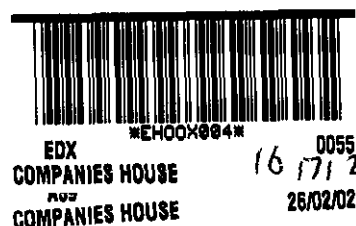


Reports and Financial Statements

31st December 1999

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To the Company's Ordinary Shareholders**Elective Regime**

The Company has passed elective resolutions in accordance with Section 379A of the Companies Act 1985 as amended ("the Act") to dispense with the formalities of:

- the laying of accounts before the Company in general meeting (Section 252 of the Act);
- the holding of annual general meetings (Section 366A of the Act);
- the obligation to appoint auditors annually (Section 386 of the Act).

Section 253(2) gives members the right to require the laying of accounts before the Company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with Section 238(1) of the Act.

Registered Office:
Armoury House
City Road
London EC1Y 2BQ

OFFICERS AND AUDITORS

DIRECTORS

Ms DJ Penfold (Appointed 2nd March 1999-Resigned 13th April 1999)
Ms CA Wilson (Appointed 2nd March 1999-Resigned 13th April 1999)
LDC Corporate Director Number 1 Ltd (Appointed 14th April 1999)

SECRETARY

Swift Incorporations Ltd (Appointed 2nd March 1999-Resigned 18th March 1999)
Office Organisation and Services Ltd (Appointed 18th March 1999-Resigned 13th April 1999)
Law Debenture Corporate Services Ltd (appointed 14th April 1999)

AUDITORS

KPMG
Chartered Accountants
1 Puddle Dock
Blackfriars
London
EC4 3PD

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the period ended 31st December 1999.

ACTIVITIES

The company was incorporated on 2nd March 1999. The principal activity of the Company is to own land in Wales, known as the Welsh Pencelli Estate, on behalf of the ultimate holding company.

RESULTS AND DIVIDENDS

The Company did not trade during the period. The Directors do not recommend payment of a dividend.

FUTURE PROSPECTS

No change in the Company's activities is envisaged in the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The Directors have no interest in the shares of the Company nor any disclosable interests in any contracts or arrangements with the Company subsisting at the end of the financial year. In the Period the following director had an interest in the Ordinary shares of the Company:

Ms DJ Penfold acquired one share on Incorporation of the Company on 2nd March 1999 and ceased to hold this share on 13th April 1999.

Approved by the Board of Directors on 18th February 2002
And signed on Behalf of the Board



M A Holmes
Secretary

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 as at the end of the financial year and of the profit or loss of the Company 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;
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENCELLI LIMITED

We have audited the financial statements on pages 7 to 10.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

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 the Company's affairs as at 31 December 1999 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

1 Puddle Dock
Blackfriars
London
EC4 3PD

18th February 2002

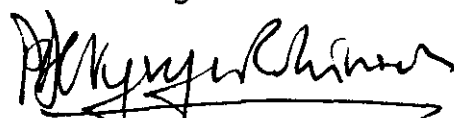
**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 December 1999**

During the period the Company did not trade and received no income and incurred no expenditure. Consequently, during this period the Company made neither a profit nor a loss.

**BALANCE SHEET
AS AT 31 DECEMBER 1999**

	Note	1999 £
FIXED ASSETS		
The Welsh Pencelli Estate	4	328,773
CURRENT LIABILITIES		
Amounts owed to group undertakings	5	(28,773)
NET ASSETS		<hr/> 300,000
CAPITAL AND RESERVES		
Called up share capital	6	<hr/> 300,000
EQUITY SHAREHOLDERS' FUNDS		<hr/> 300,000

The financial statements were approved by the Board of Directors on 21st January 2002 and signed on their behalf by:



Peter Vyvyan-Robinson
Director

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards and on the historical cost basis.

2. ULTIMATE PARENT COMPANY

The Company's holding company and ultimate parent company is the Honourable Artillery Company registered in England and Wales. A copy of the Honourable Artillery Company's published consolidated financial statements can be obtained from The Secretary, Armoury House, City Road, London EC1Y 2BQ.

3. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The Company had no employees during the year. The Directors did not receive any emoluments from the Company. The audit fee was borne by the parent entity.

4. FIXED ASSETS

	£
Cost at Date of Incorporation (2 nd March 1999)	£Nil
Additions at Cost:	
The Welsh Pencelli Estate	<u>328,773</u>
Cost at 31 st December 1999	<u>328,773</u>

The Welsh Pencilli Estate consists of 14,000 acres of Land in the Brecon Beacons. Because of its nature the directors do not believe that it is necessary to make any provision for depreciation.

5. AMOUNTS OWED TO GROUP UNDERTAKINGS

	1999 £
Amount owed to the ultimate holding company	<u>28,773</u>

6. CALLED UP SHARE CAPITAL

	1999 £
Authorised	
Ordinary Shares of £1 each	<u>300,000</u>
Issued	
Ordinary Shares of £1 each	<u>300,000</u>

NOTES TO THE ACCOUNTS (continued)**7. CASH FLOW STATEMENT**

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

8. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose transactions with entities that are part of the Honourable Artillery Company group, or investees of the group qualifying as related parties, as all of the Company's voting rights are controlled within that group. There are no material transactions with any other related parties.