

ARGENT GROUP INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002



Registered No: 2613458

ARGENT GROUP INVESTMENTS LIMITED

DIRECTORS' REPORT

Directors: D W Davies (resigned 23 September 2002)
A Ross Goobey (resigned 23 September 2002)
R Harrold (appointed 24 September 2002)

Secretary: M S Green

Registered Office: Lloyds Chambers, 1 Portsoken Street, London E1 8HZ.

The Directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company was property investment. The company has disposed of all its property investments and the directors do not intend to enter into any new investment activity.

On 15 April 2003, the company repurchased 100,098 ordinary £1 shares at a price of £44,114,105.

RESULTS AND BUSINESS REVIEW

The results for the year are shown on the attached profit and loss account.

DIVIDENDS

The Directors recommended a dividend of £2,395,520 during the year (2001 – nil).

DIRECTORS AND DIRECTORS' INTERESTS

Mr D W Davies and Mr A Ross Goobey both resigned on 23 September 2002. Mr R Harrold was appointed on 24 September 2002. Mr R A Padgett retired on 15 May 2003.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company nor any group company.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office and a resolution proposing their reappointment will be submitted to the annual general meeting.

By order of the Board



M S GREEN
Secretary

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ARGENT GROUP INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARGENT GROUP INVESTMENTS LIMITED

We have audited the financial statements of Argent Group Investments Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in the auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

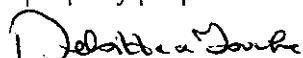
BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors

London

9 July 2003

ARGENT GROUP INVESTMENTS LIMITED
**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note	2002 £	2001 £
Administrative expenses		<u>(54,391)</u>	<u>(16,785)</u>
OPERATING LOSS	2	(54,391)	(16,785)
Interest receivable	3	1,741,296	2,316,753
Interest payable		<u>-</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,686,905	2,299,968
Tax on profit on ordinary activities	6	<u>(538,928)</u>	<u>(689,990)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,147,977	1,609,978
Dividends		<u>(2,395,520)</u>	<u>-</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(1,247,543)</u>	<u>1,609,978</u>

STATEMENT OF RETAINED RESERVES

Balance at start of year	1,361,959	(248,019)
(Loss)/Profit for the year	<u>(1,247,543)</u>	<u>1,609,978</u>
Balance at end of year	<u>114,416</u>	<u>1,361,959</u>

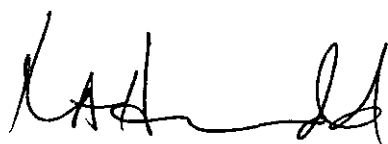
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses or movements in shareholders' funds during the year or the prior year other than the profit on ordinary activities after taxation disclosed above. Accordingly no statement of total recognised gains or losses or reconciliation of movement in shareholders' funds is given. All operations are continuing operations.

ARGENT GROUP INVESTMENTS LIMITED
BALANCE SHEET - 31 DECEMBER 2002

	Note	2002 £	2001 £
CURRENT ASSETS			
Debtors	7	47,120,285	600,040
Cash at bank and in hand		46,600,000	48,190,507
		<u>93,720,285</u>	<u>48,790,547</u>
CREDITORS: amounts falling due within one year	8	(49,491,762)	(3,314,481)
NET CURRENT ASSETS		<u>44,228,523</u>	<u>45,476,066</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>44,228,523</u>	<u>45,476,066</u>
CAPITAL AND RESERVES			
Called up share capital	9	100,100	100,100
Share premium account	9	44,014,007	44,014,007
Profit and loss account		<u>114,416</u>	<u>1,361,959</u>
EQUITY SHAREHOLDERS' FUNDS		<u>44,228,523</u>	<u>45,476,066</u>

These financial statements were approved by the board of directors on **09/07/ 2003** and were signed on its behalf by:



R HARROLD
Director

ARGENT GROUP INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002

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.

a) Basis of preparation

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

b) Cash Flow

Under Financial Reporting Standard 1 (FRS1) 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.

c) Related party transactions

As the company is a wholly owned subsidiary of BriTel Property Acquisitions Limited, 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.

d) Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

2. OPERATING LOSS is stated after charging:

	2002	2001
	£	£
Auditors' remuneration: audit	<u>2,000</u>	<u>-</u>

The auditors' remuneration for the year ended 31 December 2001 was borne by the BT Pension Scheme.

ARGENT GROUP INVESTMENTS LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)****3. INTEREST RECEIVABLE**

	2002	2001
	£	£
Group undertakings	1,730,001	2,297,816
Bank	11,295	18,937
	<u>1,741,296</u>	<u>2,316,753</u>

4. REMUNERATION OF DIRECTORS

None of the directors received any emoluments from the company (2001: £nil).

5. STAFF NUMBERS AND COSTS

The company did not employ any staff during the year (2001: nil).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£	£
The tax charge comprises:		
UK corporation tax at 30% (2001: 30%)	<u>538,928</u>	<u>689,990</u>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 – 30%)

The differences are reconciled below:

	2002
	£
Profit on ordinary activities before tax	<u>1,686,905</u>
Tax on profits on ordinary activities at UK standard rate of 30%	506,071
Expenses not deductible for tax purposes	44,726
Deferred tax assets not recognised	<u>(11,869)</u>
Current tax in accounts	<u>538,928</u>

ARGENT GROUP INVESTMENTS LIMITED
**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)**
7. DEBTORS

	2002	2001
	£	£
Amounts due from ultimate parent undertaking	47,119,114	447,432
Other debtors	1,171	152,608
	<u>47,120,285</u>	<u>600,040</u>

8. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Bank overdraft	45,499,283	-
Amount due to parent undertaking	2,858,949	2,307,468
Sundry creditors	132,658	234,903
Dividends payable	226,762	-
Corporation tax	772,110	772,110
Accruals	2,000	-
	<u>49,491,762</u>	<u>3,314,481</u>

9. CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	2002	2001
	£	£
Authorised:		
Ordinary shares of £1 each	<u>5,151,000</u>	<u>5,151,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>100,100</u>	<u>100,100</u>
Share premium account	<u>44,014,007</u>	<u>44,014,007</u>

ARGENT GROUP INVESTMENTS LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)****10. ULTIMATE HOLDING COMPANY**

The company is a wholly owned subsidiary of BriTel Property Acquisitions Limited, which is incorporated in Great Britain and registered in England and Wales. The results of the company are consolidated within the BriTel Property Acquisitions Limited accounts.

The ultimate parent and controlling party is the BT Pension Scheme, which is the largest entity in which the company's results are consolidated.

The consolidated accounts of BriTel Property Acquisitions Limited are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

11. POST BALANCE SHEET EVENTS

On 15 April 2003 the company repurchased 100,098 ordinary £1 shares at a price of £44,114,105.