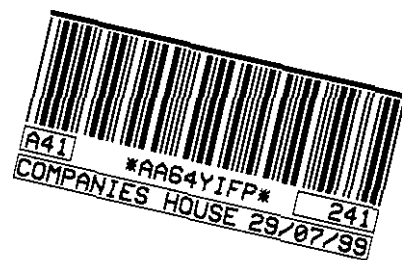


Argent Group Developments PLC

Directors' report and financial statements

31 December 1998

Registered number 591419



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activity of the company is as an intermediate holding company for a group whose principal activity is that of property development and investment.

Results and business review

The results for the year are shown on page 3 of the financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend (1997: £63,055,911).

Directors and directors' interests

The directors who held office during the year were as follows:

R N Madelin	
AJ Giddings	(appointed 3 February 1998)
D J Partridge	(appointed 3 February 1998)
A J S Prower	(appointed 3 February 1998)
M I Freeman	(resigned 3 February 1998)
P G Freeman	(resigned 3 February 1998)
R A Laurence	(resigned 3 February 1998)
R M Millar	(resigned 3 February 1998)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of either the company or its holding company, Argent Group PLC.

Political and charitable contributions

The company made no political contributions or charitable donations during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Creditor payment policy

The company does not have any trade creditors owing to the nature of its trade.

By order of the board



AJS Prower
Director

5 Albany Courtyard
Piccadilly
London
W1V 9RB
26 July 1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of Argent Group Developments PLC

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 July 1999

Profit and loss account
for the year ended 31 December 1998

	<i>Note</i>	1998 £	1997 £
Sale of investments		-	9,975,000
Dividends receivable from Argent Projects Partnership		14,420,061	-
Dividends receivable from subsidiary undertakings		-	40,030,061
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	14,420,061	50,005,601
Tax on profit on ordinary activities	5	(4,844,498)	(160,000)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		9,575,563	49,845,601
Dividend proposed		-	(63,055,911)
		<hr/>	<hr/>
Retained profit/(loss) for the financial year	10	9,575,563	(13,210,310)
		<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains or losses other than the loss for the year.

There is no difference between the results as stated and those on a historical cost basis.

All amounts derive from continuing operations.

Balance sheet
at 31 December 1998

	Note	1998	1997
		£	£
Fixed assets			
Investments	6	34,882,107	34,882,107
		<hr/>	<hr/>
Current assets			
Debtors	7	9,575,563	40,030,601
Creditors: amounts falling due within one year	8	(34,682,107)	(74,712,708)
		<hr/>	<hr/>
Net current liabilities		(25,106,544)	(34,682,107)
		<hr/>	<hr/>
Total assets less current liabilities		9,775,563	200,000
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	9	200,000	200,000
Profit and loss account	10	9,575,563	-
		<hr/>	<hr/>
Equity shareholders' funds		9,775,563	200,000
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 26 July 1999 and were signed on its behalf by:



RN Madelin
Director



AJS Prower
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 1998

	1998 £	1997 £
Profit on ordinary activities after taxation	9,575,563	49,845,601
Dividend proposed	-	(63,055,911)
	<hr/>	<hr/>
Net increase/(reduction) in shareholders' funds	9,575,563	(13,210,310)
Opening shareholders' funds	200,000	13,410,310
	<hr/>	<hr/>
Closing shareholders' funds	9,775,563	200,000
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Argent Group PLC, the company's holding company, has indicated that it intends to provide such funds as are necessary for the company to meet its reasonably anticipated obligations for the foreseeable future. On these grounds the financial statements have been prepared on the going concern basis.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Argent Group PLC, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Investments

Investments are stated at cost less permanent diminution in value.

2 Profit on ordinary activities before taxation

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	-	-
	<hr/>	<hr/>

3 Remuneration of directors

None of the directors received any emoluments from the company (1997: £nil).

4 Staff numbers and costs

The company did not employ any staff during the year (1997: nil).

Notes (continued)

5 Tax on profit on ordinary activities

	1998 £	1997 £
UK corporation tax at 31% (1997: 31.5 %)	4,844,498	160,000

6 Fixed asset investments

	1998 £	1997 £
At beginning of year	34,882,107	26,657,107
Additions	-	9,975,000
Disposals	-	(1,750,000)
At end of year	34,882,107	34,882,107

The company's principal subsidiaries all of which are registered in England and Wales at 31 December 1998 are listed below:

Name	% held	Nature of trade
Argent Estates Limited	100	Property development
Argent (Nash House) Limited	100	Property development
Argent Covent Gardens Limited	100	Property development
Argent Enterprises Limited	100	Property development
Argent Construction Limited	100	Construction management
Liquid Properties Limited	100	Property development
Evershot Developments Limited	100	Property development
Argent Real Estate (Knightsbridge) Limited	100	Property development
Laurence Estates Limited	100	Property development
Brindleyplace PLC	100	Property development

The company also holds an interest in the Argent Project Partnership (see note 11).

7 Debtors

	1998 £	1997 £
Amounts owed by group undertakings	9,575,563	40,030,601

Notes (continued)

8 Creditors: amounts falling due within one year

	1998 £	1997 £
Amounts owed to group undertakings	34,522,107	11,496,797
Dividend payable to parent undertaking	-	63,055,911
Corporation tax payable	160,000	160,000
	<u>34,682,107</u>	<u>74,712,708</u>

9 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	200,000	200,000
	<u>200,000</u>	<u>200,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	200,000	200,000
	<u>200,000</u>	<u>200,000</u>

10 Profit and loss account

	1998 £	1997 £
At beginning of year	-	13,210,310
Profit on ordinary activities after taxation	9,575,563	49,845,601
Dividend proposed	-	(63,055,911)
	<u>9,575,563</u>	<u>-</u>
At end of year	<u>9,575,563</u>	<u>-</u>

Notes *(continued)*

11 Related party transactions

On 19 December 1997 a partnership was set up to which Argent Group Developments PLC transferred some assets in return for an equity stake in the partnership. The other partnership members are: Michael and Peter Freeman (directors of Argent Group PLC), Argent Group PLC and Argent Estates Limited.

12 Ultimate holding company

The company is a subsidiary undertaking of the BT Pension Scheme.

The largest company in which the results of the company are consolidated is that headed by BriTel Property Acquisitions Limited incorporated in England. The smallest group in which they are consolidated is that headed Argent Group PLC incorporated in England.

The consolidated financial statements of BriTel Property Acquisitions Limited and Argent Group PLC may be obtained from the Registrar of Companies, Companies House, Cown Way, Maindy, Cardiff CF4 3UZ.