman with executive responsibility for land development.

Leaving the Board at the Annual General Meeting will be Robin Oldfield. Robin was appointed a Non-Executive Director on 24 February 1994 and he brought a high level of financial knowledge and professionalism to the Group. We thank him for his very significant contribution.

Due to the singular nature of the Bromley sales programme, we do not anticipate that the level of pre-tax profitability achieved this year will be repeated in 2003. However, the Group is well balanced, with robust cash flow from the core Tenanted Residential business and exposure to more opportunistic revenues through its Development and Trading activities. We are confident that this structure, allied to a relatively low level of gearing, will enable Grainger Trust to deliver attractive returns to Shareholders in the future.

Financial Highlights 2002

	2002	2001**
Turnover (including Joint Venture)	£213.8m	£124.7m
Gross rental income	£22.0m	£23.2m
Profit before tax (including Joint Venture)*	£44.9m	£21.1m
Earnings per share*	95.3p	52.5p
Dividends per share	14.18p	12.33p
Net asset value per share	£17.24	£13.56
Property assets and Joint Venture at market value		
Tenanted Residential	£394m	£288m
Development and trading	£132m	£140m
Investment in Joint Venture	£144m	£126m
Total property assets/Joint Venture	£670m	£554m
Net borrowings	£224m	£201m
Net assets at market value (prior to contingent tax and cost of debt adjustment)	£427m	£335m
Gearing	52%	60%
Administrative expenses as percentage of Group turnover	4.2%	4.0%
Dividend cover*	6.7x	4.3x
Market capitalisation at 30 September	£246m	£187m
Share price		
Highest price during the year	1,112.5p	897.5p
Lowest price during the year	755.0p	572.5p
Price at 30 September	992.5p	757.5p

Capital gains tax
The market value of the Company's shares for capital gains tax purposes at 31 March 1982 was 30.4p.

*Excluding exceptional item and including share of Joint Venture
**Figures for 2001 are restated, where relevant, to take account of FRS 19

Chief Executive's Review

The majority of Grainger Trust's revenues are derived from the Tenanted Residential sector, but our involvement in Development and Trading activities gives us new avenues for expansion.

1

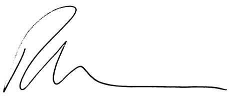

Strategically, the Tenanted Residential sector remains the key focus of our activities, but we are now looking for other opportunities to broaden our engagement with the property market as a whole.

The acquisition of BPT plc through our Joint Venture with DBREOG has made Grainger the largest quoted residential investor in the UK. Since the acquisition was completed in May 2001, it has become clear that our size has given us positive differentiation in the marketplace. Our reputation and market positioning have been substantially enhanced, and so has our ability to source deals and discover new opportunities. This has enabled us to broaden our reach into the marketplace and refine our strategy accordingly.

Core businesses Although it retains some of the characteristics of an investment business, our Tenanted Residential Division, which concentrates on regulated tenancies is primarily a trading operation, with properties being sold on vacancy. This provides us with a substantial cash flow to meet our ongoing obligations and to reinvest in further tenanted stock. A key strategic objective is to at least replace what is sold on vacancy in the year.

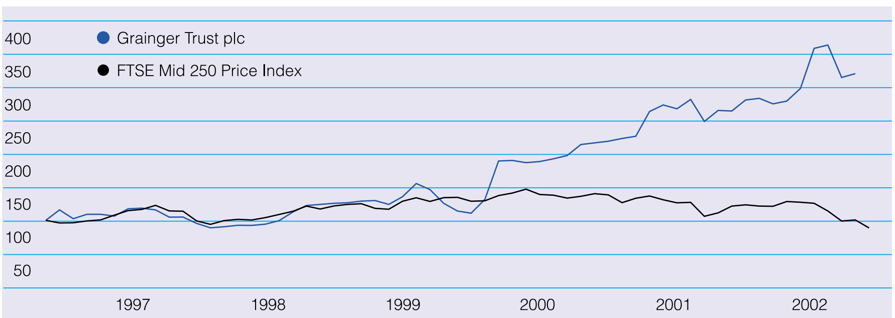
While the Tenanted Residential business remains our largest sphere of activity, it is complemented by the more entrepreneurial Development and Trading Division. Our interest is in properties where a significant margin can be created by our actions, such as promoting development, regearing of occupational terms or carrying out development either by ourselves or in partnership with sector specialists.

New strategic initiatives This year, we have expanded our business with the creation of an asset management function. This represents a natural progression for our in-house expertise and we believe we are one of the only organisations with the necessary disciplines required to look after a large geographically dispersed portfolio of tenanted residential accommodation. We also believe that these disciplines could be immediately transferable into situations where an investor wishes to own property, but looks to a specialist for the relevant management skills.



Rupert Dickinson
Chief Executive

Grainger Trust plc Share Price performance against FTSE Mid 250*
1998-2002



*All figures rebased to 100.

1 Ashmead Road, London SE8, BPT
2 Grangewood, Widdrington, Grainger Homes

During the year, we launched Grainger Homes, our housebuilding operation, which is currently developing housing on a number of sites in the North East. Again, this represents an organic expansion of our broad involvement in the residential property market, using expertise that already exists in the Company. Early indications from this venture are promising.

Identifying opportunities Looking further ahead, we see significant potential for Grainger in the life tenancy sector, where owner occupiers transfer ownership in return for a lump sum and rent-free occupation for life. As the scale of pension underfunding becomes clear, we believe that an increasingly large number of people will be looking for sensible ways to release capital from their homes.

We are also keen to build relationships with other developers, local authorities and interested parties, where we can use our tenanted residential expertise to create synergies, for example in the sensitive area of housing for key workers.

Tenanted Residential Division	
Turnover	£68.0m +32%
Profit before interest and tax	£30.0m +35%
Net rental	£9.4m +24%
Trading profits	£23.3m +41%
Cost of properties	£224.4m +38%
Investment value of properties	£393.6m +37%

Tenanted Residential Division

The Tenanted Residential Division currently manages approximately 5,000 properties, buying tenanted property and selling when the tenancy falls vacant. As a major landlord, in addition to the core regulated portfolio, we also own properties let on assured, assured shorthold and life tenancies and a number of other interests including ground rents, reversions and garages.

Performance The Division benefited from the strong residential market in the year to 30 September 2002. Latterly, there was a slow-down in the Central London market but prices in other regions of the UK have continued to rise.

During the year, 785 properties were sold for a gross consideration of £51.0m (2001: 735 properties for £36.3m). While these figures are distorted by a small number of very high value sales, we have seen a 20% increase in the average sale price of our houses. Trading profits rose by 41.2% from £16.5m to £23.3m, while net rents rose by 23.7% from £7.6m to £9.4m. Total operating profit for the Division amounted to £30.0m (2001: £22.2m).

We are particularly pleased with the volume and quality of Tenanted Residential stock that we have been able to buy this year, as this lays the foundations for future profit generation. Our total spend was £85.8m (2001: £28.0m) and the open market value of our stock at the year end amounted to £393.6m (2001: £287.7m). Overall, the portfolio has been reduced from 4,946 properties to 4,928, as a result of large volume sales of low value ex-industrial housing to investors, generally at prices in excess of vacant possession value. This sales programme is now largely complete.

Tenanted Residential

Approximately 5,000 properties spread throughout the country

1

2

1 and 2 The Tenanted Residential Management Teams (picture 1: South, picture 2: North)

Operational structure The Tenanted Residential portfolio is managed from two centres – Newcastle upon Tyne and London. Our Newcastle office looks after the business outside London and the South East, representing 44% of properties by value and 71% by number. Day-to-day management is carried out by a number of managing agents with strong control from our in-house team in Newcastle, where we also collect all rents and pay invoices for the whole Group. This gives us the advantage of central control with an on-the-ground network which can deal with operational matters and assist in valuations for the acquisition of new stock.

Our London office looks after a far smaller number of properties but which have significantly higher average values (56% by value and 29% by number). This part of the portfolio is overseen by an in-house team of surveyors. Their role is important because, in relation to high value property, day-to-day management decisions can have a heightened effect on rental and resale values.

Our London office has now taken on the asset advisors role for the Residential Property Unit Trust (ResPUT), managed by Schroders, in relation to the £70m portfolio sold by BPT to the Trust in the year. In 2003 we will be taking on the same role in respect of the remainder of the property portfolio (a further £40m), along with the supervision of the third party property managers. This new role will involve us acting as property advisors to the Trust managers, assisting with asset strategy, fund-raising and acquisition advice, for which we receive an annual fee based on a percentage of gross assets under management. As part of these arrangements, Grainger also invested £7m in the Trust.

Tenanted Residential portfolio statistics

	2002	2001	% increase/ decrease
No. of residential units	4,928	4,946	–
Investment value £m	394	288	37
Vacant possession value £m	524	389	35
Gross year end rental £m	17	15	13

Tenanted Residential portfolio breakdown

	No. residential	Vacant possession value £m	% of Vacant possession	Investment value £m	Current gross rentals £m	Estimated market rentals £m
Regulated	3,753	397	73	288	12.6	16.0
Assured tenancies	703	63	87	55	3.2	3.5
Vacant properties	297	28	90	25	–	–
Life tenancies	175	20	51	10	0.1	0.1
Other interests	–	16	–	16	0.9	0.9
	4,928	524	74	394	16.8	20.5

BPT Joint Venture

Turnover

£110.3m +334%

Profit before interest and tax

£40.3m +391%

Net rental

£13.6m +158%

Trading profits

£26.7m +535%

Cost of properties

£305.9m –29%

Investment value of properties

£365.3m –17%

The above figures represent Grainger's 50% share of Joint Ventures' figures

1


2


1 A BPT Office, King's Lodge, Epsom
2 High Brow, Hawbourne, Birmingham, BPT

BPT Joint Venture

The after-effects of our acquisition – with Joint Venture partners DBREOG – of BPT have been a major focus of activity during the year.

At the outset, the Joint Venture business plan was to spend 18 months selling off the non-core portfolio – effectively the majority of the portfolio other than those properties let on regulated tenancies – and realigning the management operation to address the changed priorities going forward.

At the time of the acquisition, BPT owned some 11,204 tenanted properties. Since then, 3,700 residential units have been sold, generating £373.8m of sales, of which £332.9m was completed in the year to 30 September 2002.

Key operational developments Operationally, the focus has been on integrating the administration of BPT with Grainger in order to get the best out of both organisations, and creating a shared culture appropriate to the Joint Venture. To this end, we have relocated the BPT finance and head office functions from Bradford into our own offices in Newcastle upon Tyne. We have also integrated the Information Technology and Human Resources departments. This has resulted in some staff being employed on joint service contracts with BPT and Grainger. Our staff are continuing to work with their BPT colleagues to rationalise the BPT management and administration in the four regional management offices.

A key development during the year was the sale of a £70m portfolio of predominantly new-build assured tenancies to Schroders ResPUT.

Towards the end of the year, BPT also completed the refinancing of a significant proportion of the life tenancy portfolio, which consists of some 807 properties. This generated £39.4m in cash.

These transactions have been structured so that BPT receives a fee for ongoing property management services from Schroders ResPUT and, in the case of the life tenancy portfolio, retains the long-term reversionary interest, subject to a 20% carried interest held by our advisers to the transaction. BPT is now acting as managing agent to a limited number of investors to whom it has sold property. In addition, Grainger have appointed them as agents on approximately 200 properties in the Midlands.

As a result of the very successful sales programme, the BPT portfolio now contains fewer non-regulated or life tenancy properties (1,308 units at a value of £127.9m). For 2003, therefore, we do not expect to achieve sales levels that approach those achieved in 2002. The remaining portfolio will be managed in accordance with the principles that have proved effective and efficient within Grainger.

Since the year end, the Joint Venture has renegotiated its debt arrangements. The debt, which had been due for repayment in May 2003, has now been replaced with a seven year facility totalling £460m on more favourable terms. This allowed a cash distribution of £52m to be made to each of the Joint Venture partners in December 2002.

BPT Joint Venture

An efficient management structure delivering real benefits into the future

Development and Trading

Turnover

£35.5m –25%

Profit before interest and tax

£12.0m –13%

Net rental

£2.9m –48%

Trading profits

£10.4m +4%

Cost of properties

£101.4m +8%

Investment value of properties

£132.1m –6%

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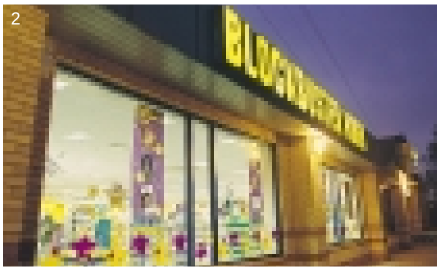


1 Development and Trading Team
2 Cross Point, Hinckley Road, Coventry, Development and Trading

Development and Trading

Trading and Development operations provide important opportunities for Grainger to generate revenues outside the core Tenanted Residential market, opening up new avenues for profit.

The Division includes a variety of opportunities at different stages of the development process, from bare land to completed income producing assets. The portfolio includes both residential and commercial properties, generally in larger units than those in our Tenanted Residential portfolio. The Division's assets are sub-divided into five main categories: commercial investment, trading, development, land development and housebuilding.

Performance Over the year, the Division continued to make progress.

Headline figures are down on last year due, primarily, to an anticipated lower level of land sales and a programmed disposal of investment properties at the end of the previous financial year.

We completed the sale of the last units at our warehouse development at Thurrock in Essex, bringing the project to a successful conclusion.

At Kennel Farm near Basingstoke, we sold 7 acres for residential development towards the end of the financial year, and a further 7 acres since the year-end. This leaves only 23 acres on the site, of which 11 acres have been sold on conditional contracts over the next two years.

Construction of our two main developments – Landmark Place in Slough and the former Pimlico bus station, SW1– is proceeding according to schedule and on budget.

Landmark Place is a major mixed use development, due for completion in mid 2003. The hotel and leisure elements have been pre-sold and pre-let respectively, and there is interest in the restaurant unit. The office market in the Thames Valley area has deteriorated, but we are confident that the quality of the Landmark Place scheme will enable us to achieve a satisfactory outcome.

Pimlico Place is also a mixed use development with completion scheduled for mid 2004. Our interest extends to 79 private apartments, of which 50 units have been forward sold.

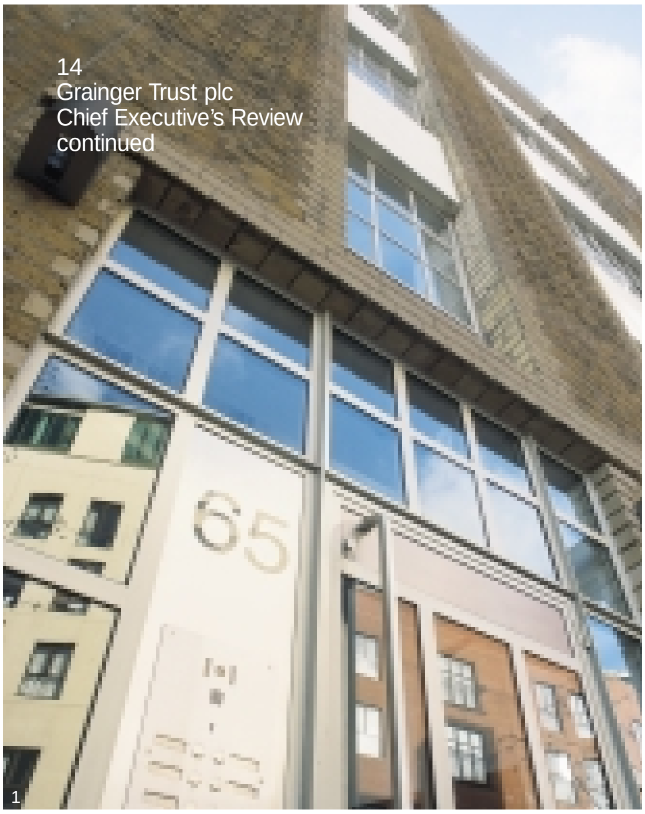
In Clapham, South London, we have applied for consent to develop a 90,000 sq ft scheme for mixed use purposes. We have since purchased an adjoining site and a new application will be submitted for a larger scheme in due course.

In the area of land development, we have an option on a 640 acre site at West Waterlooville in Hampshire which is identified as a Major Development Area in the Hampshire Structure Plan and allocated for residential and commercial development in the Draft Local Plan. We are progressing planning, which if successful, could provide Grainger with a sizeable future revenue pipeline.

The establishment of Grainger Homes as our housebuilding operation opens up a new area of opportunity for the Group. Current plans centre on sites in the North East, where a total of 34 homes have been sold or reserved on the first two sites. Several other sites are being actively considered for future development.

Development and Trading

Aware of emerging opportunities outside the core residential market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KAREN MILLEN
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4


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1 65 Clerkenwell Road, London EC1
Office Refurbishment
2 Sir Isaac's Walk, Colchester
Retail Development
3 Landmark Place, Slough
Mixed-use Development
4 Phase 1, Widdrington
Grainger Homes
5 Dolphin Park, Thurrock
Warehouse Development

Future activity We remain cautious in relation to development at this stage of the cycle, but are nevertheless constantly alert to emerging opportunities. In particular, we are keen to purchase commercial assets with residential alternative use or low density properties in urban areas which can be developed to provide higher density mixed use solutions at a future date. We are also actively building relationships with potential Joint Venture partners to participate in projects where our residential expertise can complement our partners' own strengths.

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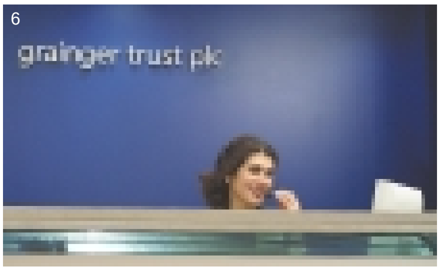

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6 and 7 Our people have made a major difference, allowing Grainger to exceed its own targets

Personnel and prospects

It has been a year of change for Grainger, prompting a reorganisation of the Group's resources in order to prepare for the challenges of the future.

Two key events – Stephen Dickinson's retirement and the BPT acquisition – have prompted significant changes to duties and reporting responsibilities across the Group.

The retirement of Stephen Dickinson, who has been Managing Director of Grainger for 28 years, led to a rearrangement of responsibilities in the senior management structure. In addition to his role as Finance Director, Andrew Cunningham has become Deputy Chief Executive. Sean Slade has also been promoted to the main Board, as Director of Development.

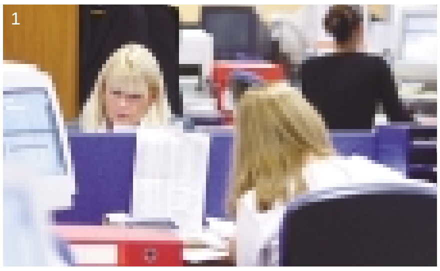
The subsidiary Boards have also been reorganised with the introduction of a new Executive Committee which comprises the Executive Directors, Peter Schwerdt, Brian Crumbley and Debra Yudolph. This committee deals with corporate strategy and allocation of resources. Below this, we have expanded the Operational Board with the appointment of Terry Baines (IT) and Tony Dodds (Grainger Homes). They will join the existing team of Geoff Davis, Mark Robson, James Fielder and Andy James. We are very pleased with these internal appointments and believe that we have the management structure in place to take the Company forward.

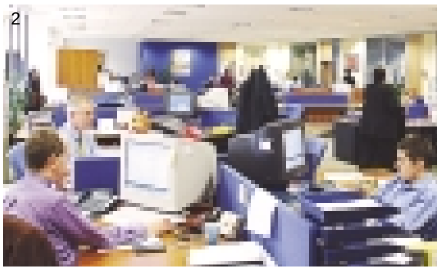
Following the acquisition of BPT by the Joint Venture, Grainger staff have been heavily involved in creating relationships and introducing new reporting structures between the two companies. Although the overall number of staff has remained at a similar level, these changes have resulted in the closure of BPT's Bradford office. We have also relocated our Newcastle office into larger premises to accommodate the reorganised finance team.

Outlook It has been a very good year for Grainger, with record financial performance, but we must not lose sight of the fact that a substantial proportion of our success has been driven by the rising property market, a factor over which we have no control. However, we are confident that we have the business model, the property portfolio and the management team to ensure that we can continue to produce strong returns going forward. We will continue to grow our Tenanted Residential business and to look for opportunities in the areas of development, trading and finance.

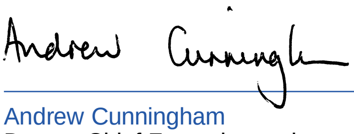
Finance Director's Review

A year of significant investment and growth but our reducing gearing levels provide us with the ability to pursue attractive opportunities as they arise.





1 and 2 The Accounts Team in our new offices at Citygate, Newcastle



Andrew Cunningham
Deputy Chief Executive and
Finance Director

Our results are affected for the first time by the introduction of Financial Reporting Standard 19 Deferred Taxation ('FRS 19'). This standard prohibits the provision of deferred tax balances on asset revaluation surpluses when companies are acquired. In line with industry practice we have historically made a partial provision for such tax balances and then released it as properties are sold.

By not providing for deferred taxation, the accounting for our acquisitions produces a surplus of net assets acquired over the purchase price ('negative goodwill'). This negative goodwill approximates to and is released simultaneously with the tax not provided for. Thus, the overall effect of the standard is to increase both profit before tax and the tax charge – the impact on post tax earnings or earnings per share is not significant.

We have restated the financial statements accordingly. Further details are provided in the accounting policies and notes to the accounts. Where relevant, comparative information supplied below reflects the restatements required by the introduction of FRS 19.

Performance

Income Turnover, excluding our share of the turnover of our Joint Venture Company, has increased to £103.5m from £99.3m. The increase comes from a higher level of Tenanted Residential sales, mitigated by a slight fall in receipts in the Development and Trading Division. Gross rentals have declined slightly – although our Tenanted Residential rents have increased by £1.5m, this is outweighed by a decrease in the Development and Trading rentroll of £2.7m where we have continued to divest certain of our investment properties.

We have benefited significantly from the strong housing market in the year and increased house sales in the Tenanted Residential market have resulted in an improvement in trading profits to £33.7m from £26.5m.

Property and administrative expenses Property expenses show a slight fall to £9.7m from £10.0m. In the year ended 30 September 2001, we had a significant major works programme in the Tenanted Residential Division. Administrative expenses have increased as our business has grown in size and complexity.

Net interest payable Net interest payable is affected by two major items; exceptional costs relating to the early redemption of part of our Quoted Debenture and interest receivable from the loan stock investment in the Bromley Joint Venture. The cost of early redemption amounted to £3.8m and we received £6.0m (2001: £1.1m) from the loan stock. After adjusting for these two items our net interest rose marginally from £16.3m to £16.6m, reflecting an increase in our debt levels in the year. The average interest rate payable has been 6.5% (2001: 8.0%). Excluding the exceptional charge, our interest cost is covered 2.2 times by profit before interest and tax (2001: 1.8 times).

Joint Venture Our share of pre tax profits of our Joint Venture Company amounted to £13.4m (2001: loss of £1.5m). The improvement comes from the inclusion of a full year's results for the first time and from the profits arising on the very significant one-off disposal programme in the year. Net rents and trading profits contributed £13.6m (2001: £5.3m) and £26.6m (2001: £4.2m) respectively. Interest payable amounted to £26.9m (2001: £9.7m).

Taxation The tax charge is significantly affected by the introduction of FRS 19. This standard prevents the provision of deferred tax on revaluation gains when companies are acquired and so our effective tax rate rose significantly this year to 49.2% (2001: 40.3%). The effect of the standard is particularly pronounced this year because of the very high level of sales at Bromley. The effective tax rate for Grainger alone, excluding the effect of the Joint Venture, is 34.2% (2001: 30.0%).

Earnings per share and dividends Earnings per share have nearly doubled from 42.6p to 84.6p. Total dividends have been increased by 15% for the fourth successive year and amount to 14.18p per share. Excluding exceptional items, dividends are covered 6.7 times by profit after taxation. (2001: 4.3 times).

Position

General Most of our properties are held as trading stock and are therefore shown in the balance sheet at cost. This does not reflect the true worth of Grainger's assets and so we set out below a statement of our net assets with the properties restated to market value.

Fixed assets Our investment property portfolio was valued at 30 September 2002 by Jones Lang LaSalle at £21.0m, a fall from last years figure of £27.0m due to the sale of some of our retail properties in the North East. The other major movements in fixed assets relate to the fall in the carrying value of our investment in the Bromley Joint Venture from £54.2m to £39.9m, resulting from a part repayment of the loan to the Joint Venture, and to our recent £7m investment in the ResPUT. It should be noted that the market value of our Joint Venture investment has risen from £125.6m to £144.0m, and that we received in the year a repayment of loan stock of £26.3m. Also, the market value of our investment in the ResPUT has risen to £8.0m at 30 September 2002.

Trading properties The balance sheet carrying value of our trading properties was £305.1m (2001: £234.4m) and the equivalent market value was £504.7m (2001: £400.8m). The increase has come from our Tenanted Residential Division where a slight fall in the number of units held has been more than compensated for by increases in value. At 30 September 2002 the average vacant possession value of our Tenanted Residential properties was £103,000 (2001: £75,000). The value of our Development and Trading stock has stayed more or less constant, sales at Kennel Farm, Thurrock and Ladbroke Grove being matched by reinvestment in other projects, particularly at Landmark Place, Slough and Macaulay Road, Clapham.

Other current assets and liabilities Excluding current instalments due on borrowings and cash, net current liabilities have increased to £26.6m from £14.4m. This is due to increases in tax liabilities payable, deferred income and trade creditors.

Pro Forma Net Asset Statement

	30 Sept 2002 £m	30 Sept 2001 Restated £m
Properties at market value:		
Tenanted Residential	393.6	287.7
Development and Trading	132.1	140.1
	525.7	427.8
Investments	153.8	126.4
Other assets	0.7	0.6
Cash	10.5	23.1
Total assets	690.7	577.9
Borrowings	(233.7)	(223.9)
Net current liabilities	(26.6)	(14.4)
Deferred tax	(3.7)	(5.0)
Total liabilities	(264.0)	(243.3)
Market value net assets	426.7	334.6

Net assets Net assets at market value, without adjusting for contingent tax, have increased from £334.6m to £426.7m. The major movements were:

	Reflected in the accounts £m	Not reflected in the accounts £m	Total £m
Net assets at 1 October 2001	98.5	203.0	301.5
Restated for FRS 19	(2.8)	35.9	33.1
Restated net assets at 1 October 2001	95.7	238.9	334.6
Retained profits	17.4	–	17.4
Revaluation surpluses:			
Tenanted Residential	–	44.6	44.6
Development and Trading	–	(11.4)	(11.4)
Investment assets	0.5	1.0	1.5
Joint Venture share	7.8	50.1	57.9
Negative goodwill movements	–	(17.1)	(17.1)
Other share capital and reserve movements	(0.3)	(0.5)	(0.8)
Net assets at 30 September 2002	121.1	305.6	426.7
Net assets per share £	4.89	12.35	17.24

The Group's net net net asset value ('NNNAV') after deductions for contingent tax (assuming all properties sold at market value) and for marking Group debt to market value ('FRS 13' adjustment) is as follows:

	30 September 2002 £m	30 September 2002 £ per share	30 September 2001 (restated) £m	30 September 2001 (restated) £ per share
Net asset value	426.7	17.24	334.6	13.56
Less: contingent tax	117.1	4.73	105.4	4.27
FRS 13 adjustment	11.7	0.48	7.2	0.29
NNNAV	297.9	12.03	222.0	9.00

Cash and debt Cash balances at the year end amounted to £10.5m (2001: £23.1m). Of the year end balance £6.6m (2001: £22.1m) is either held by lenders awaiting substitution of alternative security or represents deposits received.

Group borrowings have increased from £224.0m to £233.7m. New borrowings amounted to £48.2m, primarily to finance the Ideal Benefit portfolio acquisition, and loan repayments were £38.4m including £6.9m of our Quoted Debenture stock.

The significant increase in the value of our net assets has led to a reduction in gearing on a revalued balance sheet basis to 52% from 60%.

Cash flow The significant elements in the Group's cash flow were:

	£m
Receipts	
Net rents	12.3
Property sales	83.6
New loans	8.9
Loan stock receipts	26.3
Working capital movements/other costs	4.8
	135.9
Payments	
Interest, tax and dividends	26.0
Property expenditure	122.5
Cash movement	(12.6)

Capital management The Group finances its operations through a combination of Shareholders' funds and borrowings and seeks to optimise its weighted average cost of capital ('WACC'). The estimated WACC of the Group at 30 September 2002 was 6.3% (2001: 6.5%).

The main borrowing source is banks but the Group also has fixed rate institutional debt of £20.5m (2001: £38.8m). The Group protects its underlying profitability from treasury risk by managing both its level and cost of debt.

The Group does not take trading positions in financial instruments but to minimise the risk of exposure to fluctuating interest rates the majority of our debt is maintained at fixed rates of interest or is subject to protective caps or collars.

At 30 September 2002, 79% of Group debt was either fixed to termination or for over one year or was protected by financial instruments (2001: 69%).

A combination of interest rate swaps and financial caps are used to provide a degree of certainty over future interest rate costs whilst enabling the Group to take advantage of favourable short-term rates. At 30 September 2002, the Group held in place £87.5m of swap contracts at an average rate of 5.3% maturing between September 2005 and February 2009. There were also financial caps in place of £102.5m at an average pre margin rate of 6.5% These caps expire between February 2004 and November 2006.

The notional effect of the fair value adjustment of marking the Group's fixed rate debt and derivatives to current market rates ('FRS 13 adjustments') would be to produce an additional 'liability' after tax of £11.7m or 48p per share (2001: £7.2m, 29p per share). This adjustment represents approximately 5% of Group gross borrowings at 30 September 2002 and will not be recognised in the accounts until the position matures or is terminated.

The Group also maintains a range of borrowing maturities to enable it to balance continuity of funding with flexibility. At 30 September 2002 the average duration of the Group's debt was 6.9 years (2001: 7.7 years). Full details of the Group's borrowings are given in Note18 to the financial statements on pages 47 and 48.

Group borrowings at 30 September 2002

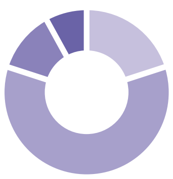
	Principal £m	Interest Payable %	Repayable
Permanently fixed	35	9.8	2002-2025
Fixed over one year	88	6.4	2002-2012
Hedged loans	63	5.2	2002-2012
Variable/fixed under one year	48	5.1	2002-2023
Total	234	6.3	
Less: cash	(10)		
Net debt	224		

Debt maturity at 30 September 2002

- Less than one year 10%
- Between one and two years 14%
- Between two and five years 24%
- Between five and ten years 41%
- > ten years 11%

Fixed rate profile at 30 September 2002

- Less than one year 20%
- Between two and five years 60%
- Between five and ten years 12%
- > ten years 8%



The Board of Directors

The Board has been strengthened and invigorated by new appointments, which build on the team's existing wealth of experience in the property market.

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1 Robert Dickinson, Chairman
2 Rupert Dickinson, Chief Executive
3 Andrew Cunningham, Deputy Chief Executive and Finance Director
4 Sean Slade, Director of Development
5 Stephen Dickinson, Deputy Chairman

Robert Dickinson C.B.E., D.L.*
Chairman, Chairman of Nomination Committee
Aged 68, Solicitor. Appointed a Director of the Company in 1961, and Chairman in 1992. Chairman of Northern Investors Company PLC, Chairman of University of Newcastle upon Tyne Development Trust.

Stephen Dickinson F.C.A.
Deputy Chairman, Member of Nomination Committee
Aged 68, Chartered Accountant. In practice in British Virgin Islands 1963-1974. Appointed Managing Director of the Company in 1974. Upon retiring as Managing Director in October 2002, became Deputy Chairman. British Virgin Islands representative on United Kingdom Overseas Territories Association since 1993.

Rupert Dickinson M.R.I.C.S.
Chief Executive
Aged 43, Chartered Surveyor. Joined the Company in 1992 from Richard Ellis (now Insignia Richard Ellis). Appointed a Director of the Company in 1994. Appointed Chief Executive in October 2002.

Robin Herbert C.B.E.*
Senior Independent Non-Executive Director, Member of the Audit and Nomination Committees
Aged 68. Appointed a Director of the Company in 1994. Appointed Senior Independent Non-Executive Director June 2002. Chairman of Leopold Joseph Holdings PLC, Investors Capital Trust plc and F&C Income Growth Investment Trust PLC.

Robin Oldfield F.C.A.*
Member of the Audit and Remuneration Committees
Aged 55, Chartered Accountant. Appointed to a Director of the Company in 1994. Partner in Dixon Wilson, Chartered Accountants. Director of Middlesex Group Limited. Retiring from the Board at the Annual General Meeting.

John Ward O.B.E., D.L.*
Chairman of the Audit Committee and Member of Remuneration Committee
Aged 69. Appointed a Director of the Company in 1994. Director of Northern Investors Company PLC.

Andrew Cunningham F.C.A.
Deputy Chief Executive and Finance Director
Aged 46, Chartered Accountant. Joined Deloitte Haskins and Sells in London in 1978 and worked in their Nairobi and Bristol offices before being made a partner in Newcastle in 1989. Appointed a Director of the Company in December 1996. Appointed Deputy Chief Executive in December 2002.

Nichola Pease B.A.*
Chairman of Remuneration Committee
Aged 41. Appointed a Director of the Company in June 2001. Chief Executive of J.O. Hambro Capital Group Limited and a Director of Northern Rock plc.

Robert R. S. Hiscox M.A., A.C.I.I.*
Member of Remuneration Committee
Aged 60. Appointed a Director of the Company in March 2002. Chairman of Hiscox plc. Deputy Chairman of Lloyd's 1993 to 1995.

Sean Slade M.R.I.C.S.
Director of Development
Aged 38, Chartered Surveyor. Joined the Company in 1996 and appointed Director in June 2002. He is the main Board Director responsible for the Group's commercial and mixed use Development and Trading activities. Previously at Richard Ellis (now Insignia Richard Ellis) and Hill Samuel Asset Management.

*Non-Executive Director

Corporate Governance Report

Grainger Trust plc is fully committed to the principles of good corporate governance. This report sets out how the Group has applied the principles set out in section 1 of the the Combined Code. The Joint Venture is outside the scope of the corporate governance statement.

The Board
At the year end the Board comprised four Executive Directors and six Non-Executive Directors, including the Chairman. The Non-Executive Directors bring to bear a wide variety of experience and skills. During the year, Robin Herbert was appointed as Senior Independent Non-Executive Director.

The Board meets four times a year and at such meetings receives a full pack of information covering current trading performance, budgets, forecasts and details of business opportunities and risks. These packs also contain those matters which require full Board discussion and approval.

Procedures are in place to enable the Directors to take independent external advice when necessary, at the Company's expense, and to have direct access to the Company Secretary if required. Where necessary, appropriate training is provided to new appointees to the Board. During the year Sean Slade was appointed Director of Development and received training following his appointment to the Board. Robert Hiscox was appointed as a Non-Executive Director by Shareholders at the 2002 Annual General Meeting. Given his experience, however, training was not considered necessary. All Directors are subject to formal re-election every three years at the Annual General Meeting and are appointed for one or two years under specific contracts. Directors appointed during the year are subject to formal re-election at the next Annual General Meeting.

Board Committees
The Board has established three Committees: Audit, Nomination and Remuneration. Membership of these Committees is shown on the list of Directors on page 20 and the Remuneration Committee Report is set out on pages 26 to 30.

The Audit Committee meets four times a year, has written terms of reference and consists solely of Non-Executive Directors. The Committee monitors the effectiveness of internal controls and receives external and internal audit reports. The Committee is also responsible for ensuring that the external audit function remains cost effective, independent and objective.

The Nomination Committee consists of two Non-Executive Directors and one Executive Director. It meets to consider the need for and suitability of all potential new Board members.

Shareholder relations
The Company meets regularly with institutional Shareholders and analysts and uses the Annual General Meeting to encourage communication with private investors. The Chairmen of the three Board Committees attend the Annual General Meeting and are available to answer any questions. The Notice of the Meeting and related papers will be sent to Shareholders at least 20 working days before the meeting. Shareholders vote separately on each proposal and a proxy count is available after each resolution. A separate resolution to approve the Remuneration Committee Report will be proposed at the Annual General Meeting.

Internal control
The Group's systems of internal control are the ultimate responsibility of the Board of Directors. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of these systems, which are aimed at maintaining full and effective control over appropriate strategic, financial, operational and compliance issues. This is achieved primarily by consideration of the risks appertaining to the Group and the monitoring of these risks, together with a review of the half year and annual financial statements and by discussion with the external auditors. In addition, the Group has an internal audit programme, under which specific areas of its activities are reviewed and reported upon on a regular basis. The Committee considers any issues or risks arising therefrom in order that appropriate action can be undertaken for their satisfactory resolution.

The Group has an appropriate organisational structure which is designed to allow the Board to retain full control of the business. The Group produces an annual budget together with longer term projections, which are presented to and approved by the Board of Directors. At each meeting, the Board discusses performance against the budget and, where applicable, any revisions made to the profit and loss and cash flow budgets.

The Board also discusses in detail, the projected financial impact of major proposed acquisitions and disposals, including their financing. All such proposed substantial investments are considered by all Directors and decisions are made either by the Board of Directors or, where required between Board meetings, by an Executive Committee of Directors. The Board is also responsible for the discussion and approval of the Group's treasury strategy, including mitigation against changes in interest rates.

Going concern
After making enquiries, including the review of future anticipated cash flows and banking covenants, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Compliance statement
With the exception of the provisions listed below, the Company has, throughout the year ended 30 September 2002, been in compliance with the Code.

Code provision
A3.2, B2.2 Independence
The Board considers that all Non-Executive Directors are able to bring independent judgement to bear on key issues. It feels that longevity of service is an important attribute in a long-term business as it provides both continuity and understanding. It also feels that material shareholdings and cross Directorships do not represent a materially conflicting business relationship. Consequently, the Board do not view any of longevity of service, cross Directorships or material shareholdings in isolation as representing an impairment to independence.

Given this statement, the Board believes that all Non-Executive Directors with the exception of Robert Dickinson, are independent. Under the terms of the Code, however, only Robin Herbert, Robin Oldfield and Nichola Pease are considered independent.

B1.7 to B1.10 Length of Contracts
Two of the Executive Directors have two year contracts with no specific provisions for compensation for loss of office. The Board feels that this is necessary to ensure commitment and long-term continuity in achieving the Group's objectives, which by virtue of the Group's activities are also long term in nature. However, these two year contracts are being reduced to one year over a period of five years from 1 October 2002.

By order of the Board

G J Davis

Geoffrey Davis
Company Secretary
24 January 2003

Directors' Report

For the year ended 30 September 2002

The Directors present their report and the audited financial statements for the year ended 30 September 2002.

Principal activities
During the year the Group has continued its activities of property trading and development.

Review of business development and prospects
Development of the Group's activities and its prospects are reviewed in the Chairman's Statement on pages 4 and 5 and the Chief Executive's Review on pages 6 to 15.

Results for the year
The results of the Group are set out in the Consolidated Profit and Loss Account on page 34 which shows a profit on ordinary activities after taxation for the financial year of £20,885,000 (2001, restated: £10,503,000).

An interim dividend of 3.05p per share (2001: 2.65p) was paid on 26 July 2002 amounting to £752,000 (2001: £653,000) and the Directors recommend the payment of a final dividend of 11.13p per share (2001: 9.68p), to be paid on 28 February 2003, amounting to £2,755,000 (2001: £2,389,000). The profit, after dividend, of £17,378,000 (2001, restated: £7,461,000) will be transferred to reserves.

Directors
The Directors of the Company at 30 September 2002 are listed on page 20.

Directors' and other interests
The interests of the Directors in the shares of the Company at 30 September 2002 and 2 January 2003, with comparative figures as at 1 October 2001 (*or date of appointment, if later), are as follows:

	Ordinary Shares of 25p each (Thousands)					
	Beneficial			Non-beneficial		
	1 Oct* 2001	30 Sep 2002	2 Jan 2003	1 Oct* 2001	30 Sep 2002	2 Jan 2003
Robert Dickinson	233	233	222	557	526	521
Stephen Dickinson	1,353	800	800	34	594	589
Rupert Dickinson	121	135	181	51	51	51
Robin Herbert	50	50	50	–	–	–
Andrew Cunningham	29	38	72	–	–	–
Robin Oldfield	1	1	1	–	–	–
John Ward	–	–	–	–	–	–
Nichola Pease	73	71	71	205	175	175
Robert Hiscox	–	–	–	3,000	2,650	2,650
Sean Slade	15	23	39	–	–	–
	1,875	1,351	1,436	3,847	3,996	3,986
Shares held in trust of which Robert Dickinson is a trustee, included in the above beneficially owned by:						
Stephen Dickinson	6	4	4	–	–	–
Rupert Dickinson	6	4	4	–	–	–
Andrew Cunningham	1	2	2	–	–	–
Sean Slade	2	3	3	–	–	–
Shares held in trust of which Robert Dickinson and Stephen Dickinson are both trustees, included in the above non-beneficial holdings:						
	–	–	–	34	32	27

Details of Directors' share options are given on page 30.

Save as disclosed above, as at 2 January 2003, the Company is aware of the following interests amounting to 3% or more in the Company's shares:

	Holding 000's	% Holding
Schroder Investment Management Limited*	1,724	6.97
ISIS Asset Management*	1,353	5.47
Aberforth Partners*	1,190	4.81
Morley Fund Management Limited*	988	3.99
Henderson Global Investors*	787	3.18
Wesleyan Assurance Society	750	3.03

*Shares held by funds managed or advised by the Company indicated and/or its subsidiaries. The Company is not aware of any other substantial interests amounting to 3% or more.

Retirement and rotation of Directors
Robin Oldfield is retiring from the Board of Directors at the Annual General Meeting being held on 27 February 2003. Sean Slade was appointed a Director on 20 June 2002, and, in accordance with the Articles of Association, will offer himself for re-election at the Annual General Meeting. Rupert Dickinson and Andrew Cunningham retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. Sean Slade has a twelve month service contract. The other two Directors concerned have twenty four month service contracts, although they are being reduced to twelve months over a period of five years from 1 October 2002.

Directors' interests in significant contracts
No Directors were materially interested in any contract of significance.

Insurance of Directors
The Group maintains insurance for Grainger Trust plc's Directors in respect of their duties as Directors.

Statement of Directors' responsibilities
The Directors are required by UK Company law to prepare financial statements for each financial year that give a true and fair view of the affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Group for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently except for the introduction of FRS 19, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 2002. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Special business
Resolution 7, which will be proposed as a special resolution, confirms the reappointment of PricewaterhouseCoopers LLP as auditors to the Company.

Resolution 8, which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company given to them by resolution 7 passed at the Annual General Meeting of the Company held on 29 February 2000. This authority has been conferred at successive Annual General Meetings of the Company. Section 89 of the Companies Act 1985 requires a Company proposing to allot equity securities for cash to offer them first to existing Shareholders in proportion to their existing shareholdings. If resolution 8 is passed, the requirement imposed by section 89 will not apply to allotments by the Directors in two cases:

1 in connection with a rights (or similar) issue; and

2 allotments of shares for cash up to a total nominal value of £309,306 (representing 5% of the Company's issued ordinary share capital at the date of the notice).

The Board also confirms its intention that equity securities equivalent to no more than 7.5% of the issued ordinary share capital of the Company will be allotted for cash on a non pre-emptive basis during a rolling three-year period, in line with institutional investor guidelines.

This authority will lapse not later than next year's Annual General Meeting except in so far as commitments to allot shares have been entered into before that date.

Resolution 9, which will be proposed as a special resolution, seeks to give authority for the Company to purchase its own shares in the market. The proposed resolution sets out the maximum number of shares which may be purchased (15% of the Company's issued share capital), the maximum and minimum prices which the Company may pay for its shares and the date of expiry of the authority conferred by this resolution. This authority gives the Company greater flexibility in managing its capital resources.

Your Directors would only intend to exercise the authority sought at the Annual General Meeting to ensure that the Company maintains an efficient capital structure. The authority will only be exercised when, in the light of market conditions, your Directors believe that the effect of such purchases would be to increase Shareholder value, having taken into consideration the impact of such purchases on both earnings and net asset values per share, and that the purchases would be in the best interests of the Company's Shareholders generally. Any shares purchased under the authority will be cancelled and the number of Grainger Trust shares in issue will be reduced accordingly.

Resolution 10, which will be proposed as a special resolution, seeks an amendment to the Company's Articles of Association to extend the permitted means by which payment of dividends may be made. At present, the Company's Articles of Association only allow dividends to be paid by cheque, warrant or similar financial instrument by post. This resolution would additionally allow dividends to be paid, should the Directors so determine, by any form of electronic media direct to bank accounts upon instruction by individual Shareholders. If this resolution is passed, your Directors intend to begin such payments with effect from the 2003 interim dividend.

Acquisitions
On 16 October 2001 the Company acquired a 100% interest in H. Samuel Property Co. (Holborn) Limited. Full details of this acquisition are shown in Note 25 to the financial statements.

Creditor payment policy
In respect of the financial year following that covered by this report, it is the Group's policy to pay suppliers in accordance with their normal terms and conditions of trading. Payment in respect of the purchase of property is subject to and will comply with contractual terms. Trade creditors existing at 30 September 2002 relating to purchases of property stock generally complete 28 days after exchange of contracts. Trade creditor days relating to other trade creditors of the Company and Group were calculated as 39 days (2001: 36 days).

Charitable donations
During the year the Group made charitable donations amounting to £3,942 (2001: £5,550).

The environment
The Directors recognise that the Company has an obligation to adopt a responsible role in protecting the environment. Consultants have carried out a review of the Company's current environmental practices. The recommendations from this review are now being considered in order to enable the Company to formulate an environmental strategy.

Health and safety
The Company seeks to achieve the highest standards in respect of health and safety of employees, and the safety of tenants. Consultants are employed to ensure that the Company complies with health and safety regulations and each year the gas supply and appliances within all of the Group's relevant residential properties are independently inspected under the Gas Safety (Installation and Use) Amended Regulations 1996 and certificates of compliance issued.

Employment of disabled persons
The Company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Auditors
Following the conversion of our auditors, PricewaterhouseCoopers, into a limited liability partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 13 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A special resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Issue of own shares
As disclosed in Note 20 to the financial statements, the Company issued 64,767 25p Ordinary Shares during the year for an aggregate consideration of £580,000.

Post Balance Sheet events
On 13 December 2002, Bromley Property Holdings Limited ('BPHL'), the Joint Venture between the Company and DBREOG which was established to acquire BPT plc, successfully renegotiated its debt arrangements.

The original debt was raised on acquisition finance terms and was due for repayment in May 2003. This has been replaced with a seven year facility totalling £460m on more favourable terms that are appropriate to a medium-term loan. The debt remains non-recourse to the Shareholders of BPHL. This fund raising enabled a cash distribution of £52m to be made to each of the Joint Venture partners in December 2002.

By order of the Board

G J Davis

Geoffrey Davis
Company Secretary
24 January 2003

Remuneration Committee Report

The Remuneration Committee is responsible for detailed consideration of the Directors' remuneration packages. In accordance with the Combined Code it makes its recommendations to the whole Board.

The Committee comprises Nichola Pease (Chairman), Robin Oldfield, John Ward and Robert Hiscox all of whom are Non-Executive Directors. Meetings are held at least twice a year and advice on the remuneration packages is obtained from William M. Mercer Limited. The remuneration of the Non-Executive Directors is determined by the Board as a whole. No Director participates in setting his/her own remuneration.

The Committee is directly accountable to Shareholders. As Chairman of the Committee, Nichola Pease will be available at the Annual General Meeting to answer questions on the remuneration of Executive Directors. This report will be put forward for approval and adoption at that meeting.

Remuneration policy

The overall objective of the remuneration policy is to attract, retain and motivate high calibre individuals. Remuneration packages are designed to be competitive with respect to comparable organisations and to reward Executives for superior performance. Executives receive salary, benefits, pension contributions and annual and long-term incentive awards.

Salaries and benefits

Executive salaries are reviewed annually by the Committee to take account of the experience, responsibilities and performance of individual Directors as well as competitive market practice. Executive Directors receive the benefits of a fully expensed Company car or car allowance and life and health insurances.

Service contracts

Rupert Dickinson and Andrew Cunningham have service contracts with a 24 months' notice period. Sean Slade's contract is for 12 months. Up to his retirement as an Executive Director on 12 October 2002, Stephen Dickinson had a service contract capable of termination by the Company on 12 months' notice. The Board feels that such contracts are an important element of the overall employment packages of the Executives and are appropriate to the nature of the Group's business. They provide both the Group and the individual with the security to commit to the Group's long-term objectives. However, the 24 months contracts are being reduced to 12 months over a period of five years from 1 October 2002.

Pensions

Executive Directors receive defined contributions to money purchase schemes. These contributions are based solely on a percentage of salary; benefits in kind and bonus awards are not pensionable. Contributions paid in the year were:

	Pension contributions	
	2002 £'000	2001 £'000
Rupert Dickinson	**25**	21
Andrew Cunningham	**27**	23
Sean Slade (from 20 June 2002)	**2**	–
	54	44

Performance incentives

The Group operates annual and long-term incentive schemes for Directors and Senior Executives. These schemes are designed so that a large percentage of overall remuneration is performance-based and that the interests of Executives and Shareholders in promoting the Group's progress are aligned.

Annual discretionary bonus

Individuals are awarded a cash bonus based upon both individual and corporate performance. Corporate performance is measured by comparing the actual result for the year with previous years, with comparative industry performance and with annual budgets which are reviewed and approved by the whole Board. For the year ended 30 September 2002, the Committee has reviewed the performance of the business and its Executives and has recommended that they receive the current maximum entitlement of 60% of salary.

Deferred bonus
As noted in last year's annual report and accounts, Rupert Dickinson and Andrew Cunningham became entitled to a deferred bonus in recognition of their contributions with respect to the investment in BPT Limited and to the subsequent performance of the Company's interest in the Joint Venture. Approval for the deferred bonus scheme was obtained at the Extraordinary General Meeting of the Company held on 5 March 2002.

The deferred bonus represents total amounts of £600,000 and £300,000 to Rupert Dickinson and Andrew Cunningham respectively. These will be made in the form of shares, calculated at the rate of 713.19p per share being the average share price from 1 October 2000 to 30 September 2001. Thus, the total number of shares that may be vested are 84,130 and 42,064.

The awards are divided into two equal tranches, the first to be vested in December 2003 after the preliminary results announcement for the year ended 30 September 2003. The second tranche was conditional upon the performance of the Company's interest in the Joint Venture and upon the involvement of Rupert Dickinson and Andrew Cunningham in its affairs in the 12 months to 30 September 2002. In the light of achievements during this period, the Remuneration Committee have confirmed that the second tranche will be awarded and will vest in December 2005 after the preliminary results announcement for the year ending 30 September 2005.

The vesting of the awards is dependent upon the individuals being in the service of the Company and not being under notice to leave at the relevant vesting dates.

Long-Term Incentive scheme
The long-term incentive scheme was originally approved by Shareholders in February 1997. It was subsequently amended in February 2000 and is based upon a three year performance period which commenced on 1 October 1999 ('the 1999 scheme'). Further amendments were approved at an Extraordinary General Meeting held on 5 March 2002 and this revised scheme ('the 2002 scheme') came into operation with effect from 1 October 2002. The main objectives of the long-term incentive schemes are to link the rewards of the scheme participants to overall Group performance over a sustained period of time and to facilitate the acquisition of shareholdings in the Company by the Executives.

The 1999 scheme
Under this scheme, Executives received share awards up to a maximum market value equivalent to 100% of the participant's basic salary at the date of the award. The awards were conditional upon the achievement of rigorous performance criteria, concentrating upon the growth in earnings per share ('EPS') and net asset value ('NAV'). Increases in these two key indicators of the Group's performance were compared to movements in independent comparators being the retail price index and a combination of appropriate house price and commercial property indices. For the maximum award to have been made, EPS and NAV growth would have had to exceed the comparator by 10% per annum on a compounded basis. The actual annual compound growth rate of EPS and NAV (as adjusted for share buybacks and issues) has been 37.7% and 32.5% respectively. Over the same period the comparators grew by 2.2% and 11.4% respectively per annum. The Remuneration Committee has therefore agreed that the maximum award should be made.

Under the rules of the original scheme, if shares awarded at the end of the performance period ending 30 September 1999 were held for a further three years a 1 for 4 matching award would be made. The performance shares were held for the requisite period and so the matching awards have also been confirmed. Thus, the awards made to Executive Directors are as follows:

	Ordinary Shares of 25p each			Market Value at date shares made unconditional
	1999 scheme	1996 scheme matching award	Total	£'000
Rupert Dickinson	41,558	4,774	46,332	517
Andrew Cunningham	36,363	6,065	42,428	473
Sean Slade	16,623	2,892	19,515	218
	94,544	13,731	108,275	1,208

The 2002 scheme
Under this scheme, Executives receive conditional awards of shares and share options up to a maximum of 50% and 125% of salary respectively. The awards may be made annually and will become unconditional provided certain performance criteria over a three year period are achieved. For the full award to be made, the Total Shareholder Return ('TSR') must be greater than or equal to the upper quartile TSR of a number of comparator companies. If the TSR equals the median TSR of the comparators then 40% of the awards will be made; between median and upper quartile levels, the level will be pro-rated. No awards will be made if the TSR is below the median of the comparators. The comparator companies are determined by the Remuneration Committee and the initial selection consists of 14 property companies, chosen on the basis of their market capitalisation. The comparator companies are currently Benchmark Group plc, Brixton plc, Capital and Regional plc, CLS Holdings plc, Daejan Holdings plc, Derwent Valley Holdings plc, Freeport plc, Great Portland Estates plc, London Merchant Securities plc, Minerva plc, Pillar Property plc, Quintain Estates and Development plc, Shaftesbury plc and The Unite Group plc. No conditional awards have yet been made.

Other schemes
Executive Directors also participate in other schemes which are open to all members of staff, subject to the rules of each individual scheme. These are as follows:

Save As You Earn ('SAYE') scheme. Under this scheme participants enter into a save as you earn contract with the Group's clearing bankers to provide them with the finance to exercise SAYE options. The option price is calculated at 80% of the market value of the shares at the date of issue of invitations to participate. The scheme rules have received Inland Revenue clearance. SAYE options held by Executive Directors are shown in the share option table on page 30.

Share Incentive Plan ('SIP'). The principal features of the plan are:
– partnership shares. From October 2002, all employees are able to buy shares from pre-tax monthly earnings up to the lower of £125 per month and 10% of earnings.
– matching shares. The Company is able to give employees up to 2 matching shares for each partnership share the employee buys. Thus the maximum value of matching shares per employee will amount to £3,000 per annum.
– free shares. In addition to the above, the Company is able to give up to £3,000 worth of free shares to each employee. Amounts awarded to the Executive Directors in respect of the year ended 30 September 2002 are shown in the Directors' emoluments table.

The plan rules have received Inland Revenue clearance and were approved by the members at an Extraordinary General Meeting on 5 March 2002.

Non-Executive Directors
The remuneration of the Non-Executive Directors is reviewed on a biennial basis by the whole Board. Non-Executive Directors are not eligible for any annual or long-term incentives, are not members of any Group pension arrangements and receive no benefits in kind. Each Non-Executive Director has specific terms of reference.

Directors' remuneration

	Robert Dickinson £'000	Stephen Dickinson £'000	Rupert Dickinson £'000	Andrew Cunningham £'000	Sean Slade* £'000	Total £'000
Chairman and Executive Directors						
Annual remuneration						
Salary and fees	75	300	250	180	32	837
Annual discretionary bonus	–	180	150	108	19	457
Share incentive plan	–	3	3	3	1	10
Taxable benefits	–	25	43	12	3	83
Total annual remuneration – 2002	75	508	446	303	55	1,387
Total annual remuneration – 2001	50	460	362	264	–	1,136
*Since date of appointment (see Note 1)						
Long-term incentives						
1999 LTIP – value at date of award	–	–	160	140	64	364
– increase in value through share price increase	–	–	304	266	122	692
1996 LTIP (Matching Award)						
– value at date of award	–	–	13	16	8	37
– increase in value through share price increase	–	–	40	51	24	115
Total long-term incentives – 2002	–	–	517	473	218	1,208
Total long-term incentives – 2001	–	–	–	–	–	–
Total remuneration in respect of Grainger Trust						
Total – 2002	75	508	963	776	273	2,595
Total – 2001	50	460	362	264	–	1,136
BPT Limited Bonus (see Note 2)						
For 2002	–	–	411	–	–	411
For 2001	–	–	89	–	–	89
Total remuneration						
Total remuneration – 2002	75	508	1,374	776	273	3,006
Total remuneration – 2001	50	460	451	264	–	1,225

Non-Executive Directors

	Lord Portsmouth £'000	Robin Herbert £'000	Robin Oldfield £'000	John Ward £'000	Emanuel Davidson £'000	Nichola Pease £'000	Robert Hiscox £'000	Total £'000
Fees – 2002	8	22	20	22	8	21	11	112
Fees – 2001	15	17	15	17	15	4	–	83

All Directors

	Total 2002 £'000	Total 2001 £'000
Annual remuneration	1,499	1,219
Long-term incentives – original value	401	–
– increase in value through share price increase	807	–
Total Grainger Trust remuneration	2,707	1,219
BPT Limited Bonus	411	89
Total remuneration	3,118	1,308

The above totals exclude pension contributions, which are disclosed on page 26.

Directors' remuneration (continued)

1. Sean Slade was appointed a Director on 20 June 2002 and the remuneration disclosed above represents the proportion of his emoluments since the date of appointment.

2. Rupert Dickinson has been seconded to BPT Limited, our Joint Venture investment, as acting Chief Executive. The cost to Grainger Trust plc of his employment is recovered from BPT Limited. Under the terms of his secondment he was entitled to a maximum performance bonus of £500,000 from BPT Limited. An amount of £89,000 was disclosed in last year's financial statements and as the maximum bonus was awarded in the year ended 30 September 2002 the balance of £411,000 is shown in this year's remuneration.

Directors' share options

		Ordinary Shares of 25p each (thousands)									
		Stephen Dickinson		Rupert Dickinson		Andrew Cunningham		Sean Slade		Total	
Exercise price	Date exercisable	30 Sept 2002	1 Oct 2001	30 Sept 2002	1 Oct 2001	30 Sept 2002	1 Oct 2001	30 Sept 2002	1 Oct* 2001	30 Sept 2002	1 Oct 2001
Inland Revenue Approved Schemes											
231.2p	6 Jan 97 to 6 Jan 04	–	–	40	40	–	–	–	–	40	40
292.0p	19 Jul 99 to 19 Jul 06	–	–	–	–	–	–	10	10	10	10
342.5p	23 Dec 99 to 23 Dec 06	–	–	–	–	9	9	–	–	9	9
SAYE Scheme											
214.0p	5 Aug 02 to 5 Feb 03	–	8	–	8	–	8	–	8	–	32
818.0p	8 Aug 07 to 8 Feb 08	–	–	2	–	2	–	2	–	6	–
LTIP											
267.1p	9 Jul 00 to 9 Jul 07	–	–	13	13	7	7	8	8	28	28
		–	8	55	61	18	24	20	26	93	119

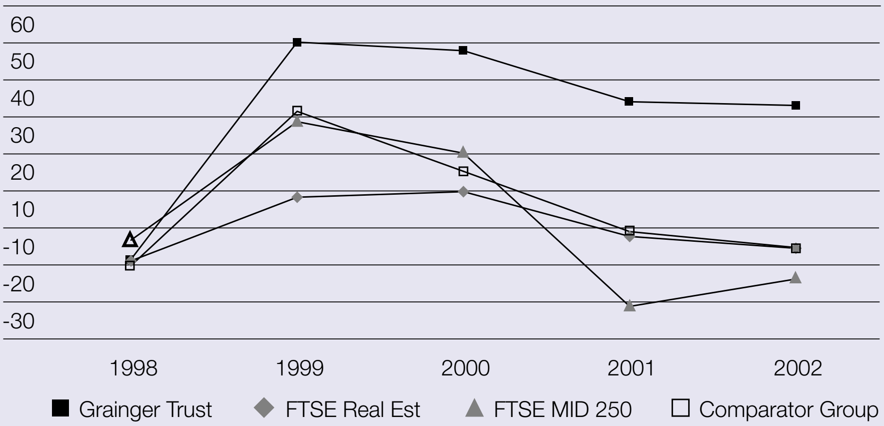
*At date of appointment

The market price of the Company's shares at the end of the financial year was 992.5p and the range during the year was 755.0p to 1,112.5p.

During the year, all four Executive Directors each exercised options on 8,060 shares, under the Company's SAYE scheme, at an option price of 214.0p. At the date of exercise the mid-market price per share was 993.0p.

Comparative performance

Recent Government legislation requires that with effect from next year, listed companies should present a graph of how the Company's total Shareholder returns have performed over the past five years. The Remuneration Committee feels that this is an important indicator of comparative performance and therefore has decided to comply with this element of the legislation early. The graph shows Total Shareholder Return (based upon share price growth and with dividends reinvested) for Grainger Trust plc, the group of comparator companies shown on page 28, the FTSE 250, and the real estate index.



Nichola Pease
Chairman of the Remuneration Committee

Independent Auditors' Report to the Members of Grainger Trust plc

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses and the related Notes.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This opinion has been prepared for and only for the Company's members 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 in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Finance Director's Review, the Corporate Governance Report, the Directors' Report and the Remuneration Committee Report.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
24 January 2003

Statement of Accounting Policies

A summary of the principal accounting policies is set out below. The policies have been applied consistently in all material respects throughout the current and the previous year save for the adoption of Financial Reporting Standard 19 'Deferred Tax' ('FRS 19') which now has effect. The comparatives for the year ended 30 September 2001 have been restated to comply with FRS 19. The effect of adopting this accounting policy is detailed in the deferred taxation section below.

Accounting convention
The Group prepares its annual financial statements on the historical cost basis of accounting, as modified by the revaluation of investment properties.

Basis of consolidation
The Group financial statements comprise the consolidated financial statements of the Company and its subsidiaries. The financial statements of subsidiary companies are made up to 30 September.

The results of subsidiaries sold or acquired are included in the Consolidated Profit and Loss Account up to, or from, the date control passes. Intra-Group sales and profits are eliminated fully on consolidation. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their provisional fair values reflecting their condition at that date.

Goodwill arising on consolidation represents the difference between the fair value of the consideration paid and the fair value of the identifiable assets acquired. Goodwill arising on the acquisition of subsidiaries prior to 30 September 1998 was written off or credited immediately against reserves and would be transferred to the Profit and Loss Account on subsequent disposal of the business to which it relates. Goodwill arising subsequent to that date is shown in the Balance Sheet under fixed assets. Positive goodwill is amortised through the profit and loss account over its estimated useful economic life. Negative goodwill is amortised through the Profit and Loss Account over the period in which the non-monetary assets are realised either through depreciation or sale.

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

Joint Venture
In compliance with FRS 9, the Group accounts for its Joint Venture under the gross equity method. Under this method, the Group's share of the Joint Venture's turnover and profits and losses are separately disclosed in the Group's Profit and Loss Account. The Group's share of the gross assets and gross liabilities, together with goodwill, is shown on the face of the Balance Sheet. The Group's Statement of Total Recognised Gains and Losses includes its share of the Joint Venture's total recognised gains and losses.

Repairs and improvements
Repairs are charged in the year they are incurred. Improvement costs are capitalised.

Pensions
The Company only makes contributions to defined contribution schemes for all employees. Pension costs are charged in the year to which they relate.

Tangible fixed assets
The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, 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 effect of depreciation and amortisation on value is already reflected annually in the valuation of properties, and the amount attributed to this factor by the valuers cannot reasonably be separately identified or quantified. Had the provisions of the Act been followed net assets would not have been affected but revenue and profits would have been reduced for this and earlier years.

Full valuations are made by independent professionally qualified valuers every year. The basis of valuation is explained in Note 10.

Depreciation is calculated so as to write off the cost of tangible fixed assets (excluding investment properties), less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%	Method
Fixtures, fittings and equipment	20	Straight line

Investments
Investments in subsidiaries and other investments are included in the financial statements at cost less provisions for permanent diminution of value.

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

Development and trading properties are shown in the financial statements at the lower of cost to the Group and net realisable value. Cost represents the acquisition price together with subsequent development costs net of amounts transferred to cost of sales. Net realisable value is the current market value as advised by the Group’s professional valuers.

Operating leases
Costs in respect of operating leases are charged on a straight line basis over the lease term.

Financial instruments
Payments made under financial instruments are charged to the profit and loss account in the period in which payments are made. Mark to market adjustments on fixed rate debt and derivatives are not recognised until the position matures or is terminated.

Deferred taxation
Following the adoption of FRS 19 deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the rate expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence available, it can be regarded as 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 taxation is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements.

The effect of adopting FRS 19 in the prior period has been to increase the goodwill written back by £348,000, decrease the taxation charge by £304,000 and to decrease the share of Joint Venture profit after tax by £850,000.

Consolidated Profit and Loss Account

For the year ended 30 September 2002	Notes	Year ended 30 September 2002 £'000	Year ended 30 September 2001 Restated £'000
Turnover (including share of Joint Venture)		213,847	124,718
Less: share of turnover of Joint Venture		(110,339)	(25,415)
Group turnover	1	103,508	99,303
Gross rentals		21,954	23,177
Trading profits		33,679	26,451
Other income		425	330
		56,058	49,958
Less:			
Property expenses		(9,673)	(10,009)
Administration expenses		(4,369)	(3,976)
Group operating profit		42,016	35,973
Share of operating profit of Joint Venture (after amortisation of goodwill of £97,000 (2001: £18,000))		32,951	7,863
Total operating profit: Group and share of Joint Venture		74,967	43,836
Net profit on disposal of and provisions against fixed assets			
– Group		131	1,726
– Joint Venture		7,392	359
	2	7,523	2,085
Profit on ordinary activities before interest		82,490	45,921
Net interest payable and similar charges			
– Group		(10,668)	(15,137)
– Group exceptional	3, 4	(3,767)	(3,487)
– Joint Venture		(26,945)	(9,715)
	3	(41,380)	(28,339)
Profit on ordinary activities before taxation	1, 5	41,110	17,582
Tax on profit on ordinary activities	7	(20,225)	(7,079)
Profit on ordinary activities after taxation		20,885	10,503
Dividends	8	(3,507)	(3,042)
Retained profit for the year		17,378	7,461
Basic earnings per share	9	84.6p	42.6p
Diluted earnings per share	9	84.2p	42.4p

All results relate to continuing operations.

Statement of Group Total Recognised Gains and Losses

For the year ended 30 September 2002	Notes	2002 £'000	2001 Restated £'000
Profit on ordinary activities after taxation		**20,885**	10,503
Taxation on realisation of property revaluation gains of previous years	7	**(398)**	(2,020)
Unrealised surplus on revaluation of properties	10, 21	**464**	107
Diminution transferred from revaluation reserve to profit and loss account	21	**64**	400
Total gains and losses recognised – Group		**21,015**	8,990
Share of Joint Venture tax on realisation of revaluation surpluses		**–**	(179)
Unrealised surplus on revaluation of Joint Venture properties	21	**7,762**	3,045
Total gains and losses recognised for the year		**28,777**	11,856
Prior year adjustment – Group	21	**(1,932)**	–
– Joint Venture	21	**(850)**	–
Total gains and losses recognised since the last annual report – Group and Joint Venture		**25,995**	11,856

Note of Group historical cost profit and losses

		2002 £'000	2001 Restated £'000
Reported profit on ordinary activities before taxation		**41,110**	17,582
Realisation of property revaluation gains of previous years	21	**6,782**	4,698
Historical cost profit on ordinary activities before taxation		**47,892**	22,280
Taxation		**(20,623)**	(9,278)
Dividends		**(3,507)**	(3,042)
Retained historical profit for the year		**23,762**	9,960

Balance Sheets

At 30 September 2002	Notes	Group 2002 £'000	Group 2001 Restated £'000	Company 2002 £'000	Company 2001 Restated £'000
Fixed assets					
Intangible assets	12	(858)	(1,001)	–	–
Tangible assets	10	21,718	27,567	345	330
Investments:					
Investment in Joint Venture:					
Share of gross assets		306,951	418,161		
Share of gross liabilities		(281,092)	(404,373)		
		25,859	13,788		
Goodwill arising on acquisition		326	423		
	11	26,185	14,211	15,761	14,201
Loan to Joint Venture	11	13,735	40,000	13,735	40,000
Total investment in Joint Venture		39,920	54,211	29,496	54,201
Other investments	11	8,882	834	45,322	37,006
	11	48,802	55,045	74,818	91,207
		69,662	81,611	75,163	91,537
Current assets					
Stocks	14	305,059	234,359	–	–
Debtors	15	3,541	5,197	83,985	84,467
Cash at bank and in hand	16	10,477	23,090	2,156	605
		319,077	262,646	86,141	85,072
Creditors: amounts falling due within one year	17	52,402	50,930	42,348	50,841
Net current assets		266,675	211,716	43,793	34,231
Total assets less current liabilities		336,337	293,327	118,956	125,768
Creditors: amounts falling due after more than one year	17	211,481	192,652	5,566	13,619
Provision for liabilities and charges					
Deferred taxation	19	3,747	4,979	–	–
Net assets		121,109	95,696	113,390	112,149
Capital and reserves					
Called up share capital	20	6,186	6,170	6,186	6,170
Share premium account	21	21,364	20,800	21,364	20,800
Revaluation reserve	21	11,620	10,112	–	–
Capital redemption reserve	21	185	185	185	185
Profit and loss account	21	81,754	58,425	85,655	84,994
Equity Shareholders' funds	22	121,109	95,692	113,390	112,149
Minority interests		–	4	–	–
Total capital employed		121,109	95,696	113,390	112,149

The financial statements on pages 32 to 53 were approved by the Board of Directors on 24 January 2003 and were signed on their behalf by:

Rupert Dickinson
Director

Andrew Cunningham
Director

Consolidated Cash Flow Statement

For the year ended 30 September 2002	Notes	2002 £'000	2001 Restated £'000
Net cash (outflow)/inflow from operating activities		**(18,293)**	25,174
Returns on investments and servicing of finance			
Interest received		**7,618**	380
Interest paid – normal		**(18,570)**	(18,976)
– exceptional		**(3,767)**	(3,487)
Dividends received		**29**	23
		(14,690)	(22,060)
Taxation			
UK Corporation tax paid		**(8,149)**	(8,509)
Capital expenditure and financial investment			
Purchase of fixed asset investments		**(8,119)**	–
Purchase of tangible fixed assets		**(845)**	(639)
Sale of fixed asset investments		**66**	32
Sale of tangible fixed assets		**7,138**	39,994
Repayment of loan stock		**26,265**	–
		24,505	39,387
Acquisitions and disposals			
Purchase of subsidiary	25	**(222)**	–
Costs on purchase of subsidiary	25	**(56)**	–
Sale of subsidiaries		**180**	–
Cash disposed of on sale of subsidiaries		**(42)**	–
Investment in Joint Venture	11	**(1,560)**	(54,201)
		(1,700)	(54,201)
Equity dividends paid		**(3,141)**	(2,729)
Cash outflow before financing		**(21,468)**	(22,938)
Financing			
New loans raised	24	**47,100**	85,923
Repayment of loans	24	**(38,392)**	(47,512)
Issue of shares	20	**147**	68
Net cash inflow from financing		**8,855**	38,479
(Decrease)/Increase in cash in the period	23	**(12,613)**	15,541

Reconciliation of Group operating profit to net cash (outflow)/inflow from operating activities

	2002 £'000	2001 Restated £'000
Group operating profit	**42,016**	35,973
Depreciation	**220**	197
Amortisation of goodwill	**(445)**	(309)
Decrease in debtors	**1,047**	3,454
Increase in creditors	**7,892**	61
Increase in stocks	**(69,023)**	(14,202)
Net cash (outflow)/inflow from operating activities	**(18,293)**	25,174

Notes to the Financial Statements

For the year ended 30 September 2002

1 Segmental analysis by class of business

The analysis by class of business of the Group's turnover, profit before interest and taxation, and net assets is set out below:

Turnover and profit before taxation

	2002 Turnover £m	2002 Profit before taxation £m	2001 Turnover £m	2001 Profit before taxation Restated £m
Class of business				
Continuing operations				
Tenanted Residential	68.0	30.0	51.7	22.2
Development and Trading	35.5	12.1	47.6	15.5
	103.5	42.1	99.3	37.7
Joint Venture	110.3	40.3	25.4	8.2
	213.8	82.4	124.7	45.9
Net interest payable – Group	–	(14.4)	–	(18.6)
Net interest payable – Joint Venture	–	(26.9)	–	(9.7)
	213.8	41.1	124.7	17.6

The Joint Venture operates its activities as one class of business encompassing both Tenanted Residential and Development and Trading.

Net assets

	Net assets		Adjusted net assets*	
	2002 £m	2001 Restated £m	2002 £m	2001 Restated £m
Class of business				
Continuing operations				
Tenanted Residential	73.6	62.3	244.1	187.1
Development and Trading	37.1	33.4	68.1	76.1
	110.7	95.7	312.2	263.2
Joint Venture	10.4	–	114.5	71.4
	121.1	95.7	426.7	334.6

*Adjusted net assets represent balance sheet net assets plus the excess of market value over book cost of trading stock, together with the Group's share of the excess of market value over book cost of the net assets of BPHL and its subsidiaries.

Adjusted net assets exclude any provision for contingent taxation. Turnover between segments is immaterial.

Analysis by geographical area

An analysis by geographical area of the Group's turnover, profit before taxation and net assets has not been given on the grounds that the amounts relating to activity outside the United Kingdom are immaterial.

2 Net profit on disposal of and provisions against fixed assets

	2002 £'000	2001 Restated £'000
Group		
Profit on disposal of investment properties	201	2,126
Impairment of investment properties	(64)	(400)
Loss on disposal of fixtures, fittings and equipment	(6)	–
	131	1,726
Joint Venture		
Profit on disposal of investment properties	7,392	359
Group and Joint Venture	7,523	2,085

3 Net interest payable and similar charges

	2002 £'000	2001 £'000
Group		
Bank loans and overdrafts	11,670	9,878
Debentures and other loans	4,547	5,907
Other interest costs	1,501	1,130
	17,718	16,915
Less:		
Income from listed fixed asset investments	(29)	(23)
Interest receivable	(7,021)	(1,755)
	10,668	15,137
Exceptional item:		
Cost of redemption of debenture stock (Note 4)	3,767	3,487
	14,435	18,624
Joint Venture		
Bank loans and overdrafts	16,504	1,538
Debentures and other loans	7,592	8,513
Other interest costs	4,586	346
	28,682	10,397
Less:		
Income from listed fixed asset investments	–	(444)
Interest receivable	(1,737)	(238)
	26,945	9,715
Group and Joint Venture	41,380	28,339

All interest payable is charged to the profit and loss account. No interest has been capitalised in this or prior periods.

4 Exceptional item

	2002 £'000	2001 £'000
Cost of redemption of debenture stock	(3,767)	(3,487)

The exceptional item was paid in cash during the course of the year, and represented the premium paid upon early redemption of quoted debentures.

5 Profit on ordinary activities before taxation

	2002 £'000	2001 Restated £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible owned fixed assets	220	197
Auditors' remuneration (including expenses) (Company £6,000 (2001: £6,000))	79	68
And after crediting:		
Amortisation of goodwill	445	309

Remuneration of the Company's auditors for the provision of non-audit services to the Company and its UK subsidiary undertakings was £91,000 (2001: £187,000). Of this £81,000 (2001: £121,000) related to tax compliance and advisory services.

6 Directors and employees

	2002 £'000	2001 £'000
Staff costs (including Executive Directors) during the year:		
Wages and salaries	5,872	4,066
Social security costs	673	453
Other pension costs (see Note 26)	219	185
	6,764	4,704
Less: recharged to Joint Venture	(1,108)	(132)
	5,656	4,572

The average weekly number of persons employed by the Group during the year (including Executive Directors) was 76 (2001: 76). All employees were involved in the management and/or administration of the Group. Details of Directors' remuneration (including pensions), Directors' share options and interest in the long-term incentive plan are provided in the Remuneration Committee Report on pages 26 to 30.

7 Taxation

	2002 £'000	2001 Restated £'000
Analysis of charge in year		
Current tax:		
Group		
UK Corporation tax on profits for the period	11,109	8,834
Adjustments in respect of prior periods	–	733
Transferred to appropriate reserve (see below and Note 21)	(398)	(2,020)
Joint Venture	8,281	1,198
Total current tax	18,992	8,745
Deferred tax:		
Origination and reversal of timing differences		
Group	(1,232)	(1,831)
Joint Venture	2,465	165
Total deferred tax	1,233	(1,666)
Group and Joint Venture	20,225	7,079

The Group allocates the tax arising on the sale of investment properties between the profit and loss account and the appropriate reserve to match the accounting treatment of the gain arising.

7 Taxation (continued)

Factors affecting the tax charge for the year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2002 £'000	2001 Restated £'000
Profit on ordinary activities before tax	**41,110**	17,582
Profit on ordinary activities before tax at a rate of 30%	**12,333**	5,275
Expenses not deductible for tax purposes	**478**	543
Effect of negative goodwill written back	**(4,514)**	(972)
Tax on fair values released on sales	**13,871**	3,199
Effect of timing differences	**(1,478)**	841
Difference between tax and accounting profit on disposals	**(1,698)**	(874)
Adjustments in respect of prior periods	**–**	733
Total current tax	**18,992**	8,745

Factors that may affect future tax charges

No provisions for deferred tax has been made on gains which would become payable if the Group's investment properties were sold at their year end values. The estimate of unprovided deferred tax is £1,460,000 (2001: £2,323,000)

FRS 19 prohibits the making of provisions for contingent tax liabilities on revaluation surpluses on the acquisition of companies. It had previously been our and industry practice to make partial provision for such liabilities as part of our fair value exercise on acquisition. We have therefore recalculated the fair value of assets and liabilities on acquisitions made in recent years by removing these provisions, thereby creating negative goodwill on most of these transactions. This negative goodwill is released to profit and loss account as the properties within the companies are sold. There is also a greater tax charge on such sales as there is no brought forward contingent tax provision available to be utilised in its reduction.

The total contingent tax for the Group and share of Joint Venture not provided at 30 September 2002 is £41,965,000 (2001: £55,836,000).

8 Dividends

	2002 £'000	2001 £'000
Dividends on equity shares:		
Ordinary – Interim paid of 3.05p per share (2001: 2.65p per share)	**752**	653
Ordinary – Final proposed of 11.13p per share (2001: 9.68p per share)	**2,755**	2,389
	3,507	3,042

9 Earnings per share

The calculation of earnings per Ordinary Share is based on the profit after taxation of £20,885,000 (2001: £10,503,000) and on 24,682,419 (2001: 24,660,074) Ordinary Shares, being the weighted average of the number of Ordinary Shares in issue and ranking for dividend during the year.

	2002 pence	2001 Restated pence
Basic earnings per share before exceptional item	**95.3**	52.5
Exceptional item: cost of redemption of debenture stock	**(10.7)**	(9.9)
Basic earnings per share	**84.6**	42.6

The alternative figure for earnings per share is intended to demonstrate recurring elements of the results of the Group after eliminating exceptional items which are not expected to recur regularly. Diluted earnings per share is based on 24,807,870 (2001: 24,779,114) Ordinary Shares. These are the weighted average number of Ordinary Shares in issue as adjusted to assume conversion of all dilutive potential Ordinary Shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's shares during the year.

10 Tangible fixed assets

	Group Freehold investment properties £'000	Group Fixtures, fittings and equipment £'000	Group Total £'000	Company Fixtures, fittings and equipment £'000
Cost or valuation				
At 1 October 2001	26,956	1,626	28,582	1,085
Surplus on revaluation	464	–	464	–
Additions	525	320	845	166
Disposals	(6,900)	(537)	(7,437)	(417)
At 30 September 2002	**21,045**	**1,409**	**22,454**	**834**
Depreciation				
At 1 October 2001	–	1,015	1,015	755
Charge for year	–	220	220	113
Disposals	–	(499)	(499)	(379)
At 30 September 2002	**–**	**736**	**736**	**489**
Net book value				
At 30 September 2002	**21,045**	**673**	**21,718**	**345**
At 30 September 2001	26,956	611	27,567	330

Group investment properties were revalued at their open market value at 30 September 2002 by Jones Lang LaSalle and other appropriately qualified professional advisers.

If investment properties had not been revalued, they would have been included at the following amounts:

	Group 2002 £'000	Group 2001 £'000
Net book value	**20,750**	22,379

11 Fixed asset investments

	Group			
	Investment in Joint Venture £'000	Loan to Joint Venture £'000	Own shares and other investments £'000	Total £'000
Cost				
At 1 October 2001 restated				
Goodwill	441	–	–	441
Other	**13,788**	**40,000**	**834**	**54,622**
	14,229	40,000	834	55,063
Additions	1,560	–	8,119	9,679
Share of retained profit	2,749	–	–	2,749
Share of surplus on revaluation of investment properties	7,762	–	–	7,762
Disposals	–	–	(71)	(71)
Repayments	–	(26,265)	–	(26,265)
	26,300	**13,735**	**8,882**	**48,917**
At 30 September 2002				
Goodwill	441	–	–	441
Other	25,859	13,735	8,882	48,476
	26,300	**13,735**	**8,882**	**48,917**
Amortisation of goodwill				
At 1 October 2001	18	–	–	18
Charge for the year	97	–	–	97
At 30 September 2002	**115**	**–**	**–**	**115**
Net book value at 30 September 2002	**26,185**	**13,735**	**8,882**	**48,802**
Net book value at 30 September 2001 restated	14,211	40,000	834	55,045

The goodwill is being released in line with the disposal of acquired properties.

11 Fixed asset investments (continued)

	Company				
	Investment in Joint Venture £'000	Loan to Joint Venture £'000	Investment in subsidiaries £'000	Other investments £'000	Total £'000
Cost					
At 1 October 2001	14,201	40,000	37,006	–	91,207
Additions	1,560	–	1,344	7,000	9,904
Disposals	–	–	(28)	–	(28)
Repayments	–	(26,265)	–	–	(26,265)
At 30 September 2002	**15,761**	**13,735**	**38,322**	**7,000**	**74,818**

	Group Own shares and other investments	
	2002 £'000	2001 £'000
Investments at net book value include:		
Investments listed on a recognised stock exchange	**8,882**	834
Aggregate market value of listed investments	**11,175**	1,581

Listed investments include 323,768 (2001: 207,791) 25p Ordinary Shares in Grainger Trust plc held by subsidiary companies at a cost of £1,882,000 (2001: £834,000), which had a market value at 30 September 2002 of £3,213,000 (2001: £1,301,000).

The Directors consider that providing details of all subsidiaries as at 30 September 2002 would result in disclosure of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures of the Group:

Name of undertaking	Proportion of nominal value of ordinary issued shares held by: Group %	Company %	Activity
Northumberland & Durham Property Trust Limited	100	–	Property trading
GIP Limited	100	–	Property trading and investment
N & D London Limited	100	–	Property management
Derwent Developments Limited	100	–	Land development

All subsidiaries are consolidated in the Group accounts, are incorporated in England and Wales and operate within the United Kingdom.

The Company holds a 50% interest in the ordinary share capital of Bromley Property Holdings Limited ('BPHL'), a Company incorporated in England and Wales.

The BPHL Board of Directors consist of two appointees each from both Grainger Trust plc and Wepla Beteiligungsgesellschaft mbH ('WEPLA'), the investment vehicle acting on behalf of Grainger Trust's Joint Venture partner, Deutsche Bank Real Estate Opportunities Group ('DBREOG'). The make up of the Board is such that neither party can exercise significant influence over BPHL, which is therefore disclosed as a Joint Venture in both Joint Venture partners' accounts.

BPHL was incorporated to facilitate the acquisition of BPT plc. The nature of business of the BPHL Group is principally property trading.

12 Intangible assets

	Group Negative goodwill £'000
Cost	
At 1 October 2001 restated	1,658
Additions	302
At 30 September 2002	**1,960**
Amortisation	
At 1 October 2001 restated	657
Release for year	445
At 30 September 2002	**1,102**
Net book amount	
At 30 September 2002	**858**
At 30 September 2001 restated	1,001

The negative goodwill arising on acquisitions is being amortised in line with the disposal of acquired assets.

13 Capital commitments

The Group had capital commitments contracted but not provided for of £nil at 30 September 2002 (2001: £nil).

14 Stocks

	Group	
	2002 £'000	2001 £'000
Trading and development properties	**305,059**	234,359

The open market value of the Group's trading and development properties is £504.7m (2001: £400.8m).

The Directors' valuations of tenanted residential properties have been arrived at from in-house or managing agents' valuations. Chesterton plc have undertaken an independent review of the Directors' valuations and have been able to state that they fairly reflect the open market value of the residential properties in the portfolio as at 30 September 2002.

All other property and land portfolios have been valued by qualified professional valuers.

15 Debtors

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Trade debtors	**1,674**	2,512	**–**	–
Amounts owed by Group undertakings	**–**	–	**82,752**	82,600
Other debtors	**640**	957	**435**	426
Prepayments and accrued income	**1,227**	1,728	**798**	1,441
	3,541	5,197	**83,985**	84,467

16 Cash at bank and in hand

At 30 September 2002, bank balances included £6,601,000 (2001: £21,966,000) which is either held by lenders awaiting substitution of alternative security or represents deposits received.

17 Creditors

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Amounts falling due within one year:				
Mortgages and other loans	**350**	11,658	**–**	–
Loan notes	**1,959**	1,866	**1,959**	1,866
Bank loans	**19,948**	17,788	**2,000**	2,000
Deposits received	**610**	500	**–**	–
Trade creditors	**7,512**	5,033	**–**	–
Amounts owed to Group undertakings	**–**	–	**33,083**	43,657
Corporation tax payable	**8,238**	5,278	**1,965**	558
Other taxation and social security	**1,597**	339	**4**	18
Accruals and deferred income	**9,433**	6,079	**582**	353
Dividends payable	**2,755**	2,389	**2,755**	2,389
	52,402	50,930	**42,348**	50,841

	Group		Company	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Amounts falling due after more than one year				
$10^1/_2$% debenture stock	**1,913**	2,875	**1,913**	2,875
$11^3/_4$% debenture stock	**925**	6,744	**925**	6,744
Mortgages and other loans	**28,618**	28,933	**–**	–
Loan notes	**728**	–	**728**	–
Bank loans	**179,297**	154,100	**2,000**	4,000
	211,481	192,652	**5,566**	13,619
Maturity of finance debt (net of issue costs) is as follows:				
In one year or less	**22,257**	31,312	**3,959**	3,866
Between one and two years	**32,519**	18,442	**2,728**	2,000
Between two and five years	**56,406**	62,977	**–**	2,000
Between five and ten years	**95,652**	73,623	**–**	–
Over ten years	**26,904**	37,610	**2,838**	9,619
	233,738	223,964	**9,525**	17,485

The $10^1/_2$% and $11^3/_4$% debenture stock is repayable on 31 March 2024 and is secured by way of fixed and floating charges over certain of the Group's properties. The carrying value of the $10^1/_2$% debenture stock is stated net of issue costs of £NIL (2001: £111,000).

Mortgages and other loans bear interest rates of between 6% and 13% and are secured by fixed charges over certain of the Group's properties. Repayments are over terms of 1 to 19 years. Bank loans bear interest rates between 0.75% and 2.00% above LIBOR and are secured by fixed and floating charges over the assets of the Group. Repayments are over terms of 1 to 15 years.

Loan notes carry interest at 1% below LIBOR and are payable quarterly on demand. Final redemption is at par on 30 September 2009.

18 Financial instruments

The Group's policies relative to financial instruments are set out in the Finance Director's Review on page 19. All amounts are held in pounds sterling. Short-term debtors and creditors have been excluded from these disclosures as they do not have a significant impact on the financial risk profile of the Group.

Interest rate risk profile of financial liabilities

	2002			
	Fixed rate liabilities £'000	Capped rate liabilities £'000	Floating rate liabilities £'000	Total £'000
Quoted debentures	2,838	–	–	2,838
Institutional debt	17,623	–	–	17,623
Loan notes	–	–	2,687	2,687
Bank debt	15,000	150,000	45,590	210,590
Total	**35,461**	**150,000**	**48,277**	**233,738**

	2001			
	Fixed rate liabilities £'000	Capped rate liabilities £'000	Floating rate liabilities £'000	Total £'000
Quoted debentures	9,725	–	–	9,725
Institutional debt	29,105	–	–	29,105
Loan notes	–	–	1,866	1,866
Bank debt	16,120	100,000	67,259	183,379
Total	**54,950**	**100,000**	**69,125**	**224,075**

The interest rate profile shown above takes into account the various derivative instruments used to manage interest rate fluctuations and is gross of issue costs.

Borrowings subject to caps, collars and swaps are included in capped rate liabilities except for an additional cap at 11% on £40m of borrowings. As the current market rate is significantly lower than this, the capped amount is included in floating rate liabilities.

	2002			
	Fixed rate		Capped rate	
	Weighted average rate %	Weighted average period years	Weighted average rate %	Weighted average period years
Hedge profile				
Quoted debentures	10.9	22	–	–
Institutional debt	11.9	3	–	–
Bank debt	7.3	23	6.9	4
Total	**9.9**	**13**	**6.9**	**4**

	2001			
	Fixed rate		Capped rate	
	Weighted average rate %	Weighted average period years	Weighted average rate %	Weighted average period years
Hedge profile				
Quoted debentures	10.9	23	–	–
Institutional debt	11.7	3	–	–
Bank debt	7.5	22	7.2	4
Total	**10.3**	**12**	**7.2**	**4**

The fixed and capped rates are inclusive of loan margins and reflect the effective cost of finance after taking account of the effect of interest rate swaps.

18 Financial instruments (continued)

Financial Assets
The Group's financial assets at the year end consist of cash at bank and in hand of £10,477,000 (2001: £23,090,000). The interest rate on this is floating.

Borrowing Facilities
The Group had various unutilised borrowing facilities at the year end. The undrawn facilities available to the Group amount to £20,000,000 (2001: £15,500,000).

Fair values of financial liabilities
The following fair values represent the amounts at which the financial instruments could be exchanged on an arm's length transaction between informed and willing parties, and exclude accrued interest.

	Book value £'000	Notional principal £'000	Fair value £'000	Fair value adjustment 2002 £'000	2001 £'000
Financial instruments:					
Quoted debentures	2,838	–	3,930	**(1,092)**	(3,192)
Institutional debt	17,623	–	20,440	**(2,817)**	(3,405)
Short-term fixed rate bank debt	15,000	–	17,093	**(2,093)**	(980)
Total fixed rate debt	35,461	–	41,463	**(6,002)**	(7,577)
Debt fixed under one year	198,277	–	198,277	**–**	–
Derivative financial instruments:					
Interest rate swaps	–	87,500	2,659	**(2,659)**	(150)
Interest rate caps	–	102,500	(182)	**182**	225
Total current derivatives	–	190,000	2,477	**(2,477)**	75
Future interest rate swaps	–	120,000	3,231	**(3,231)**	(244)
Total derivatives	–	310,000	5,708	**(5,708)**	(169)
	233,738		245,448	**(11,710)**	(7,746)
Financial assets:					
Cash	(10,477)		(10,477)	–	–
	223,261		234,971	**(11,710)**	(7,746)

The fair values were calculated at 30 September 2002 using interest rates and market prices prevailing at that date and reflect the replacement values of the respective financial instruments. This has an after tax effect on NAV of 33p (2001: 22p)

In addition, the Group's share of its Joint Venture's fair value adjustment amounts to £5,081,000 (2001: £2,487,000). This has an after tax effect on NAV of a further 15p (2001: 7p).

Changes in the fair value of derivative instruments are only recognised when the position matures or terminates.

An analysis of the unrecognised gains and losses arising on financial instruments used as hedges is as follows:

	Gains £'000	Losses £'000	Net total £'000
Gains/(losses) on hedges at 1 October 2001	593	(762)	(169)
Losses arising in previous periods that were recognised during the year	–	411	411
Gains/(losses) not recognised in the year to 30 September 2002			
Arising before 1 October 2001	593	(351)	242
Arising during the year to 30 September 2002	(240)	(5,710)	(5,950)
Unrecognised gains/(losses) on hedges at 30 September 2002	**353**	**(6,061)**	**(5,708)**
Of which:			
Losses expected to be recognised in the year to 30 September 2003	–	(1,243)	(1,243)
Gains/(losses) expected to be recognised in the year to 30 September 2004 or later	353	(4,818)	(4,465)

19 Deferred taxation

	Amount provided 2002 £'000	Amount provided 2001 Restated £'000	Amount unprovided 2002 £'000	Amount unprovided 2001 Restated £'000
Group				
Tax effect of timing differences due to:				
Accelerated capital allowances	**517**	517	**–**	–
Net short-term timing differences	**(50)**	1,126	**–**	–
Held over gains in stock arising from transfers from fixed assets	**3,280**	3,336	**–**	–
Revalued investment properties	**–**	–	**1,460**	2,323
	3,747	4,979	**1,460**	2,323

	£'000
Group	
The movements on the provisions for deferred taxation are as follows:	
1 October 2001 as previously stated	4,089
Prior year adjustment on adoption of FRS 19	890
Balance at 1 October 2001 as restated	4,979
Amount credited to profit and loss account	(1,232)
Balance at 30 September 2002	**3,747**

The Company has no liability, potential or otherwise, to deferred taxation.

The Group does not provide deferred tax on revalued investment properties, in line with FRS 19 'Deferred taxation', as there is no binding agreement to sell the revalued investment properties as at the balance sheet date.

Adoption of FRS 19 has required a change in the method of accounting for deferred taxation. As a result the comparative figure for the deferred taxation balance for 2001 has been restated from the previously reported amount of £4,089,000 to £4,979,000. The impact of adopting FRS 19 on the 2001 results is an increase in the Group and share of Joint Venture tax charge of £2,364,000.

20 Called-up share capital

	2002 £'000	2001 £'000
Authorised:		
32,000,000 (2001: 32,000,000) Ordinary Shares of 25p each	**8,000**	8,000
Allotted, called-up and fully paid:		
24,744,546 (2001: 24,679,779) Ordinary Shares of 25p each	**6,186**	6,170

	Number	Nominal value £'000	Consideration £'000
Shares issued during the year:			
SAYE scheme at £2.14	8,060	2	17
SAYE scheme at £9.93	56,707	14	563
	64,767	**16**	**580**

Of the 64,767 Ordinary Shares referred to above, 56,707 Ordinary Shares were subscribed for by the Grainger Trust plc Qualifying Employee Share Ownership Trust ('QUEST') at a market value of £563,000. These shares were allocated to employees, including Executive Directors, in satisfaction of options, exercised under the Grainger Trust plc Save As You Earn ('SAYE') share option scheme. The Company provided £433,000 to the QUEST for this purpose. The cost of this contribution has been transferred by the Company directly to the profit and loss account reserve (see Note 21).

20 Called-up share capital (continued)

Potential issues of Ordinary Shares

Certain Senior Executives hold options to subscribe for shares in the Company under executive share option schemes at prices ranging from 231.2p to 342.5p. In addition, the Company operates a SAYE share option scheme for employees. Under this scheme, employees hold options to subscribe for shares in the Company at prices ranging from 258.0p to 818.0p. Under these various schemes, options on 65,888 shares were exercised in the year and options on 2,186 shares lapsed. The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercise period	2002 Numbers	2001 Numbers
Executive share options				
1994	231.2	1997–2004	**40,000**	40,000
1996	292.0 – 342.5	1999–2006	**19,032**	20,153
1997	267.1	2000–2007	**27,856**	27,856
			86,888	88,009

Year of grant	Exercise price (pence)	Exercise period	2002 Numbers	2001 Numbers
SAYE share options				
1997	214	2000–2003	**–**	55,775
1998	258	2001–2004	**6,282**	6,282
1999	308	2002–2005	**4,382**	13,374
2000	466	2003–2006	**13,022**	14,263
2001	690	2004–2007	**11,492**	12,437
2002	818	2005–2008	**23,541**	–
			58,719	102,131
Total share options			**145,607**	190,140

21 Reserves

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
Group				
At 1 October 2001	20,800	7,067	185	63,392
Prior year adjustment	–	–	–	(1,932)
At 1 October 2001 – restated	20,800	7,067	185	61,460
Issue of shares	564	–	–	–
Investment properties:				
Surplus on revaluation	–	464	–	–
Realisation on disposals	–	(4,746)	–	4,746
Diminution transferred from revaluation reserve to profit and loss account	–	64	–	–
Tax on realisation of revaluation surpluses	–	–	–	(398)
Contribution to QUEST	–	–	–	(433)
Retained profit for the year (excluding share of Joint Venture)	–	–	–	14,726
	21,364	2,849	185	80,101
Joint Venture				
At 1 October 2001	–	3,045	–	(2,185)
Prior year adjustment	–	–	–	(850)
At 1 October 2001 – restated	–	3,045	–	(3,035)
Investment properties:				
Surplus on revaluation	–	7,762	–	–
Realisation on disposals	–	(2,036)	–	2,036
Retained profit for the year	–	–	–	2,652
	–	8,771	–	1,653
At 30 September 2002 – Group and Joint Venture	**21,364**	**11,620**	**185**	**81,754**

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
Company			
At 1 October 2001	20,800	185	84,994
Issue of shares	564	–	–
Contribution to QUEST	–	–	(433)
Retained profit for the year	–	–	1,094
At 30 September 2002	**21,364**	**185**	**85,655**

The Group financial statements do not include a separate profit and loss account for the Company as permitted under section 230 of the Companies Act 1985. The amount of Group profit after taxation dealt with in the financial statements of the parent Company is £4,601,000 (2001: £69,982,000). Included within the Company's profit and loss account balance of £85,655,000 is a total of £60,547,000 which is non-distributable as the profit arose on a transfer of assets between Group companies (2001: £60,547,000). The prior year adjustment arises from the introduction of FRS 19.

22 Reconciliation of movements in equity Shareholders' funds

	2002 £'000	2001 Restated £'000
Profit for the financial year	**20,885**	10,503
Dividends	**(3,507)**	(3,042)
	17,378	7,461
Other recognised gains and losses for the year	**95**	507
New share capital issued	**580**	68
Tax on realisation of revaluation surpluses	**(398)**	(2,020)
Other recognised gains and losses for the year in Joint Venture	**7,762**	3,045
Tax on realisation of revaluation surpluses in Joint Venture	**–**	(179)
Net additions to equity Shareholders' funds	**25,417**	8,882
Opening equity Shareholders' funds	**95,692**	86,810
Closing equity Shareholders' funds	**121,109**	95,692

23 Reconciliation of net cash flow to movement in net debt

	2002 £'000	2001 £'000
(Decrease)/increase in cash	**(12,613)**	15,541
Cash inflow from increase in debt	**(8,708)**	(38,411)
Change in net debt resulting from cash flows	**(21,321)**	(22,870)
Other non-cash items:		
Loans acquired with subsidiary	**(1,066)**	–
Movement in net debt for the year	**(22,387)**	(22,870)
Net debt at 1 October 2001	**(200,874)**	(178,004)
Net debt at 30 September 2002	**(223,261)**	(200,874)

24 Analysis of net debt

	At 1 Oct 2001 £'000	Cash flow £'000	On purchase of subsidiary £'000	Other non cash changes £'000	At 30 Sept 2002 £'000
Cash at bank and in hand	23,090	(12,613)	–	–	**10,477**
Debt due within one year	(31,312)	38,392	–	(29,337)	**(22,257)**
Debt due after one year	(192,652)	(47,100)	(1,066)	29,337	**(211,481)**
Total	(200,874)	(21,321)	(1,066)	–	**(223,261)**

25 Acquisition

The following acquisition was made during the year:

Company	Date of acquisition	Loan stock £'000	Satisfied by cash £'000	Acquisition expenses £'000	Total consideration £'000
H. Samuel Property Co. (Holborn) Limited	16 October 2001	1,066	222	56	1,344

This purchase has been accounted for using acquisition accounting.

The aggregate assets and liabilities acquired and their provisional fair values were:

	Book value £'000	Revaluation £'000	Provisional fair value £'000
Current assets			
Trading properties	155	1,648	1,803
Debtors	4	–	4
Total assets	159	1,648	1,807
Liabilities			
Creditors	(161)	–	(161)
Net assets acquired	(2)	1,648	1,646
Negative goodwill			(302)
			1,344

The fair value of the trading properties at the date of acquisition was prepared internally on a market value basis.

The post acquisition cash flows and results of the above company are not considered material by the Directors and therefore have not been disclosed separately in the profit and loss account or cash flow statement.

26 Pensions

The Group operates defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the Group in independently administered funds. Pension arrangements for Executive Directors are disclosed in the Remuneration Committee Report. The pension cost charge in these financial statements represents contributions payable by the Group.

27 Contingent liabilities

The Company, in conjunction with certain other Group companies, has guaranteed bank loans and other loans of subsidiary companies amounting at 30 September 2002 to £208,327,000 (2001: £179,003,000).

28 Post balance sheet events

On 13 December 2002, Bromley Property Holdings Limited ('BPHL'), the Joint Venture between the Company and DBREOG which was established to acquire BPT plc, successfully renegotiated its debt arrangements.

The original debt was raised on acquisition finance terms and was due for repayment in May 2003. This has been replaced with a seven year facility totalling £460m on more favourable terms that are appropriate to a medium-term loan. The debt remains non-recourse to the Shareholders of BPHL. This fund raising enabled a cash distribution of £52m to be made to each of the Joint Venture partners in December 2002.

29 Related party transactions

In accordance with the provisions of Financial Reporting Standard 8 'Related Party Disclosures', details of transactions with subsidiary undertakings are not disclosed. There are no other related party transactions in addition to those already disclosed in the financial statements.

Notice of the Annual General Meeting

For the year ended 30 September 2002

Notice is hereby given that the ninetieth Annual General Meeting of the Company will be held at Citygate, St. James' Boulevard, Newcastle upon Tyne NE1 4JE on 27 February 2003 at 12.15 pm for the following purposes:

As routine business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

1. That the Directors' report and the audited financial statements for the year ended 30 September 2002 be approved and adopted.

2. That the Remuneration Committee Report for the year ended 30 September 2002 be approved.

3. That a dividend of 11.13p per share be paid on 28 February 2003 to all holders of Ordinary Shares on the Register of Members of the Company at the close of business on 7 February 2003, in respect of all Ordinary Shares then registered in their names.

4. That Sean Slade be re-elected as a Director.

5. That Rupert Dickinson be re-elected as a Director.

6. That Andrew Cunningham be re-elected as a Director.

As special business, to consider and, if thought fit, pass the following resolutions 7, 8, 9 and 10 which will be proposed as special resolutions of the Company.

7. That PricewaterhouseCoopers LLP be reappointed auditors of the Company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

8. That the Directors be empowered pursuant to section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 7 passed at the Annual General Meeting of the Company on 29 February 2000 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with any rights issue, open offer or other pre-emptive offer to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of such equity securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(b) otherwise than pursuant to paragraph (a) above, the allotment of equity securities up to an aggregate nominal amount of £309,306.

and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier) except that the Company may before such expiry make an offer of agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

All powers previously conferred under section 95 of the Act are revoked, but such revocation shall not have retrospective effect.

9. That the Company be generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (the 'Act') to make one or more market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of Ordinary Shares of 25p each in the capital of the Company provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 3,711,681;

(b) the minimum price which may be paid for such shares is 25p per Ordinary Share;

(c) the maximum price which may be paid for such Ordinary Shares shall not be more than 5% above the average of the market values for an Ordinary Share as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the Ordinary Shares are purchased;

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 15 months from the date of this resolution (whichever is earlier); and

(e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

10. That the Company be generally and unconditionally authorised to transmit any dividend or any other moneys payable:

(a) in respect of any share:

(i) in the form of a cheque, warrant or similar financial instrument by post to the registered address of the holder or person entitled thereto, or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to any one of such persons, or to such person and address as the holder or joint holders or person or persons entitled may by writing direct; or

(ii) if the Directors shall so determine, by any form of electronic media to a bank account of such person;

and every such cheque or warrant shall be made payable to or to the order of the person to whom it is sent and any payment by electronic media shall be paid to the bank account details of which shall have been provided to the Company in writing by the person entitled to receive the same. Each payment shall be sent at the risk of the person entitled to receive the same and if made in accordance with this procedure shall be a good discharge by the Company. If cheques or warrants in respect of dividends are returned undelivered or are left uncashed on two consecutive occasions the Directors may authorise the Company to cease sending such cheques or warrants by post to the member or members or person or persons concerned;

(b) in respect of any share in an uncertificated form, where the Company is authorised to do so by or on behalf of the holder or joint holders of any shares, in such manner as the Company shall from time to time consider sufficient, by means of the relevant system concerned (subject always to the facilities and requirements of that relevant system and the provisions of the Uncertificated Securities Regulations 2001);

Provided that:

(i) every such payment by means of the relevant system shall be made in such manner as may be consistent with the facilities and requirements of the relevant system concerned. Such payment may include the sending by the Company or by any person on its behalf of an instruction to the operator of such relevant system to credit the cash memorandum account of the holder or joint holders or, if permitted by the Company, of such person as the holder or joint holders may in writing direct; and

(ii) the payment by the Company of any sum in accordance with this procedure and in accordance with the facilities and requirements of the relevant system concerned shall be a good discharge by the Company

and Regulation 127 of the Company's Articles of Association shall be replaced accordingly.

By order of the Board

G J Davis

Geoffrey Davis
Company Secretary
24 January 2003

Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Five Year Record

For the year ended 30 September 2002

	1998 £'000	1999 £'000	2000 £'000	2001 £'000	**2002 £'000**
Turnover**	44,812	60,118	68,218	124,718	**213,847**
Gross rentals	21,915	22,752	24,705	23,177	**21,954**
Sales of investment properties	8,047	13,275	19,860	39,986	**7,107**
Trading profits	8,843	12,601	19,750	26,451	**33,679**
Profit before taxation**	8,404	12,369	16,444	21,069	**44,877**
Profit after taxation and minority interests**	5,381	9,019	11,138	12,944	**23,522**
Dividends paid	2,045	2,353	2,666	3,042	**3,507**
			pence per share		
Earnings**	21.4	35.7	44.1	52.5	**95.3**
Dividends	8.1	9.32	10.72	12.33	**14.18**
			£m		
Fixed assets and stocks on a financial statement basis	225.9	250.4	284.6	316.0	**374.7**
Fixed assets and stocks at market value***	270.7	335.0	439.3	554.9	**680.3**
Share capital and reserves	73.7	95.1	86.8	95.7	**121.1**
			£ per share		
Net asset value on financial statements basis	2.92	3.77	3.52	3.88	**4.89**
Net asset value including fixed assets and stocks at replacement value*	4.69	7.13	9.79	13.56***	**17.24*** **
Dividend cover**	2.6x	3.8x	4.2x	4.3x	**6.7x**
Gearing	115%	76%	74%	60%	**52%**
Share price at 30 September	273.5p	397.5p	575.0p	757.5p	**992.5p**

Figures for 1998 to 2001 are restated, where relevant, to take account of FRS 19. In addition:
*Corporation tax has not been provided on valuation surpluses relating to stocks.
**Excluding exceptional items and including share of Joint Venture.
***2001 and 2002 includes share of the market value of Joint Venture properties and negative goodwill write back.

Shareholders' Information

Financial Calendar

Annual general meeting
27 February 2003

Payment of 2002 final dividend
28 February 2003

Payment of half yearly interest
on debenture stock 2024
31 March 2003

Announcement of 2003
interim results June 2003

Payment of 2003 interim dividend
July 2003

Payment of half yearly interest
on debenture stock 2024
30 September 2003

Announcement of 2003 final results
December 2003

Share Price

During the year ended 30 September 2002, the range of mid market prices of the Company's Ordinary Shares were:

Price at 30 September 2002	992.5p
Lowest price during the year	755.0p
Highest price during the year	1,112.5p

Daily information on the Company's share price can be obtained on our website or by telephoning:
The Financial Times Cityline Service on 09068 432 750.

Capital Gains Tax

The market value of the Company's shares for capital gains tax purposes at 31 March 1982 was 30.4p.

Website

Website address www.graingertrust.co.uk

Shareholders' Enquiries

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the Company's Registrar at:

Capita Registrars, Balfour House,
390-398 High Road, Ilford, Essex.

Secretary and Registered Office

Geoffrey Davis, F.C.A.
Citygate
St. James' Boulevard
Newcastle upon Tyne
NE1 4JE.

Advisers

Solicitors

Dickinson Dees, St. Ann's Wharf,
112 Quayside, Newcastle upon Tyne.

Denton Wilde Sapte, 5 Chancery Lane,
Cliffords Inn, London.

Financial Public Relations

Baron Philips Associates,
1 Angel Court, London.

Bankers

Barclays Bank PLC, Regent Centre,
Gosforth, Newcastle upon Tyne.

Bank of Scotland, 41/51 Grey Street,
Newcastle upon Tyne.

Auditors

PricewaterhouseCoopers LLP,
89 Sandyford Road,
Newcastle upon Tyne.

Stockbrokers

Cazenove & Company,
12 Tokenhouse Yard, London.

Brewin Dolphin Securities,
Commercial Union House,
39 Pilgrim Street,
Newcastle upon Tyne.

Registrars and Transfer Office

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