

# Directors' Report

For the year ended 30 September 2001

The directors present their report and the audited financial statements for the year ended 30 September 2001.

## 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 page 5 and the Managing Director's Review of Operations on pages 7 to 19.

## RESULTS FOR THE YEAR

The results of the Group are set out in the consolidated profit and loss account on page 38 which shows a profit on ordinary activities after taxation for the financial year of £10,701,000 (2000: £10,946,000).

## DIVIDENDS

An interim dividend of 2.65p per share was paid on 20 July 2001 amounting to £653,000 and the directors recommend the payment of a final dividend of 9.68p per share, to be paid on 6 March 2002, amounting to £2,389,000. The profit, after dividend, of £7,659,000 will be transferred to reserves.

## DIRECTORS

The directors of the Company at 30 September 2001 are listed on pages 2 and 3.

## DIRECTORS' AND OTHER INTERESTS

The interests of the directors in the shares of the Company at 30 September 2001 and 3 January 2002, with comparative figures as at 1 October 2000, are as follows:

	Beneficial			Ordinary shares of 25p each (Thousands) Non-beneficial		
	1 Oct 2000	30 Sept 2001	3 Jan 2002	1 Oct 2000	30 Sept 2001	3 Jan 2002
Robert Dickinson	510	233	233	463	557	541
Stephen Dickinson	1,352	1,353	1,354	35	34	34
The Earl of Portsmouth	4,188	4,188	4,188	-	-	-
Rupert Dickinson	119	121	124	51	51	51
Robin Herbert	50	50	50	-	-	-
Andrew Cunningham	29	29	30	-	-	-
Emanuel Davidson	30	-	-	-	-	-
Robin Oldfield	1	1	1	-	-	-
John Ward	-	-	-	-	-	-
Nichola Pease	-	-	-	-	-	-
	6,279	5,975	5,980	549	642	626
Shares held in trust of which Robert Dickinson is a trustee, included in the above beneficially owned by:-						
Stephen Dickinson	5	6	4	-	-	-
Rupert Dickinson	7	6	4	-	-	-
Andrew Cunningham	-	1	2	-	-	-
Shares held in trust of which Robert Dickinson and Stephen Dickinson are both trustees, included in the above non-beneficial holdings:-						
	-	-	-	-	34	34
Amendments made to certain trust deeds in the year resulted in a reallocation of 254,000 shares from Robert Dickinson's beneficial holdings to non-beneficial.						
Details of directors' share options are given on page 32.						

Save as disclosed above, as at 3 January 2002, the Company is aware of the following interests amounting to 3% or more in the Company's shares.

twenty six Directors' Report (continued)

# Directors' Report (continued)

For the year ended 30 September 2001

	Holding ooo's	% Holding
Schroder Investment Management Limited*	1,925	7.80
Jupiter Asset Management Limited*	1,727	7.00
Friends Ivory & Sime*	1,162	4.71
Aberforth Partners*	987	4.00
Wesleyan Assurance Society	750	3.04

\*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

The Earl of Portsmouth and Emanuel Davidson are retiring from the Board of directors at the annual general meeting being held on 5 March 2002.

Nichola Pease was appointed a director on 13 June 2001. A resolution to re-elect her will be made at the annual general meeting. Robert Dickinson and Stephen Dickinson retire by rotation and, being eligible, offer themselves for re-election at the annual general meeting. Stephen Dickinson has a twelve month service contract.

## 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.

## 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 and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 2001. 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, 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 9, 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 9 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 £308,497 (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 10, 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.

#### ACQUISITIONS

During the year Grainger Trust plc entered into a joint venture agreement with Deutsche Bank AG's Real Estate Private Equity Group ("DB REPEG") to purchase the entire issued share capital of BPT plc for £476m. DB REPEG is responsible for the proprietary real estate investments of Deutsche Bank AG. The vehicle for the acquisition was Bromley Property Investments Limited ("BPIL") a wholly owned subsidiary of Bromley Property Holdings Limited ("BPHL") owned equally by Grainger Trust and Wepla Beteiligungsgesellschaft mbH ("WEPLA"), the investment vehicle acting on behalf of DB REPEG. BPIL was incorporated on 6 September 2000 for the specific purpose of implementing the offer. This offer to the shareholders of BPT plc was declared unconditional on 25 May 2001. As at 30 September 2001, Grainger Trust's investment in BPHL amounted to £40m of loanstock, repayable 2006 and with a coupon of 15%, and £14m of share capital. The balance of the acquisition price and funding for the repayment of BPT plc's

existing debt came from senior and mezzanine debt facilities from Nationwide Building Society, Halifax plc and National Westminster Bank plc.

#### 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 2001 relating to purchases of property stock generally complete 28 days after exchange of contracts. Trade creditor days relating to other trade creditors of the Group were calculated as 36 days (2000: 36 days). The company did not have any trade creditors.

#### CHARITABLE DONATIONS

During the year the Group made charitable donations amounting to £5,550.

#### THE ENVIRONMENT

The directors recognise that the Company has an obligation to adopt a responsible role in protecting the environment. Consultants have been appointed to review the Company's activities and procedures and a formal policy document will be produced accordingly.

#### HEALTH AND SAFETY

The Company seeks to achieve the highest standards in respect of the 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 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

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors to the company. A resolution will be proposed at the annual general meeting to re-appoint them as auditors until the conclusion of the next annual general meeting.

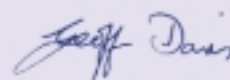
#### ISSUE OF SHARES

As disclosed in note 20 to the financial statements, the Company issued 24,723 25p ordinary shares during the year for an aggregate consideration of £68,000.

#### POST BALANCE SHEET EVENTS

On 14 December 2001, the Group completed the acquisition of a portfolio of Tenanted Residential properties in Solihull and Moseley from the Ideal Benefit Society for a total consideration of approximately £30m. This high quality portfolio comprises 286 houses and 65 flats of which 159 of the total are subject to regulated tenancies. Gross rental income from the portfolio amounts to approximately £1.4m.

By order of the Board



Geoffrey Davis  
Company Secretary  
25 January 2002

# Remuneration Committee Report

The remuneration committee is responsible for detailed consideration of directors' remuneration packages and, in accordance with the Combined Code makes its recommendations to the whole Board.

The committee comprises John Ward (Chairman), Robin Herbert, Robin Oldfield and Emanuel Davidson, all of whom are non-executive directors. The committee normally meets twice a year to consider all aspects of remuneration for the executive directors. 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, John Ward will be available at the annual general meeting to answer questions about the remuneration of executive directors and this report will be put forward for approval and adoption at that meeting.

## REMUNERATION POLICY

In framing its remuneration policy the committee has followed the provisions of the Combined Code. The overall objective of the policy is to attract, retain and motivate high calibre individuals, with remuneration packages which are competitive with respect to comparable organisations and which support the achievement of the Group's business objectives.

## SALARIES AND BENEFITS

Salaries are reviewed annually by the committee who take account of the experience, responsibilities and performance of individual directors as well as competitive market practice. Executive directors receive a fully expensed company car and life and health insurance.

## SERVICE CONTRACTS

Stephen Dickinson has a service contract which is terminable by the Company on 12 months' notice. The other executive directors have contracts with a 24 months' notice period. The Board feels that this is an important element of the overall remuneration package of these executives and provides both the Group and the individual with the security to commit to the Group's long term objectives.

## PENSIONS

Rupert Dickinson and Andrew Cunningham receive defined contributions to money purchase schemes. These contributions are based solely on a percentage of basic salary. Pension contributions paid in the year were as follows:-

	Pension contributions	
	2001 £'000	2000 £'000
Stephen Dickinson	-	250
Rupert Dickinson	21	17
Andrew Cunningham	23	21
	44	288

Benefits in kind and bonus awards are not pensionable.

**PERFORMANCE INCENTIVES**

The Group operates both annual and long term incentive schemes for directors and senior executives. The 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**

Individual participants 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. The committee has recommended annual cash bonuses up to a maximum of 60% of salary for each of the three executive directors.

**DEFERRED BONUS SCHEME**

As referred to by the Managing Director of the Company in his operating review, the dominant event of the year has been the acquisition of 50% of BPT Limited with our joint venture partners DB REPEG, thereby giving the Company an equity interest in a major residential property portfolio. This

investment has been net asset value enhancing at the outset and sales from the joint venture have also progressed well.

The remuneration committee considers that the opportunity of investing in BPT Limited would not have been possible without the efforts of Rupert Dickinson, Deputy Managing Director, and Andrew Cunningham, Finance Director. In recognition of their significant contributions made during the Financial Year ended 30 September 2001 with respect to the investment in BPT Limited and the performance of the Company's interest in the joint venture, it has been decided that it is appropriate to reward them through an exceptional deferred bonus scheme.

The first awards under the scheme will be made in the form of 42,065 shares of the Company for Rupert Dickinson and 21,032 shares for Andrew Cunningham. These share awards are equivalent to monetary amounts of £300,000 and £150,000 respectively at the rate of 713.19 pence per share being the average share price from 1 October 2000 to 30 September 2001. The shares will be transferred in December 2003 after the preliminary announcement of results, provided that in respect of their

individual deferred bonus, Rupert Dickinson and Andrew Cunningham are at that time still in the service of the Company and not under notice to leave.

The Remuneration Committee will again review the performance of the Company's interest in the joint venture and the involvement of Rupert Dickinson and Andrew Cunningham in the conduct of its affairs in the 12 months up to 30 September 2002. Based on their assessment, the remuneration committee may again award an exceptional deferred bonus in the form of shares up to a maximum of 42,065 shares for Rupert Dickinson and 21,032 shares for Andrew Cunningham. In the event of such an award, the shares will be transferred in December 2005 after the preliminary announcement of results, provided that in respect of their individual deferred bonus, Rupert Dickinson and Andrew Cunningham are at that time still in the service of the Company and not under notice to leave.

Although the deferred bonus scheme does not require the formal approval of shareholders, the directors have decided that in the interests of good corporate governance, the scheme be put to shareholders.

The awards made to Group directors under the long term incentive scheme are as follows:-

		Matching Shares in respect of earlier vesting
1 October 1996 Commencement Date		
Rupert Dickinson		4,774
Andrew Cunningham		6,065
These shares will be vested if the original awards made in respect of the performance period from 1 October 1996 to 30 September 1999 are held to 30 September 2002.		
	Shares Awarded number	Market value at date of award £000's
1 October 1999 Commencement Date		
Rupert Dickinson	41,558	160
Andrew Cunningham	36,363	140

## Remuneration Committee Report (continued)

### LONG TERM INCENTIVE SCHEME

The long term incentive scheme was originally approved by shareholders in February 1997. Certain amendments to the scheme were subsequently approved at an extraordinary general meeting held in February 2000. The main objectives of the scheme 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. Under the scheme, share awards with a maximum market value of 100% of the participants basic salary at the date of the award were made. These awards are conditional upon the achievement of rigorous performance criteria. A comparison is made between growth in earnings per share ("EPS") and net asset value per share ("NAV") and an independent comparator, which comprises the retail price index and a composite commercial and residential property index. For the maximum award of 100% of basic salary to become unconditional, growth in EPS and NAV must exceed the comparator by 10% per annum on a compound basis. The percentage of salary awarded is staged downwards from these levels. At 3% per annum above the comparator the award represents 36% of salary. Below 3%, no award is made.

Target levels are adjusted for the effect of any share buy backs made during the performance period.

If shares awarded at the end of the performance period are held for a further three years a one for four matching award will be made.

It is intended that the Rules of the existing Executive Share Option Scheme and the Long Term Incentive Scheme will be amended and a combination of options and awards will be made following the

preliminary announcement of results for the year ending 30 September 2002. The awards will be linked to challenging and stretching performance conditions. Full details are contained in the circular sent to shareholders dated 25 January 2002 and approval for its contents will be sought at an extraordinary general meeting to be held on 5 March 2002.

### 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 32.

Profit Sharing Scheme. All employees with three years service at the start of the financial year are entitled to participate in this scheme. A profit share of up to 10% of base salaries (subject to a maximum award of £8,000) may be awarded to each participant. The awards are used to acquire ordinary shares in the Company and these are held by a UK based trust for at least two years. After three years, the shares may vest in the employee tax free. The value of profit share awards made to executive directors in the year are shown in the remuneration table below.

Last year the Government announced that the tax benefits for existing Inland Revenue approved Profit Sharing Schemes would cease from the end of 2002. Therefore,

the last awards under the Profit Sharing Scheme were made in December. In order to continue the established principles of the Group's Profit Sharing Scheme, the Board is seeking approval of shareholders at the extraordinary general meeting to be held on 5 March 2002 for a new all employee Share Incentive Scheme. The principal features of this scheme are as follows:

#### Partnership Shares:

- employees will be 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 will be able to give employees up to two 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, the Company will be able to give up to £3,000 worth of free shares each year to each employee.

### 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' EMOLUMENTS**

The remuneration of the directors of Grainger Trust plc was:-

	Salary and fees £'000	Annual discretionary bonus £'000	BPT bonus (see below) £'000	Profit sharing scheme £'000	Taxable benefits £'000	Total emoluments 2001 £'000	Total emoluments 2000 £'000
Chairman and executive directors							
Robert Dickinson – Chairman	50	-	-	-	-	50	50
Stephen Dickinson	275	165	-	8	12	460	393
Rupert Dickinson	210	126	89	8	18	451	264
Andrew Cunningham	155	93	-	8	8	264	232
	690	384	89	24	38	1,225	939
Non executive directors							
The Earl of Portsmouth	15	-	-	-	-	15	15
Robin Herbert	17	-	-	-	-	17	17
Robin Oldfield	15	-	-	-	-	15	15
John Ward	17	-	-	-	-	17	17
Emanuel Davidson	15	-	-	-	-	15	15
Nichola Pease	4	-	-	-	-	4	-
	83	-	-	-	-	83	79
Total directors - all directors	773	384	89	24	38	1,308	1,018

The above totals exclude pension contributions, which are disclosed on page 28.

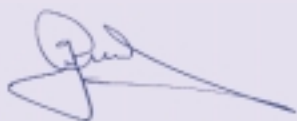
Rupert Dickinson has been seconded to BPT Limited, our joint venture investment, to act as Chief Executive for a period of approximately nine months which commenced on 1 June 2001. The cost to Grainger Trust plc of his employment is recovered from BPT Limited. Under the terms of his secondment he will be entitled to a guaranteed minimum bonus of £200,000 from BPT Limited (maximum £500,000). The bonus figure shown above represents the relevant proportion of the guaranteed minimum.

## Remuneration Committee Report (continued)

### Directors' share options

		Ordinary Shares of 25p Each (Thousands)							
		Stephen Dickinson		Rupert Dickinson		Andrew Cunningham		Total	
		30 Sept 2001	1 Oct 2000	30 Sept 2001	1 Oct 2000	30 Sept 2001	1 Oct 2000	30 Sept 2001	1 Oct 2000
Exercise Price	Date Exercisable								
Inland Revenue Approved Schemes									
231.2p	6 Jan 97 to 6 Jan 04	-	-	40	40	-	-	40	40
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	8	8	24	24
LTIP Scheme									
267.1p	9 Jul 00 to 9 Jul 07	-	-	13	13	7	7	20	20
Total number of share options		8	8	61	61	24	24	93	93

The market price of the company's shares at the end of the financial year was 757.5p and the range during the year was 572.5p to 897.5p



John Ward  
Chairman of the Remuneration Committee  
25 January 2002



# 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 the Combined Code. The joint venture is outside the scope of the corporate governance statement.

## THE BOARD

At the year end the Board comprised three executive directors and seven non-executive directors, including the Chairman. The non-executive directors bring to bear a wide variety of experience and skills.

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 advice when necessary and to have direct access to the company secretary if required. Where necessary, consideration is given to providing appropriate training to new appointees to the Board. 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 pages 2 and 3 and the remuneration committee report is set out on pages 28 to 32.

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 the managing 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 general meeting and are available to answer any questions. The notice of the meeting and related papers will be sent to shareholders at least twenty 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 thereon 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 cashflow 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.

## Corporate Governance Report (continued)

### GOING CONCERN

After making enquiries, including the review of future anticipated cashflows 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 2001, been in compliance with the Code.

### CODE PROVISION

#### A2.1

The Board have not appointed a senior independent director as it feels that the variety of experience and background of the non-executive directors makes such an appointment unnecessary.

#### A3.2, B2.2, D3.1

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

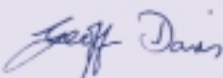
relationship. Consequently, the Board do not view any of longevity of service, cross directorships or material shareholdings in isolation as representing an impairment to independence.

Given this statement, the Board believes that all non-executive directors with the exception of Robert Dickinson and The Earl of Portsmouth, are independent. Under the terms of the Code, however, only Robin Oldfield and Nichola Pease are considered independent.

#### B1.7 to B1.10

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.

By order of the Board



Geoffrey Davis  
Company Secretary  
25 January 2002

# Independent Auditors' Report to the Members of Grainger Trust plc

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement, the statement of Group total recognised gains and losses and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the directors' remuneration and pension disclosures which form part of the Remuneration Report.

## 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.

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 directors' report, the chairman's statement, the operating and financial review, remuneration report and the corporate governance statement.

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

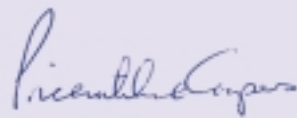
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements

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 2001 and of the profit and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants and  
Registered Auditors  
Newcastle upon Tyne  
25 January 2002

# Statement of Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP 19, 'Accounting for Investment Properties', requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the result of the departure is given in the note relating to tangible fixed assets below. The adoption of transitional arrangements of FRS 17 'Retirement Benefits' and FRS 18 'Accounting Policies' has had no impact on the Group. A summary of the more important Group accounting policies, which have been applied consistently, is set out 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 land, 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 FRS9, 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.

## FOREIGN CURRENCIES

The financial statements of overseas subsidiaries are translated into sterling at the exchange rate ruling at the year end. Any difference arising on translation is dealt with in the profit and loss account reserve.

## REPAIRS AND IMPROVEMENTS

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

## PENSIONS

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 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
Motor Vehicles	20	Straight line
Office 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**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

thirty eight Consolidated Profit and Loss Account

# Consolidated Profit and Loss Account

For the year ended 30 September 2001

	Notes	Year ended 30 September 2001			Year ended 30 September 2000 £'000
		Excluding exceptional item £'000	Exceptional item £'000	Total £'000	
Turnover (including share of joint venture)					
Continuing operations		99,303	-	99,303	68,218
Acquisition		25,415	-	25,415	-
		124,718	-	124,718	68,218
Less: share of turnover of joint venture - acquisition	25	(25,415)	-	(25,415)	-
Group turnover	1	99,303	-	99,303	68,218
Gross rentals		23,177	-	23,177	24,705
Trading profits		26,142	-	26,142	19,441
Other income		330	-	330	346
		49,649	-	49,649	44,492
Less:					
Property expenses		(10,009)	-	(10,009)	(9,054)
Administration expenses		(4,015)	-	(4,015)	(3,391)
Group operating profit - continuing operations		35,625	-	35,625	32,047
Share of operating profit in joint venture - acquisition (after amortisation of goodwill of £18,000 (2000: £nil))		6,185	-	6,185	-
Total operating profit: group and share of joint venture		41,810	-	41,810	32,047
Net profit/(loss) on disposal of and provisions against fixed assets					
- Group		1,726	-	1,726	(699)
- Joint venture		219	-	219	-
	2	1,945	-	1,945	(699)
Profit on ordinary activities before interest		43,755	-	43,755	31,348
Net interest payable and similar charges					
- Group	3, 4	(15,137)	(3,487)	(18,624)	(15,252)
- Joint venture	3	(9,715)	-	(9,715)	-
		(24,852)	(3,487)	(28,339)	(15,252)
Profit on ordinary activities before taxation	1, 5	18,903	(3,487)	15,416	16,096
Tax on profit on ordinary activities	7	(5,761)	1,046	(4,715)	(5,150)
Profit on ordinary activities after taxation		13,142	(2,441)	10,701	10,946
Dividends	8	(3,042)	-	(3,042)	(2,666)
Retained profit for the year		10,100	(2,441)	7,659	8,280
Basic earnings per share	9	53.3p	(9.9)p	43.4p	43.3p
Diluted earnings per share	9	53.0p	(9.8)p	43.2p	43.1p

# Statement of Group Total Recognised Gains and Losses

For the year ended 30 September 2001

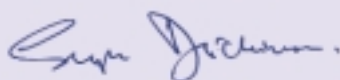
	Notes	2001 £'000	2000 £'000
Profit for the financial year		10,701	10,946
Taxation on realisation of property revaluation gains of previous years	7	(2,020)	(950)
Surplus on investment properties transferred to stock		-	(7,931)
Unrealised surplus/(deficit) on revaluation of properties	21	107	(269)
Diminution transferred from revaluation reserve to profit and loss account	21	400	-
Total gains and losses recognised - group		9,188	1,796
Share of joint venture tax on realisation of revaluation surpluses	21	(179)	-
Unrealised surplus on revaluation of joint venture properties	21	3,045	-
Total gains and losses recognised since the last annual report - group and joint venture		12,054	1,796
Note of group historical cost profit and losses		2001 £'000	2000 £'000
Reported profit on ordinary activities before taxation		15,416	16,096
Realisation of property revaluation gains of previous years	21	4,698	2,911
Historical cost profit on ordinary activities before taxation		20,114	19,007
Taxation		(6,914)	(6,100)
Dividends		(3,042)	(2,666)
Retained historical profit for the year		10,158	10,241

# Balance Sheets

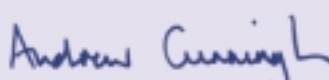
At 30 September 2001

	Notes	Group		Company	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Intangible assets	12	41	80	-	-
Tangible assets	10	27,567	64,886	330	408
Investments:					
Investment in joint venture:					
Share of gross assets		453,011	-		
Share of gross liabilities		(438,373)	-		
	25	14,638	-		
Goodwill arising on acquisition	11	423	-		
	11, 25	15,061	-	14,201	-
Loan to joint venture	11, 25	40,000	-	40,000	-
		55,061	-	54,201	-
Other investments		834	866	37,006	57,414
	11	55,895	866	91,207	57,414
		83,503	65,832	91,537	57,822
Current assets					
Stocks	14	234,359	220,157	-	-
Debtors	15	5,197	7,276	84,467	43,117
Cash at bank and in hand	16	23,090	7,549	605	310
		262,646	234,982	85,072	43,427
Creditors: amounts falling due within one year	17	50,930	46,379	50,841	32,350
Net current assets		211,716	188,603	34,231	11,077
Total assets less current liabilities		295,219	254,435	125,768	68,899
Creditors: amounts falling due after more than one year	17	192,652	159,461	13,619	23,758
Provision for liabilities and charges					
Deferred taxation	19	4,089	5,576	-	-
Net assets		98,478	89,398	112,149	45,141
Capital and reserves					
Called up share capital	20	6,170	6,164	6,170	6,164
Share premium account	21	20,800	20,738	20,800	20,738
Revaluation reserve	21	10,112	11,258	-	51
Capital redemption reserve	21	185	185	185	185
Profit and loss account	21	61,207	51,049	84,994	18,003
Equity shareholders' funds	22	98,474	89,394	112,149	45,141
Minority interests		4	4	-	-
Total capital employed		98,478	89,398	112,149	45,141

The financial statements on pages 36 to 56 were approved by the Board of directors on 25 January 2002 and were signed on their behalf by:



Stephen Dickinson  
Director



Andrew Cunningham  
Director



# Consolidated Cashflow Statement

For the year ended 30 September 2001

	Notes	2001 £'000	2000 £'000
Net cash inflow/(outflow) from operating activities		25,174	(19,929)
Returns on investments and servicing of finance			
Interest received		380	282
Interest paid		(22,463)	(15,571)
Dividends received		23	7
		(22,060)	(15,282)
Taxation			
UK Corporation tax paid		(8,509)	(7,312)
Capital expenditure and financial investment			
Purchase of fixed asset investments		-	(828)
Purchase of tangible fixed assets		(639)	(1,477)
Sale of fixed asset investments		32	-
Sale of tangible fixed assets		39,994	19,905
		39,387	17,600
Acquisitions and disposals			
Purchase of subsidiaries		-	(5,859)
Costs on purchase of subsidiaries		-	(125)
Net cash acquired with subsidiaries		-	271
Investment in joint venture	25	(54,201)	-
		(54,201)	(5,713)
Equity dividends paid		(2,729)	(2,438)
Cash (outflow) before financing		(22,938)	(33,074)
Financing			
New loans raised	24	85,923	43,388
Repayment of loans	24	(47,512)	(17,064)
Share buy back		-	(4,273)
Issue of shares	20	68	140
Net cash inflow from financing		38,479	22,191
Increase/(decrease) in cash in the period	23	15,541	(10,883)
Reconciliation of group operating profit to net cash inflow/(outflow) from operating activities			
		2001 £'000	2000 £'000
Group operating profit		35,625	32,047
Depreciation		197	157
Amortisation of goodwill		39	39
Decrease/(increase) in debtors		3,454	(3,086)
Increase in creditors		61	1,089
(Increase) in stocks		(14,202)	(50,175)
Net cash inflow/(outflow) from operating activities		25,174	(19,929)

# Notes to the Financial Statements

For the year ended 30 September 2001

## 1 SEGMENTAL ANALYSIS BY CLASS OF BUSINESS

The Group's operating structure has been simplified so that it operates in two divisions, Tenanted Residential and Development and Trading. The Development and Trading division now incorporates investment, which was disclosed separately in previous years. The prior year comparatives have therefore been restated to reflect this.

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

	2001 Turnover £m	2001 Profit before taxation £m	2000 Turnover £m	2000 Profit before taxation £m
Class of business				
Continuing operations				
Tenanted residential	51.7	22.2	43.4	20.5
Development and trading	47.6	15.1	24.8	10.9
	99.3	37.3	68.2	31.4
Joint venture - acquisition	25.4	6.4	-	-
	124.7	43.7	68.2	31.4
Net interest payable - group	-	(18.6)	-	(15.3)
Net interest payable - joint venture	-	(9.7)	-	-
	124.7	15.4	68.2	16.1

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

Net assets

	2001 £m	2000 £m	2001 £m	2000 £m
	Net assets		Adjusted net assets*	
Class of business				
Continuing operations				
Tenanted residential	62.0	26.5	186.6	132.9
Development and trading	35.6	62.9	77.5	109.8
	97.6	89.4	264.1	242.7
Joint venture - acquisition	0.9	-	37.4	-
	98.5	89.4	301.5	242.7

\*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 excluder 4EAPiaries.

<b>2 NET PROFIT/(LOSS) ON DISPOSAL OF AND PROVISIONS AGAINST FIXED ASSETS</b>		
	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Group		
Profit on disposal of investment properties	2,126	86
Impairment of investment properties	(400)	(800)
Profit on disposal of fixtures, fittings and equipment	-	15
	<b>1,726</b>	<b>(699)</b>
Joint venture		
Profit on disposal of investment properties	219	-
Group and joint venture	<b>1,945</b>	<b>(699)</b>
<b>3 NET INTEREST PAYABLE AND SIMILAR CHARGES</b>		
	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Group		
Bank loans and overdrafts	9,878	6,708
Debentures and other loans	5,907	8,204
Other interest costs	1,130	629
	<b>16,915</b>	<b>15,541</b>
Less:		
Income from listed fixed asset investments	(23)	(7)
Interest receivable	(1,755)	(282)
	<b>15,137</b>	<b>15,252</b>
Exceptional item:		
Cost of redemption of debenture stock (note 4)	3,487	-
	<b>18,624</b>	<b>15,252</b>
Joint venture		
Bank loans and overdrafts	1,538	-
Debentures and other loans	8,513	-
Other interest costs	346	-
	<b>10,397</b>	<b>-</b>
Less:		
Income from listed fixed asset investments	(444)	-
Interest receivable	(238)	-
	<b>9,715</b>	<b>-</b>
Group and joint venture	<b>28,339</b>	<b>15,252</b>
All interest payable is charged to the profit and loss account. No interest has been capitalised in this or prior periods.		
<b>4 EXCEPTIONAL ITEM</b>		
	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Cost of redemption of debenture stock	(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.		

## Notes to the Financial Statements (continued)

### 5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible owned fixed assets	197	157
Amortisation of goodwill	39	39
Auditors' remuneration (including expenses) (Company £6,000 (2000: £6,000))	68	77

Remuneration of the Company's auditors for provision of non-audit services to the Company and its UK subsidiary undertakings was £187,000 (2000: £114,000). Of this, £121,000 (2000: £108,000) related to tax compliance and advisory services.

### 6 DIRECTORS AND EMPLOYEES

	2001 £'000	2000 £'000
Staff costs (including executive directors) during the year:		
Wages and salaries	4,066	3,168
Social security costs	453	382
Other pension costs (see note 26)	185	381
	4,704	3,931

The average weekly number of persons employed by the Group during the year (including executive directors) was 76 (2000: 80). All employees were involved in the management and/or administration of the Group. Further details of directors' emoluments (including pensions), directors' share options and interests in the long term incentive plan are provided in the remuneration committee report on pages 28 to 32.

### 7 TAXATION

	2001 £'000	2000 £'000
Tax on profit on ordinary activities		
Group		
UK corporation tax at 30% (2000: 30%):		
Current	8,834	7,574
Transferred to appropriate reserve (see below and note 21)	(2,020)	(950)
Deferred	(1,006)	(1,194)
Under/(over) provision in respect of prior years:		
Current	733	(357)
Deferred	(521)	77
	6,020	5,150
Joint venture		
UK corporation tax at 30%:		
Current	1,198	-
Deferred	(2,503)	-
	(1,305)	-
Group and joint venture	4,715	5,150

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.

### 8 DIVIDENDS

	2001 £'000	2000 £'000
Dividends on equity shares:		
Ordinary - Interim paid of 2.65p per share (2000: 2.30p per share)	653	590
Ordinary - Final proposed of 9.68p per share (2000: 8.42p per share)	2,389	2,076
	3,042	2,666

**9 EARNINGS PER SHARE**

The calculation of earnings per ordinary share is based on the profit after taxation of £10,701,000 (2000: £10,946,000) and on 24,660,074 (2000: 25,258,530) ordinary shares, being the weighted average of the number of ordinary shares in issue and ranking for dividend during the year.

	2001 pence	2000 pence
Basic earnings per share before exceptional item	53.3	43.3
Exceptional item: cost of redemption of debenture stock	(9.9)	-
Basic earnings per share	43.4	43.3

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 24,779,114 (2000: 25,376,250) 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**

	Investment properties £'000	Group Fixtures, fittings and equipment £'000	Total £'000	Investment properties £'000	Company Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation						
At 1 October 2000	64,481	1,225	65,706	155	861	1,016
Surplus on revaluation	107	-	107	-	-	-
Additions	228	411	639	-	234	234
Disposals	(37,860)	(10)	(37,870)	(155)	(10)	(165)
At 30 September 2001	26,956	1,626	28,582	-	1,085	1,085
Depreciation						
At 1 October 2000	-	820	820	-	608	608
Charge for year	-	197	197	-	149	149
Eliminated in respect of disposals	-	(2)	(2)	-	(2)	(2)
At 30 September 2001	-	1,015	1,015	-	755	755
Net book value						
At 30 September 2001	26,956	611	27,567	-	330	330
At 30 September 2000	64,481	405	64,886	155	253	408
Investment properties at net book value comprise:						
Freeholds	26,956	47,831	-	-	155	
Long leaseholds	-	16,650	-	-	-	
	26,956	64,481	-	-	155	

Group investment properties were revalued at their open market value at 30 September 2001 by Jones Lang LaSalle and other appropriately qualified professional advisers.

# Notes to the Financial Statements (continued)

## 10 TANGIBLE FIXED ASSETS (CONTINUED)

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

	Group	
	2001 £'000	2000 £'000
Net book value	22,379	56,304

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 2000				
Goodwill	-	-	-	-
Other	-	-	866	866
	-	-	866	866
Additions - net assets/loans	13,760	40,000	-	53,760
- goodwill	441	-	-	441
Share of retained loss	(1,988)	-	-	(1,988)
Share of surplus on revaluation of investment properties	3,045	-	-	3,045
Share of tax on realisation of revaluation surpluses	(179)	-	-	(179)
Disposal	-	-	(32)	(32)
	15,079	40,000	(32)	55,047
At 30 September 2001				
Goodwill	441	-	-	441
Other	14,638	40,000	834	55,472
	15,079	40,000	834	55,913
Amortisation of goodwill				
At 1 October 2000	-	-	-	-
Charge for the period	18	-	-	18
	18	-	-	18
At 30 September 2001				
Goodwill	18	-	-	18
Other	-	-	-	-
	18	-	-	18
Net book value at 30 September 2001	15,061	40,000	834	55,895
Net book value at 30 September 2000	-	-	866	866

The goodwill is being released in the same proportion as properties acquired are recovered through sale.

**11 FIXED ASSET INVESTMENTS (CONTINUED)**

Company

	Investment in joint venture £'000	Loan to joint venture £'000	Investment in subsidiaries £'000	Total £'000
Cost				
At 1 October 2000	-	-	57,414	57,414
Additions (see note 25)	14,201	40,000	45	54,246
Disposals	-	-	(20,453)	(20,453)
At 30 September 2001	14,201	40,000	37,006	91,207

	Group Own shares and other investments	
	2001 £'000	2000 £'000
Investments at net book value include:		
Investments listed on a recognised stock exchange	834	866
Aggregate market value of listed investments	1,581	1,309

Listed investments include 207,791 (2000: 226,220) 25p ordinary shares in Grainger Trust plc held by subsidiary companies at a cost of £834,000 (2000: £866,000), which had a market value at 30 September 2001 of £1,574,000 (2000: £1,301,000).

The directors consider that providing details of all subsidiaries as at 30 September 2001 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:		Activity
	Group %	Company %	
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.

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 AG's Real Estate Private Equity Group ("DB REPEG"). 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 offer for which was declared unconditional on 25 May 2001. The nature of business of the BPHL group is property trading and investment.

## Notes to the Financial Statements (continued)

### 12 INTANGIBLE ASSETS

	Positive goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 1 October 2000 and 30 September 2001	324	(205)	119
Amortisation			
At 1 October 2000	65	(26)	39
Charge/(credit) for year	65	(26)	39
At 30 September 2001	130	(52)	78
Net book amount			
At 30 September 2001	194	(153)	41
At 30 September 2000	259	(179)	80

The positive goodwill arising on the acquisition of Real Estate Securities Limited is being amortised on a straight line basis over 5 years, being the period over which the directors estimate that the values of the underlying business acquired is expected to exceed the value of the underlying assets.

The negative goodwill arising on Park Estates (Liverpool) Limited is being amortised over the period in which the stocks so acquired are recovered through sale.

### 13 CAPITAL COMMITMENTS

The Group had capital commitments contracted but not provided for of £NIL at 30 September 2001 (2000: £NIL).

### 14 STOCKS

	Group	
	2001 £'000	2000 £'000
Trading and development properties	234,359	220,157

The current replacement cost of the Group's trading and development properties has been estimated at £400.8m (2000: £373.5m).

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 2001.

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

### 15 DEBTORS

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	2,512	5,557	-	7
Amounts owed by group undertakings	-	-	82,600	43,083
Other debtors	957	1,416	426	-
Prepayments and accrued income	1728	303	1441	27
	5,197	7,276	84,467	43,117



**16 CASH AT BANK AND IN HAND**

At 30 September 2001, bank balances included £21,966,000 (2000: £5,360,000) held on deposit with various institutions subject to a legal charge to secure other borrowings of the Group. The cash may be released by substitution of security in the form of properties to the same value.

**17 CREDITORS**

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due within one year:				
Mortgages and other loans	11,658	818	-	-
Loan notes	1,866	2,046	1,866	2,046
Bank loans	17,788	23,228	2,000	12,000
Deposits received	500	644	-	-
Trade creditors	5,033	4,552	-	28
Amounts owed to group undertakings	-	-	43,657	14,096
Corporation tax payable	5,278	4,260	558	1,370
Other taxation and social security	339	300	18	23
Accruals and deferred income	6,079	8,455	353	711
Dividends payable	2,389	2,076	2,389	2,076
	50,930	46,379	50,841	32,350

Amounts falling due after more than one year.

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Debentures and loan stocks:				
10 1/2% debenture stock	2,875	14,758	2,875	14,758
11 3/4% debenture stock	6,744	3,000	6,744	3,000
Mortgages and other loans	28,933	65,058	-	-
Bank loans	154,100	76,645	4,000	6,000
	192,652	159,461	13,619	23,758
Maturity of finance debt (net of issue costs) is as follows:				
In one year or less	31,312	26,092	3,866	14,046
Between one and two years	18,442	21,761	2,000	2,000
Between two and five years	62,977	40,222	2,000	4,000
Between five and ten years	73,623	39,918	-	-
Over ten years	37,610	57,560	9,619	17,758
	223,964	185,553	17,485	37,804

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 £111,000 (2000: £253,000).

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 20 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 16 years.

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

## Notes to the Financial Statements (continued)

### 18 FINANCIAL INSTRUMENTS

The Group's policies relative to financial instruments are set out in the Financial Review on page 23. 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

	2001			Total £'000
	Fixed rate liabilities £'000	Capped rate liabilities £'000	Floating rate liabilities £'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
<b>Total</b>	<b>54,950</b>	<b>100,000</b>	<b>69,125</b>	<b>224,075</b>

	2000			Total £'000
	Fixed rate liabilities £'000	Capped rate liabilities £'000	Floating rate liabilities £'000	
Quoted debentures	18,000	-	-	18,000
Institutional debt	29,439	-	-	29,439
Loan notes	-	-	2,046	2,046
Bank debt	26,620	46,825	62,876	136,321
<b>Total</b>	<b>74,059</b>	<b>46,825</b>	<b>64,922</b>	<b>185,806</b>

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 £40 million of borrowings. As the current market rate is significantly lower than this, the capped amount is included in floating rate liabilities.

	2001			
	Fixed rate Weighted average rate %	Weighted average period years	Capped rate Weighted average rate %	Weighted average period years
Hedge profile				
Quoted debentures	10.9	24	-	-
Institutional debt	11.7	4	-	-
Bank debt	7.5	14	7.2	4
<b>Total</b>	<b>10.3</b>	<b>12</b>	<b>7.2</b>	<b>4</b>

	2000			
	Fixed rate Weighted average rate %	Weighted average period years	Capped rate Weighted average rate %	Weighted average period years
Quoted debentures	10.7	24	-	-
Institutional debt	11.7	4	-	-
Bank debt	7.9	14	6.8	6
<b>Total</b>	<b>10.1</b>	<b>12</b>	<b>6.8</b>	<b>6</b>

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 £23,090,000 (2000: £7,549,000). The interest rate on this is floating.

**Borrowing facilities**

The Group had various unutilised borrowing facilities at the year end. The undrawn facilities, which were to expire within one year or less, amounted to £15,500,000 (2000: £10,000,000).

**Fair values of financial liabilities**

	Book value (before issue costs) £'000	Notional principal £'000	Fair value £'000	Fair value adjustment	
				2001 £'000	2000 £'000
Financial instruments:					
Quoted debentures	9,725	-	12,917	(3,192)	(8,143)
Institutional debt	29,105	-	32,510	(3,405)	(3,576)
Short term fixed rate bank debt	16,120	-	17,100	(980)	(193)
Total fixed rate debt	54,950	-	62,527	(7,577)	(11,912)
Debt fixed under 1 year	169,125	-	169,125	-	(113)
Derivative financial instruments:					
Interest rate swaps	-	52,500	150	(150)	1,500
Interest rate collar	-	-	-	-	(1)
Interest rate caps	-	87,500	(225)	225	452
Total current derivatives	-	140,000	(75)	75	1,951
Future interest rate swaps	-	45,000	244	(244)	976
Total derivatives	-	185,000	169	(169)	2,927
	224,075		231,821	(7,746)	(9,098)
Financial assets:					
Cash	(23,090)		(23,090)	-	-
	200,985		208,731	(7,746)	(9,098)

The fair values were calculated at 30 September 2001 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 22p. (2000: 26p).

In addition, the Group's share of its joint venture's fair value adjustment amounts to £2,487,000. This has an after tax effect on NAV of a further 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 2000	2,928	(1)	2,927
(Gains)/losses arising in previous periods that were recognised during the year	(121)	5	116
Gains/(losses) not recognised in the year to 30 September 2001			
Arising before 1 October 2000	2,807	4	2,811
Arising during the year to 30 September 2001	124	(3,104)	124
Unrecognised gains/(losses) on hedges at 30 September 2001	2,931	(3,100)	(169)
Of which:			
Gains/(losses) expected to be recognised in the year to 30 September 2002	-	(1,170)	(1,170)
Gains/(losses) expected to be recognised in the year to 30 September 2003 or later	1,352	(351)	1,001

## Notes to the Financial Statements (continued)

### 19 DEFERRED TAXATION

	Amount provided		Amount unprovided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Group				
Tax effect of timing differences due to:				
Accelerated capital allowances	517	516	-	-
Net short term timing differences	(164)	(1,423)	-	-
Acquired balances	1,420	1,674	439	524
Revaluation of trading properties to cost to Group on consolidation	2,316	4,809	1,173	1,248
Revalued investment properties	-	-	2,323	5,293
Heldover gains in stock arising from transfers from fixed assets	-	-	3,326	3,699
	4,089	5,576	7,261	10,764

£'000

#### Group

The movements on the provisions for deferred taxation are as follows:

Provision at 1 October 2000	5,576
Transfer to current taxation	40
Transferred from the profit and loss account	(1,527)
Provision at 30 September 2001	4,089

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

### 20 CALLED-UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised:		
32,000,000 (2000: 32,000,000) ordinary shares of 25p each	8,000	8,000
Allotted, called-up and fully paid:		
24,679,779 (2000: 24,655,056) ordinary shares of 25p each	6,170	6,164

	Number	Nominal value £'000	Consideration £'000
Shares issued:			
Executive share option scheme at £2.671	17,822	4	48
Executive share option scheme at £3.425	3,200	1	11
SAYE scheme at £2.58	3,701	1	9
	24,723	6	68

#### 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 214.0p to 690.0p. Under these various schemes, options on 25,943 shares were exercised in the year and options on 1,696 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	2001 Numbers	2000 Numbers
Executive share options				
1994	231.2	1997 – 2004	40,000	40,000
1996	292.0 – 342.5	1999 – 2006	20,153	23,353
1997	267.1	2000 – 2007	27,856	48,217
			88,009	111,570

## 20 CALLED-UP SHARE CAPITAL (CONTINUED)

Year of grant	Exercise price (pence)	Exercise period	2001 Numbers	2000 Numbers
SAYE share options				
1997	214.0	2000 - 2003	55,775	55,775
1998	258.0	2001 - 2004	6,282	9,983
1999	308.0	2002 - 2005	13,374	13,751
2000	466.0	2003 - 2006	14,263	14,263
2001	690.0	2004 - 2007	12,437	-
			102,131	93,772
Total share options			190,140	205,342

## 21 RESERVES

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
Group				
At 1 October 2000	20,738	11,258	185	51,049
Issue of shares	62	-	-	-
Investment properties:				
Surplus on revaluation	-	107	-	-
Realisation on disposals	-	(4,698)	-	4,698
Diminution transferred from revaluation reserve to profit & loss account	-	400	-	-
Tax on realisation of revaluation surpluses	-	-	-	(2,020)
Retained profit for the year (excluding share of joint venture)	-	-	-	9,665
	20,800	7,067	185	63,392
Joint venture				
Retained loss for the period	-	-	-	(2,006)
Investment properties:				
Surplus on revaluation	-	3,045	-	-
Tax on realisation of revaluation surpluses	-	-	-	(179)
	-	3,045	-	(2,185)
At 30 September 2001 - group and joint venture	20,800	10,112	185	61,207
Company				
At 1 October 2000	20,738	51	185	18,003
Issue of shares	62	-	-	-
Realisation on disposals	-	(51)	-	51
Retained profit for the year	-	-	-	66,940
At 30 September 2001	20,800	-	185	84,994

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 £69,982,000 (2000: £7,432,000). Included within the Company's profit and loss account balance of £84,994,000 is a total of £60,547,000 which is non-distributable as the profit arose on a transfer of assets between Group companies (2000: £Nil).

## Notes to the Financial Statements (continued)

### 22 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Profit for the financial year	10,701	10,946
Dividends	(3,042)	(2,666)
	7,659	8,280
Other recognised gains and losses for the year	507	(269)
New share capital issued	68	340
Tax on realisation of revaluation surpluses	(2,020)	(950)
Other recognised gains and losses for the year in joint venture	3,045	-
Tax on realisation of revaluation surpluses in joint venture	(179)	-
Share buy back	-	(4,273)
Effect of transfers to trading stock	-	(7,931)
Net additions to equity shareholders' funds	9,080	(4,803)
Opening equity shareholders' funds	89,394	94,197
Closing equity shareholders' funds	98,474	89,394

### 23 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	2001 £'000	2000 £'000
Increase/(decrease) in cash over period	15,541	(10,883)
Cash inflow from increase in debt	(38,411)	(26,324)
Change in net debt resulting from cashflows	(22,870)	(37,207)
Other non-cash items		
Loans acquired with subsidiary	-	(4,597)
Movement in net debt for the period	(22,870)	(41,804)
Net debt at 1 October 2000	(178,004)	(136,200)
Net debt at 30 September 2001	(200,874)	(178,004)

### 24 ANALYSIS OF NET DEBT

	At 1 Oct 2000 £'000	Cashflow £'000	Other non cash changes £'000	At 30 Sept 2001 £'000
Cash at bank and in hand	7,549	15,541		23,090
Debt due after one year	(159,461)	(85,923)	52,732	(192,652)
Debt due within one year	(26,092)	47,512	(52,732)	(31,312)
Total	(178,004)	(22,870)	-	(200,874)

### 25 ACQUISITIONS

During the year Grainger Trust plc entered into a joint venture agreement with Deutsche Bank AG's Real Estate Private Equity Group ("DB REPEG") to purchase the entire issued share capital of BPT plc for £476m. DB REPEG is responsible for the proprietary real estate investments of Deutsche Bank AG. The vehicle for the acquisition was Bromley Property Investments Limited ("BPIL") a wholly owned subsidiary of Bromley Property Holdings Limited ("BPHL") owned equally by Grainger Trust and Wepla Beteiligungsgesellschaft mbH ("WEPLA"), the investment vehicle acting on behalf of DB REPEG. BPIL was incorporated on 6 September 2000 for the specific purpose of implementing the offer. This offer to the shareholders of BPT plc was declared unconditional on 25 May 2001.

**25 ACQUISITIONS (CONTINUED)**

The consideration for Grainger Trust plc's investment in BPHL was:

	£'000
50% interest in the issued share capital of BPHL – satisfied by cash	13,760
Goodwill	441
	14,201
Loan to BPHL	40,000
	54,201

The assets and liabilities of BPT, and their provisional fair values, at the date of acquisition by BPIL were:

	Book value £'000	Revaluation £'000	Provisional fair value £'000
Fixed assets			
Intangible assets	1,435	(1,435)	-
Tangible assets	226,364	(11,209)	215,155
Investments	16,255	7,956	24,211
	244,054	(4,688)	239,366
Current assets			
Stock	310,806	362,307	673,113
Debtors	2,274	(130)	2,144
Cash at bank and in hand	330	-	330
	313,410	362,177	675,587
Total assets	557,464	357,489	914,953
Liabilities			
Creditors	24,779	28,279	52,098
Loans	250,655	1,921	252,576
Deferred taxation	349	66,400	66,749
Total liabilities	275,783	96,600	372,383
Net assets acquired	281,681	260,889	542,570
Negative goodwill			(57,826)
			484,744
Consideration			
Consideration satisfied by:	Loan stock £'000	Cash £'000	Total £'000
Direct acquisition of 87% of BPT shares	55,754	359,460	415,214
Acquisition of 13% of BPT shares via the purchase of 100% of the share capital of Warner Estate, Limited	-	60,862	60,862
	55,754	420,322	476,076
Acquisition expenses			8,668
			484,744

The fair valuation of property assets (fixed assets and stock) was arrived at by a full formal valuation performed by Chesterton plc. Investments were revalued to reflect the market value of the listed investment therein. Fair value adjustments were made to creditors principally to reflect the estimated costs of repaying BPT's loans. Deferred tax has been provided on the revalued assets and liabilities to the extent that it is likely to crystallise in the foreseeable future.

The negative goodwill is being released in the same proportion as properties acquired are recovered through sale.

At the time of its acquisition by BPIL, Warner Estate, Limited's only asset was a 13% holding of BPT's ordinary share capital.

The book value of assets and liabilities were taken from the management accounts of BPT plc on the date of acquisition. The fair value adjustments contain some provisional amounts which will be finalised in the 2002 financial statements.

# Notes to the Financial Statements (continued)

## 25 ACQUISITIONS (CONTINUED)

The Group's share of the joint venture's results for the period ended 30 September 2001 was:

	£'000
Turnover	25,415
Operating profit (after £18,000 amortisation of goodwill)	6,185
Net profit on disposal of fixed assets	219
Net interest payable and similar charges	(9,715)
Loss on ordinary activities before taxation	(3,311)
Taxation	1,305
Loss on ordinary activities after taxation	(2,006)

The Group's share of the gross assets and liabilities of the joint venture at 30 September 2001 was:

	£'000
Fixed assets	
Intangible assets	(27,667)
Tangible assets	110,587
Investments	11,617
	94,537
Current assets	
Stocks	322,146
Debtors	1,797
Cash at bank and in hand	34,531
	358,474
Creditors: amounts falling due within one year	(172,759)
Net current assets	185,715
Creditors: amounts falling due after more than one year	(234,755)
Deferred taxation	(30,859)
Net assets	14,638

The maturity of finance debt (net of issue costs) is as follows:

	£'000
In one year or less	141,601
Between one and two years	166,878
Between five and ten years	40,000
Over ten years	27,877
	376,356

## 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 2001 to £179,003,000 (2000: £119,751,000).

## 28 POST BALANCE SHEET EVENTS

On 14 December 2001, the Group completed the acquisition of a portfolio of Tenanted Residential properties in Solihull and Moseley from the Ideal Benefit Society for a total consideration of approximately £30m. This high quality portfolio comprises of 286 houses and 65 flats of which 159 of the total are subject to regulated tenancies. Gross rental income from the portfolio amounts to approximately £1.4m.

## 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 Annual General Meeting

For the year ended 30 September 2001

Notice is hereby given that the eighty-ninth annual general meeting of the Company will be held at Times Square, Newcastle upon Tyne, NE1 4EP on 5 March 2002 at 12.15pm 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 2001 be approved and adopted.
- 2 That the remuneration committee report for the year ended 30 September 2001 be approved.
- 3 That a dividend of 9.68p per share be paid on 6 March 2002 to all holders of Ordinary Shares on the Register of Members of the Company at the close of business on 15 February 2002, in respect of all Ordinary Shares then registered in their names.
- 4 That Nichola Pease be re-elected as a director.
- 5 That Stephen Dickinson be re-elected as a director.
- 6 That Robert Dickinson be re-elected as a director.

- 7 That Robin Hiscox, being recommended by the directors, be elected as a director.
- 8 That PricewaterhouseCoopers be re-appointed auditors of the Company, 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.

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

- 9 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 £308,497.

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 or 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.

# Notice of Annual General Meeting (continued)

For the year ended 30 September 2001

10 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 3,701,966.

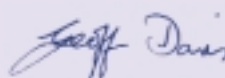
(b) the minimum price which may be paid for such shares is 25p per ordinary share.

(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.

By order of the Board



Geoffrey Davis  
Company Secretary  
25 January 2002

Times Square,  
Newcastle upon Tyne.  
NE1 4EP.

# Five Year Record

For the year ended 30 September 2001

## Consolidated profit and loss account

	1997	1998	1999	2000	2001
	£'000	£'000	£'000	£'000	£'000
Turnover**	42,448	44,812	60,118	68,218	124,718
Gross rentals	21,428	21,915	22,752	24,705	23,177
Sales of investment properties	18,889	8,047	13,275	19,860	39,986
Trading profits	7,883	8,843	12,601	19,441	26,142
Profit before taxation**	7,677	8,404	12,330	16,096	18,903
Profit after taxation and minority interests**	5,220	5,799	8,564	10,946	13,142
Dividends paid	1,808	2,045	2,353	2,666	3,042

pence per share

Earnings**	21.7	23.1	33.9	43.3	53.3
Dividends	7.50	8.10	9.32	10.72	12.33

## Group balance sheet

	£m				
Fixed assets and stocks on a financial statement basis	203.4	225.9	250.4	286.0	317.9
Fixed assets and stocks at replacement value***	238.2	270.7	335.0	439.3	520.9
Share capital and reserves	61.5	73.2	94.2	89.4	98.5
	£ per share				
Net asset value on financial statements basis	2.55	2.90	3.73	3.63	3.99
Net asset value including fixed assets and stocks at replacement value*	3.99	4.67	7.08	9.85	12.22 ***
Dividend cover**	2.9x	2.8x	3.6x	4.1x	4.3x
Gearing	134%	115%	77%	73%	67%
Share price at 30 September	307.5p	273.5p	397.5p	575.0p	757.5p

\*Corporation tax has not been provided on valuation surpluses relating to stocks.

\*\*Excluding exceptional items and including share of joint venture.

\*\*\*2001 includes share of the replacement value of joint venture properties and negative goodwill write back.

# Shareholders' Information

## FINANCIAL CALENDAR

Annual general meeting 5 March 2002

Payment of 2001  
final dividend 6 March 2002

Payment of half yearly interest on  
debenture stock 2024 31 March 2002

Announcement of 2002  
interim results June 2002

Payment of 2002  
interim dividend July 2002

Payment of half yearly interest on debenture  
stock 2024 30 September 2002

Announcement of 2002  
final results December 2002

## SHARE PRICE

During the year ended 30 September 2001,  
the range of mid market prices of the  
Company's ordinary shares were:

Price at 30 September 2001	757.5p
Lowest price during the year	572.5p
Highest price during the year	897.5p

Daily information on the Company's share  
price can be obtained 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

[www.graingertrust.co.uk](http://www.graingertrust.co.uk)

## EMAIL

[info@graingertrust.co.uk](mailto:info@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 IRG plc, Balfour House,  
390-398 High Road, Ilford, Essex.

## SECRETARY AND REGISTERED OFFICE

Geoffrey Davis, F.C.A.  
Times Square, Newcastle upon Tyne.  
NE1 4EP.

# Advisers

## Solicitors

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

Denton Wilde Sapte, 5 Chancery Lane,  
Cliffords Inn, London. EC4 1BU.

## Bankers

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

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

## Auditors

PricewaterhouseCoopers,  
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

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