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 11,000 units.

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

The Board of Directors

FROM LEFT TO RIGHT
Robert Dickinson, Stephen Dickinson, The Earl of Portsmouth, Rupert Dickinson, Robin Herbert, Robin Oldfield, John Ward, Andrew Cunningham, Emanuel Davidson, Nichola Pease.

*ROBERT DICKINSON, C.B.E., D.L., CHAIRMAN, CHAIRMAN OF NOMINATION COMMITTEE
Aged 67, Solicitor. Appointed a director of the Company in 1961, and Chairman in 1992. Chairman of Northern Investors Company PLC. Deputy Chairman of Reg Vardy plc. Chairman of University of Newcastle upon Tyne Development Trust.

STEPHEN DICKINSON, F.C.A., MANAGING DIRECTOR, MEMBER OF NOMINATION COMMITTEE
Aged 67, Chartered Accountant. In practice in British Virgin Islands 1963 – 1974. Appointed Managing Director of the Company in 1974. British Virgin Islands representative on United Kingdom Overseas Territories Association since 1993.

* THE EARL OF PORTSMOUTH MEMBER OF NOMINATION COMMITTEE
Aged 47. Appointed a director of the Company in 1987. Retiring from the Board at the annual general meeting.

RUPERT DICKINSON, M.R.I.C.S., DEPUTY MANAGING DIRECTOR
Aged 42, Chartered Surveyor. Joined the company in 1992 from Richard Ellis (now Insignia Richard Ellis). Appointed a director of the Company in 1994. Currently on secondment to BPT Limited as acting Chief Executive until the end of February 2002.

* ROBIN HERBERT, C.B.E., CHAIRMAN OF AUDIT COMMITTEE AND MEMBER OF REMUNERATION COMMITTEE
Aged 67. Appointed a director of the Company in 1994. Chairman of Leopold Joseph Holdings PLC, Investors Capital Trust plc and F & C Income Growth Investment Trust PLC.

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* ROBIN OLDFIELD, F.C.A., MEMBER OF AUDIT AND REMUNERATION COMMITTEES
Aged 54, Chartered Accountant. Appointed a director of the Company in 1994. Partner in Dixon Wilson, Chartered Accountants. Director of Middlesex Group Limited.

* JOHN WARD, O.B.E., D.L., MEMBER OF AUDIT COMMITTEE AND CHAIRMAN OF REMUNERATION COMMITTEE
Aged 68. Appointed a director of the Company in 1994. Director of Arriva plc and Northern Investors Company PLC.

ANDREW CUNNINGHAM, F.C.A., FINANCE DIRECTOR
Aged 45. 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.

* EMANUEL DAVIDSON, MEMBER OF REMUNERATION COMMITTEE
Aged 70. Appointed a director of the Company in December 1996. Executive Chairman of Asda Property Holdings PLC and non-executive director of Leopold Joseph Holdings PLC. Retiring from the Board at the annual general meeting.

* NICHOLA PEASE, BA
Aged 40. Appointed a director of the Company in June 2001. Chief Executive of J O Hambro Capital Management Limited and is a former Managing director of Smith New Court Europe and director of Smith New Court plc. She was also European Asset Portfolio Manager for Rowe Price Fleming before joining J O Hambro in 1998. Director of Northern Rock plc.

* Non-executive director

Financial Highlights

	2001	2000
Turnover (including joint venture)	£124.7m	£68.2m
Gross rental income	£23.2m	£24.7m
* Profit before tax (including joint venture)	£18.9m	£16.1m
* Earnings per share	53.3p	43.3p
Dividends per share	12.33p	10.72p
Net asset value per share	£12.22	£9.85
Property assets at market value		
Tenanted residential	£288m	£259m
Development and trading	£140m	£179m
Joint venture	£92m	-
Total property assets/joint venture	£520m	£438m
Net borrowings	£201m	£178m
Net assets at market value (prior to contingent tax and cost of debt adjustment)	£301m	£243m
Gearing	67%	73%
Administrative expenses as percentage of Group turnover	4.0%	5.0%
* Dividend cover	4.3x	4.1x
Market capitalisation at 30 September	£187m	£142m

SHARE PRICE

	2001	2000
Highest price during the year	897.5p	595.0p
Lowest price during the year	572.5p	340.0p
Price at 30 September	757.5p	575.0p

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

Chairman's Statement

"An excellent and significant year for Grainger. Continued successful performance from our traditional businesses and the important acquisition through our 50% Joint Venture of BPT plc, previously the largest quoted company in our sector. This transaction should fundamentally change the future prospects of our Group."

This has been an excellent and very important year for Grainger Trust. Not only have our traditional businesses performed well, but we have been successful with our 50% partner, Deutsche Bank Real Estate Private Equity Group, in the acquisition of BPT plc (BPT). BPT was the largest quoted company in the Tenanted Residential sector, and a major competitor for many years. This transaction should fundamentally change the future prospects of our Group. The completion of this acquisition was only made possible by the calibre and determination of our Executive Directors. Our recruitment policies are also showing positive results in the continued success of our traditional Tenanted Residential business and the completion of our first major commercial development project, with our partners Astral, at Thurrock. This development has received a major industry award for the Best Speculative Warehouse Scheme in the United Kingdom.

I am sorry to tell you that both Quentin Portsmouth and Manny Davidson have decided to retire from the Board at this year's annual general meeting. Quentin became a director in 1987 and has been of great assistance to the Group in many ways, in particular his invaluable help in the successful resolution of the Kennel Farm planning application. Manny has been with us since December 1996 and his great experience has been of major assistance in the growth of our Development and Trading activities. We will miss their wise counsel and are very grateful to them for their contribution to the growth of Grainger Trust.

During the year Nichola Pease, the Chief Executive of J O Hambro Capital Management Limited joined the Board and a resolution to re-elect her will be put before you at the annual general meeting. Nichola is already making an important contribution to our deliberations. A resolution will also be put proposing the election of Robert Hiscox to the Board. Robert is Chairman of Hiscox PLC and a Trustee of the Portsmouth Settled Estates and I am confident that he also will make a valuable contribution to the Group.

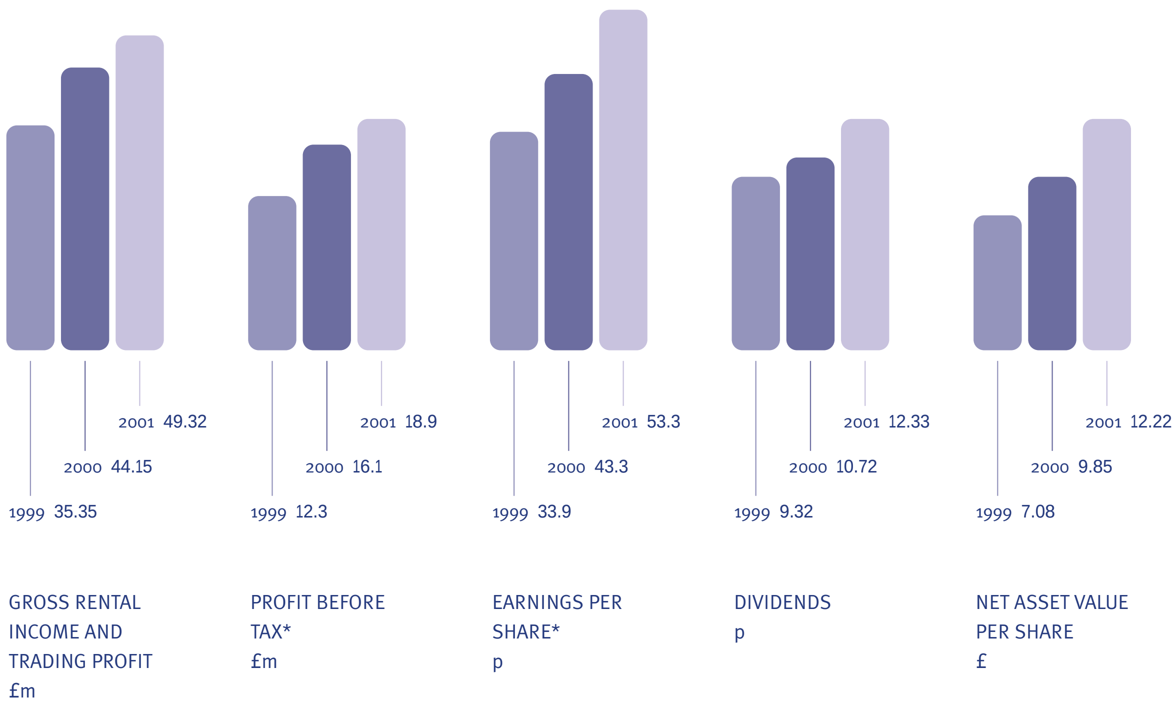
All your staff have worked very hard during the year to contribute to the success of the Group and on your behalf I express my gratitude to them for what has been achieved.

Your directors continue to have every confidence in the Group's future prospects, nevertheless the tragic events of September 11th may accentuate declining world economic activity, and caution is required.

Robert Dickinson
Chairman
25 January 2002

Results

Gross rental income and trading profit	UP	11.7%
Profit before tax*	UP	17.4%
Earnings per share*	UP	23.1%
Dividends	UP	15.0%
Net asset value per share	UP	24.1%



*Before exceptional item and includes share of joint venture.

Managing Director's Review of Operations

"Good results for the year. Increases in profits before exceptional item, NAV and NNNAV. Dividends increased by 15% for the third successive year. Continued development of our core, Tenanted Residential, business by direct investment and through the BPT JV. Positive results in residential land, and sharply growing momentum in our development activities."

OPERATING REVIEW

Underlying pre tax profits increased 38% to £22.2m (2000: £16.1m). Two deductions fall to be made, firstly £3.5m being the cost of the part redemption of the Quoted Debentures, and secondly £3.3m being our share of the pre tax loss arising from our 50% interest in Bromley Property Holdings Limited (BPHL), the owner of BPT Limited (BPT). This reduces pre tax profits for the year to £15.4m. Year end Net Asset Value per share (NAV) increased 24% to £12.22 (2000: £9.85), and Net Net NAV (NNNAV) by 21% to £9.00 per share (2000: £7.41).

A final dividend of 9.68p per share is recommended which together with the interim of 2.65p, will make a total of 12.33p per share, an increase of 15% (2000: 10.72p) for the third consecutive year.

GROUP OPERATING STRUCTURE

This has been simplified so that the Grainger Group operates in two divisions, the core Tenanted Residential and Development and Trading, into which all other activities are grouped. The latter includes the commercial investment property holdings which have been run down from £64m to £27m during the year, further sales of £8m are now in hand. The BPT interest exists as a separate entity with its own management. Currently Rupert Dickinson, our Deputy Managing Director, is seconded as its Chief Executive.

BPT

The dominant event of the year has been the acquisition of 50% of BPT, with our Joint Venture partners Deutsche Bank Real Estate Private Equity Group. Since acquisition on 25 May this year to the end of November BPT has sold £84m of properties and its 22% interest in Mountview Estates Limited for £23m. There is also a further £106m in solicitors hands, so that disposals to date given that all matters proceed will total £213m. We are discussing with institutions the introduction of funding into the new build Assured Tenancy (AST) portfolio. The disposal programme is resulting in the de-gearing of the Joint Venture, whose debt is non recourse to ourselves.

We are pleased at the general quality of the BPT properties, and we are grateful to the BPT staff for their co-operation over this period.

	Tenanted Residential		Development and Trading		Total	
	2001	2000	2001	2000	2001	2000
	£m	£m	£m	£m	£m	£m
Turnover*	51.7	43.4	47.6	24.8	99.3	68.2
Net rental income*	7.7	8.7	5.5	7.0	13.2	15.7
Operating profit*	22.2	20.3	13.4	11.8	35.6	32.1
Net assets	186.6	132.9	77.5	109.8	264.1	242.7

*Excluding share of joint venture results.

Albert Court, London

Tenanted Residential

	2001 £m	2000 £m
Operating contribution	22.2	20.5
Gross rental	15.3	14.8
Trading profits	16.5	13.6
Cost of properties	163.1	152.4
Investment value of properties	287.7	258.9

Tenanted Residential

The operating contribution has increased by 8% to £22.2m (2000: £20.5m). Trading profits increased to £16.5m (2000: £13.6m) whilst net rentals decreased to £7.7m (2000: £8.7m) because of heavy planned repair expenditure. Such expenditure should reflect both in fair rental increases and ultimate vacant possession values. A lot of the stock we currently purchase dates from before the second World War and may well not have been the subject of a proper general overhaul for some time. This is due, in great part, to Government policies constraining private sector regulated rents at levels below market. Currently our average registered regulated rent in London and the South East is £85 per week, which compares with a market rental estimated at £133, a subsidy to the tenant of 36%.

House prices have been buoyant over the year, with the emphasis shifting from London and the South East as the ripple effect works out. London and the South East increased by 8% (2000: 20%) whilst the South/South West increased by 21% (2000: 15%) and for the first time for some years we saw improvements in the Midlands and North, 5% (2000: 0%).

This latter effect is caused partially by local hot spots and secondly by our policy of selling ex industrial housing. The latter can often be sold at prices above vacant possession values when the purchaser is concentrating on investment yield. An advantage of having a national portfolio is that the full ripple effect is received. The lower cost and higher yielding properties in the Midlands and North can, on occasion, produce returns on ultimate vacancy as a percentage of capital employed as attractive as those available in London/South East.

House prices at higher levels have suffered from the tragic events of September 11th. Otherwise sales of our properties having an average vacant possession value at the year end of £75,000 are continuing normally, and we have noticed a slight house price increase in all regions since the year end. The reductions in interest rates have been an important factor.

During the year house numbers fell from 5,250 to 4,946, mainly because of the disposal programme referred to above, 247 units being sold as investments. Since the year end we have acquired 479 units at a cost of £42m, the main purchase being the acquisition of 350 units in Birmingham from the Ideal Benefit Society. This is an attractive estate which will be a focus of activity.

	2001	2000	% Increase/ decrease
No. of residential units	4,946	5,250	(6)
Investment value £m	288	259	11
Vacant possession value £m	389	352	11
Gross year end rental £m	15	15	-

	No. residential	Vacant possession value £m	% of Vacant possession	Investment value £m	Current gross rentals £m	Estimated at market £m
Regulated	3,726	297.1	73	214.0	11.6	15.9
Assured tenancies	701	39.2	80	31.2	2.6	2.7
Vacant properties	386	23.4	90	21.1	-	-
Life tenancies	133	12.8	56	7.1	0.1	0.1
Other interests	-	16.0	-	14.3	0.2	0.2
	4,946	388.5	-	287.7	14.5	18.9

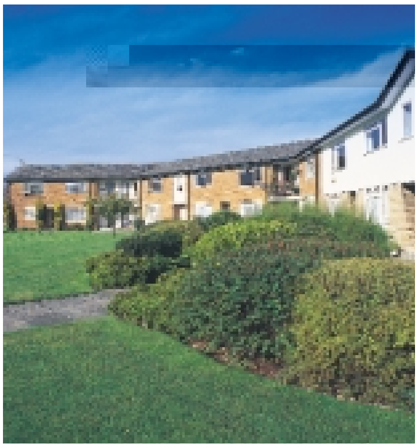
Tenanted Residential Portfolio


Canfold Cottages, Ewhurst, Cranleigh, Surrey

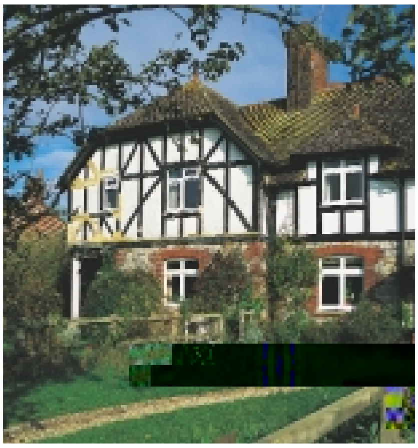

Hobury Street, London


Dene Terrace, Walbottle, Tyne & Wear


Notting Hill Gate, London


Warren Court, Westcliffe Road, Birkdale, Southport


Stanhope Gardens, London


Grange Cottages, West Overton, Wiltshire


Hamble House, Andover, Hampshire


Pitmaston Court, Moseley, Birmingham

Gensurco House, Exmouth Market, London

Development and Trading

	2001 £m	2000 £m
Operating contribution	15.1	10.9
Gross rentals	7.9	9.9
Net rentals	5.5	7.0
Trading profit	9.6	5.8
Cost of properties	93.7	124.1
Investment value of properties	140.1	179.1

Development and Trading

The operating contribution increased by 39% to £15.1m (2000: £10.9m). Trading profits have increased to £9.6m (2000: £5.8m) whilst net rentals because of the programme of disposal of investment properties mentioned above, fell to £5.5m (2000: £7.0m). The increase in trading profits arises mainly from the Kennel Farm residential land activity at Basingstoke.

DEVELOPMENT

This is gaining momentum. Our first major development carried out with our partner Astral, the 157,000 sq.ft. four unit scheme at Thurrock received the Industrial Agents Society 2001 award as the Best Speculative Warehouse Scheme in the United Kingdom. We sold a unit during the last financial year, a second this year and a third is now in solicitors hands. These transactions involve 116,000 sq.ft. which leaves a fourth unit of 41,000 sq.ft. currently attracting interest. Our second major scheme is the 170,000 sq.ft. mixed use complex, Landmark Place, in the centre of Slough. The hotel element has been sold to Travelodge, the leisure unit has been pre-let and there are many interested parties in the restaurant premises. The 68,000 sq.ft. offices feature 18,000 sq.ft. divisible floor plates, a particularly favourable allocation of 188 car parking spaces and a two minute walk to the station.

Detailed planning permission has been obtained for two schemes at Kennel Farm. The construction of the 30,000 sq.ft. local centre will start next summer, and will involve a 5,000 sq.ft. creche, for which there is considerable competition, retail premises, a surgery and 24 flats. Construction of the 100,000 sq.ft. business park has been postponed for the time being, due to economic circumstances. Its location almost adjacent to Junction 7 of the M3, as compared with the majority of similar space in the Basingstoke area, should provide a material advantage.

Construction is expected to start in early 2002 on the Pimlico bus station scheme. We have arranged to pre fund the 79 private flat element and have been involved in detailed planning of the development with the sponsors, Network Housing Association. The overall scheme will involve a Sainsburys superstore, retail shops and both private and social housing. If proceeded with it will materially improve the general area, as well as providing much needed Central London accommodation.

The outline planning application for the 80,000 sq.ft. office and mixed use redevelopment for Townsend House has been turned down on appeal. We are preparing alternative plans which we believe will meet the Inspector's and the Planning Committee's concerns. If the development options fail we retain a reversionary office investment, which is valued well in excess of cost.

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Kennel Farm, Basingstoke, Hampshire