

Pentland Aviation Fuelling Services Limited

Registered No. 2544586

Report and Financial Statements

For the Year Ended 31 December 2006

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Pentland Aviation Fuelling Services Limited

Directors' Report For The Year Ended 31 December 2006

The Directors present herewith their report and the audited financial statements of the Company for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The principal activity of the company is to manage and maintain facilities for storing Jet A1 fuel at Glasgow and Edinburgh airports and to provide into-plane services for airlines using those airports.

CONSTITUTION

Pentland Aviation Fuelling Services Limited is a joint venture company equally owned by ConocoPhillips Limited, BP International Limited, Kuwait Petroleum International Aviation Company (UK) Limited and Statoil ASA

On 30 April 2005, the Aberdeen business and assets were sold to Grampian Aviation Fuelling Services Ltd and all operations at Aberdeen previously undertaken by the company ceased as of this date and loans due to ConocoPhillips Limited and BP International Limited part repaid as part of this transaction

DIRECTORS' INTERESTS IN SHARES

None of the directors in office at the end of the year had any disclosable interests in the share capital of the company during the year

REVIEW OF THE BUSINESS

In order to assess the performance of the business the following key indicators are used

	<u>2006</u>	<u>2005</u>	<u>Var</u> <u>%</u>
Volume of Fuel Delivered (mm litres)	530	462	14.7
Movements of Fuel Delivered	108,009	103,181	4.7

A summary of the results for the year is given on page 7 of the Financial Statements

The directors consider the results to be satisfactory

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £312,816 (2005. £441,095)

The Directors paid a dividend of £nil during the year (2005 £760,734)

The share capital is jointly owned by ConocoPhillips Limited, BP International Limited, Kuwait Petroleum International Aviation Company (UK) Limited and Statoil ASA

Pentland Aviation Fuelling Services Limited

Directors' Report For The Year Ended 31 December 2006

DIRECTORS

The directors of the company during the year were

AS Chubb (Resigned 01 March 2007)
A Conway
R Crowe
PJ Dubenski
JA Grant
IC Harrison (Appointed 01 March 2007)
E Hatlebakk (Norwegian)
T Kjolberg
A Ljungmann (Norwegian)
TDA Simmons (Appointed 01 January 2006)
RJ Turner
MB Welch (Resigned 01 January 2006)

There are no directors interests requiring disclosure under the Companies Act 1985.

DISCLOSURE OF INFORMATION TO THE AUDITORS

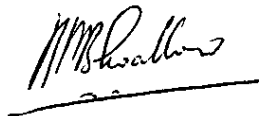
Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

AUDITORS

Ernst & Young LLP have signified their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting



on behalf of the board

R P B Swallow

Company Secretary

Date Approved: 31st October 2007.

Registered Office
Portman House
2 Portman Street
London
W1H 6DU

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs the company 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 UK 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 are also responsible 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 PENTLAND AVIATION FUELLING SERVICES LIMITED

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. 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 an 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Luton

Date *5 November 2007*

Pentland Aviation Fuelling Services Limited

Profit And Loss Account For The Year Ended 31 December 2006

	<u>NOTE</u>	<u>2006</u> £	<u>2005</u> £
TURNOVER	2	6,447,448	5,905,077
COST OF SALES		<u>(2,011,298)</u>	<u>(1,833,691)</u>
GROSS PROFIT		4,436,150	4,071,386
ADMINISTRATIVE EXPENSES		(2,945,552)	(2,425,486)
OTHER OPERATING COSTS		<u>(874,299)</u>	<u>(825,150)</u>
OPERATING PROFIT	3	616,299	820,750
INTEREST RECEIVABLE	4	73,750	78,267
INTEREST PAYABLE	5	(161,015)	(180,690)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>529,034</u>	<u>718,327</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	<u>(216,218)</u>	<u>(277,232)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>312,816</u>	<u>441,095</u>

The notes on pages 10 to 17 form an integral part of these financial statements. All turnover and operating profit arise from continuing activity.

There are no other recognised gains or losses other than the profit (2005: profit) shown above.

The reconciliation of the movement in shareholders' funds is provided in Note 14.

Pentland Aviation Fuelling Services Limited

Balance Sheet At 31 December 2006

	<u>NOTE</u>	<u>2006</u> £	<u>2005</u> £
<u>FIXED ASSETS</u>			
TANGIBLE ASSETS	8	<u>4,979,493</u>	<u>4,122,702</u>
<u>CURRENT ASSETS</u>			
DEBTORS	9	1,857,372	1,644,319
CASH AT BANK AND IN HAND		<u>767,220</u>	<u>1,060,953</u>
		2,624,592	2,705,272
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(1,445,064)</u>	<u>(1,026,878)</u>
NET CURRENT ASSETS		<u>1,179,528</u>	<u>1,678,394</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,159,021</u>	<u>5,801,096</u>
CREDITORS:			
AMOUNT FALLING DUE AFTER ONE YEAR	11	(3,170,200)	(3,170,200)
PROVISIONS FOR LIABILITIES	12	(1,129,375)	(1,084,266)
NET ASSETS		<u>1,859,446</u>	<u>1,546,630</u>
<u>FINANCED BY:</u>			
CALLED UP SHARE CAPITAL	13	600	600
PROFIT & LOSS ACCOUNT	14	312,816	-
OTHER RESERVES	14	<u>1,546,030</u>	<u>1,546,030</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>1,859,446</u>	<u>1,546,630</u>

APPROVED BY THE BOARD ON
AND SIGNED ON ITS BEHALF BY

NAME Anthony J. Connolly SIGNATURE [Signature]

DATE APPROVED: 31.10.07

Pentland Aviation Fuelling Services Limited

Cash Flow For The Year Ended 31 December 2005

	<u>NOTE</u>	<u>2006</u> £	<u>2005</u> £
Reconciliation of operating profit to net cash flow from operating activities			
Operating Profit		616,299	820,750
Depreciation charge		264,823	272,199
Movement arising from change in discount rates on environmental provision		-	8,801
Decrease in Environmental provision – no longer required		-	(152,286)
Increase in Provisions		9,109	
Increase in Debtors		(213,053)	(410,596)
Increase/(decrease) in Creditors		523,200	(545,944)
Net cash inflow /(outflow) from operating activities		<u>1,200,378</u>	<u>(7,076)</u>
Cash flow statement			
Cash inflow from operating activities		1,200,378	(7,076)
Return on investments and servicing of finance	15	(87,265)	(102,423)
Taxation		(285,232)	(269,000)
Capital expenditure and financial investment	15	(1,121,614)	(379,316)
Disposal of assets to Grampian Aviation		-	950,409
Equity dividends paid		-	(760,734)
Cash Outflow before use of liquid resources and financing		<u>(293,733)</u>	<u>(568,139)</u>
Management of liquid resources		-	-
Issue of share capital		-	500
Repayment of short term loan		-	(2,723,150)
New long term loan		-	1,585,100
Decrease in cash in the year	16	<u>(293,733)</u>	<u>(1,705,690)</u>
Reconciliation of net cash flow to movement in net debt			
Decrease in cash		(293,733)	(1,705,690)
Net cash outflow from decrease in loans		-	1,138,050
Movement in net debt in the year		(293,733)	(567,639)
Net debt at the start of the year		<u>(2,109,247)</u>	<u>(1,541,608)</u>
Net debt at the end of the year	16	<u>(2,402,980)</u>	<u>(2,109,247)</u>

Pentland Aviation Fuelling Services Limited

Notes To The Financial Statements

1) ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

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

(b) TURNOVER

Turnover represents the net invoiced value of the aircraft refuelling service at predetermined throughput rates, and services provided, excluding VAT

(c) DEPRECIATION

Depreciation is provided on all tangible assets at the following rates in order to write off the cost of the assets over their estimated useful lives

Leasehold Land and Buildings – over the remainder of the lease, up to 30 years
Plant and machinery - 16 to 20 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(d) DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences, arising from the different accounting and tax treatment of individual items in the financial statements, that have originated but not reversed at the balance sheet date and which will result in an obligation to pay more, or a right to pay less, tax in the future.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

(e) PROVISIONS FOR ENVIRONMENTAL COSTS

The total costs of reinstatement and surface restoration are recognised in the environmental provision. An external assessment is carried out on each site every 5 years

(f) DIVIDEND POLICY

A dividend policy is established and under regular review

2) TURNOVER

The turnover and pre-tax profits are wholly attributable to the company's main activities. All turnover relates to activities within the United Kingdom.

Pentland Aviation Fuelling Services Limited

Notes To The Financial Statements

3) OPERATING PROFIT

This is stated after charging the following:-	<u>2006</u>	<u>2005</u>
	£	£
Management charges	61,595	32,480
Movement in environmental provision	9,109	8,801
Environmental provision no longer required	-	(152,286)
Audit Costs	5,500	5,500
Depreciation	<u>264,823</u>	<u>272,199</u>

The management charges represent charges from the shareholders for the reimbursement of costs and expenses made in relation to services provided to Pentland Aviation Fuelling Services Limited. The directors are not remunerated by Pentland Aviation Fuelling Services Limited as in 2005 and received no remuneration in respect of their services to the Company.

4) INTEREST RECEIVABLE

	<u>2006</u>	<u>2005</u>
	£	£
Interest receivable	<u>73,750</u>	<u>78,267</u>

5) INTEREST PAYABLE

	<u>2006</u>	<u>2005</u>
	£	£
Loan interest payable	<u>161,015</u>	<u>180,690</u>

6) STAFF COSTS

	<u>2006</u>	<u>2005</u>
	£	£
Staff Costs	<u>2,230,073</u>	<u>1,961,502</u>

There are no employees under contract to Pentland Aviation Fuelling Services Limited. The above costs are the gross employment costs recharged to Pentland Aviation Fuelling Services Limited under relevant operating agreements.

The costs are for an average of 58 personnel (2005 - 53) in the year.

Pentland Aviation Fuelling Services Limited

Notes To The Financial Statements

7) TAXATION

(a) Tax based on profit on ordinary activities

	<u>2006</u>	<u>2005</u>
	£	£
Current tax:		
UK corporation tax at 30% (2005: 30%)		
- in respect of current year	181,000	286,000
- in respect of previous periods	(782)	(768)
Total current tax	<u>180,218</u>	<u>285,232</u>
Deferred corporation tax at 30% (2005: 30%)		
- in respect of current year	36,000	(8,000)
Tax on profit on ordinary activities	<u>216,218</u>	<u>277,232</u>

(b) Factors affecting the current tax charge

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate of the Company on its profit before tax

	<u>2006</u>	<u>2005</u>
	£	£
Profit on ordinary activities before tax	529,034	718,327
Current tax charge (note 7(a))	180,218	285,232
Effective current rate of tax	34.1%	39.7%
	<u>% profit before tax</u>	
UK statutory corporation tax rate	30	30
Increase / (decrease) resulting from:		
Capital allowances in excess of depreciation	(6.6)	1.0
Accounting depreciation not eligible for tax purposes	1.7	1.1
Permanent differences	9.0	7.6
Effective current tax rate	<u>34.1%</u>	<u>39.7%</u>

(c) Factors affecting the future tax charge

The tax charge in future periods will be affected by the availability of capital allowances in comparison to the charge for depreciation. Additionally, the impending change in tax rate from 30% to 28% will affect future charges

Pentland Aviation Fuelling Services Limited

Notes To The Financial Statements

7) TAXATION (continued)

(d) Deferred tax

	2006	2005
	£	£
Analysis of movements during the year		
At 1 January	824,000	832,000
Profit and loss account	36,000	(8,000)
At 31 December	<u>860,000</u>	<u>824,000</u>
 <u>Analysis of provision (see Note 12)</u>		
Accelerated capital allowances	<u>860,000</u>	<u>824,000</u>
	<u>860,000</u>	<u>824,000</u>

8) TANGIBLE FIXED ASSETS

	Short Leasehold Land & <u>Buildings</u> £	Plant & <u>Machinery</u> £	<u>Total</u> £
Cost at 1 January 2006	1,094,584	5,212,062	6,306,646
Additions	<u>378,064</u>	<u>743,550</u>	<u>1,121,614</u>
At 31 December 2006	<u>1,472,648</u>	<u>5,955,612</u>	<u>7,428,260</u>
 Depreciation at 1 January 2006	287,765	1,896,179	2,183,944
Charge for the year	<u>35,626</u>	<u>229,197</u>	<u>264,823</u>
At 31 December 2006	<u>323,391</u>	<u>2,125,376</u>	<u>2,448,767</u>
 Net book value at 31 December 2006	<u>1,149,257</u>	<u>3,830,236</u>	<u>4,979,493</u>
 Net book value at 31 December 2005	<u>806,818</u>	<u>3,315,884</u>	<u>4,122,702</u>

9) DEBTORS

	2006	2005
	£	£
Amounts due within one year		
Trade debtors	963,223	1,327,973
Other debtors	412,134	53,738
Other taxes and social security costs	<u>482,015</u>	<u>262,608</u>
	<u>1,857,372</u>	<u>1,644,319</u>

Pentland Aviation Fuelling Services Limited

Notes To The Financial Statements

10) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2006</u>	<u>2005</u>
	£	£
Trade creditors	124,518	105,436
Accruals	1,140,328	636,210
Corporation tax	180,218	285,232
	<u>1,445,064</u>	<u>1,026,878</u>

11) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2006</u>	<u>2005</u>
	£	£
Loans falling due in 2-5 years	3,170,200	3,170,200
	<u>3,170,200</u>	<u>3,170,200</u>

Interest is calculated using the six-month LIBOR rate with 0.375 per cent added as per the BP International Limited, ConocoPhillips Limited, Kuwait Petroleum International Aviation Company (UK) Limited and Statoil ASA Loan Agreements

12) PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2006</u>	<u>2005</u>
	£	£
Bought forward at 1 January	260,266	403,751
Release of provision - no longer required	-	(152,286)
Movement during the year	9,109	8,801
At 31 December	<u>269,375</u>	<u>260,266</u>

The total costs of reinstatement and surface restoration are recognised by this environmental provision which has been calculated to the period where the operating licence is due to expire on 1st July 2026. The provision is based on a 3rd party valuation.

	<u>2006</u>	<u>2005</u>
	£	£
Deferred Taxation (note 7(d))	<u>860,000</u>	<u>824,000</u>
	<u>2006</u>	<u>2005</u>
	£	£
Total Provision for Liabilities and Charges	<u>1,129,375</u>	<u>1,084,266</u>

Pentland Aviation Fuelling Services Limited

Notes To The Financial Statements

13) SHARE CAPITAL

	<u>2006</u>	<u>2005</u>
	£	£
Authorised		
Ordinary £1 - 'A' shares	350	350
Ordinary £1 - 'B' shares	350	350
Ordinary £1 - 'C' shares	150	150
Ordinary £1 - 'D' shares	150	150
	<u>1,000</u>	<u>1,000</u>

	<u>2006</u>	<u>2005</u>
	£	£
Allotted, Called Up and Fully Paid		
Ordinary £1 - 'A' shares	150	150
Ordinary £1 - 'B' shares	150	150
Ordinary £1 - 'C' shares	150	150
Ordinary £1 - 'D' shares	150	150
	<u>600</u>	<u>600</u>

The share capital is jointly owned by ConocoPhillips Limited, BP International Limited, Kuwait Petroleum International Aviation Company (UK) Limited and Statoil ASA and each class of share rank pari-passu in every respect.

During the year the company issued no shares

14) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Share</u>	<u>Other</u>	<u>P&L</u>	<u>Total</u>
	<u>Capital</u>	<u>Reserves</u>	<u>£</u>	<u>£</u>
	£	£		
At 1 January 2005	100	-	1,865,669	1,865,769
Retained Profit	-	-	441,095	441,095
Capital Reserve Transfer	-	1,546,030	(1,546,030)	
Dividends	-	-	(760,734)	(760,734)
Issue of shares	500	-	-	500
At 31 December 2005	<u>600</u>	<u>1,546,030</u>	<u>-</u>	<u>1,546,630</u>
Retained Profit	-	-	312,816	312,816
At 31 December 2006	<u>600</u>	<u>1,546,030</u>	<u>312,816</u>	<u>1,859,446</u>

Pentland Aviation Fuelling Services Limited

Notes To The Financial Statements

15) ANALYSIS OF CASH FLOWS

	<u>2006</u> £	<u>2005</u> £
Returns on Investments and Servicing of Finance		
Interest Received	73,750	78,267
Interest Paid	(161,016)	(180,690)
	<u>(87,266)</u>	<u>(102,423)</u>
Capital Expenditure		
Purchase of Tangible Fixed Assets	<u>(1,121,614)</u>	<u>(379,316)</u>

16) RECONCILIATION OF MOVEMENT IN NET DEBT

	As at 1 January 2006 £	Cashflow £	31 December 2006 £
Cash at bank and in hand	1,060,953	(293,733)	767,220
Loans	(3,170,200)	-	(3,170,200)
NET DEBT	<u>(2,109,247)</u>	<u>(293,733)</u>	<u>(2,402,980)</u>

17) ULTIMATE PARENT UNDERTAKINGS

As described on page 1 of the Directors' report, the Company is owned equally by ConocoPhillips Limited, BP International Limited, Kuwait Petroleum International Aviation Company (UK) Limited and Statoil ASA

Pentland Aviation Fuelling Services Limited

Notes To The Financial Statements

18) RELATED PARTY TRANSACTIONS

The Company provides fuelling services for its joint owners, ConocoPhillips Limited, BP International Limited, Kuwait Petroleum International Aviation Company (UK) Limited and Statoil ASA

During 2006 the amounts invoiced to ConocoPhillips Limited in respect of these services were £2,262,707 (2005 £2,173,626) and as at 31 December 2006 an amount of £388,712 (2005: £366,492) was owed to the Company by ConocoPhillips Limited

During 2006 the amounts invoiced to BP International Limited in respect of these services were £1,972,622 (2005: £2,711,331), and as at 31 December 2006 an amount of £300,450 (2005: £838,233) was owed to the Company by BP International Limited

During 2006 the amounts invoiced to Kuwait Petroleum International Aviation Company (UK) Limited in respect of these services were £1,205,792 (2005: £739,696), and as at 31 December 2006 an amount of £143,884 (2005 £247,213) was owed to the Company by Kuwait Petroleum International Aviation Company (UK) Limited

During 2006 the amounts invoiced to Statoil ASA in respect of these services were £834,919 (2005 £425,902), and as at 31 December 2006 an amount of £130,177 (2005 £42,364) was owed to the Company by Statoil ASA

During 2006 management and accounting services were provided to Pentland Aviation Fuelling Services Limited by ConocoPhillips Ltd £23,145, (2005: £8,983), BP International Limited £4,960 (2005: £11,069), Kuwait Petroleum International Aviation Company (UK) Limited £6,321 (2005: £4,710) and Statoil ASA £27,169 (2004: £7,718)

At 31st December Loan balances owing to ConocoPhillips Limited were £472,230 (2005 £472,230), BP International Limited £1,112,870 (2005 £1,112,870), Kuwait Petroleum International Aviation Company (UK) Limited £792,550 (2005 £792,550) and Statoil ASA £792,550 (2005 £792,550).