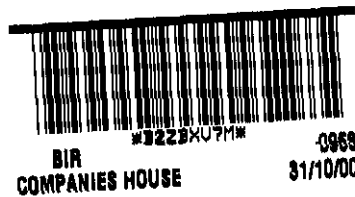


For the Year Ended 31st December 1999

PENTLAND AVIATION FUELLING SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 1999

The Directors present herewith their report and the audited financial statements of the Company for the year ended to 31st December 1999.

PRINCIPAL ACTIVITY

The principal activity of the company during the period was that of aircraft refuelling.

CONSTITUTION

Pentland Aviation Fuelling Services Limited is a joint venture company equally owned by Conoco Limited and BP Oil UK Limited.

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

A summary of the results for the year is given on page 5 of the Financial Statements.

The directors consider the results to be satisfactory.

RESULTS AND DIVIDENDS

The results for the year shows a profit before taxation of £278,901 (1998 : £418,387). The directors recommend the payment of a dividend for 1999 of £301,397 (1998 : £229,609). A loss of £(22,496) will be transferred to reserves.

PENTLAND AVIATION FUELLING SERVICES LIMITED

SHARE CAPITAL

The share capital is jointly owned by Conoco Limited and BP Oil UK Limited and rank pari-passu in every respect (See Note 14).

DIRECTORS

The directors of the company during the year were:

J D Beeby
A Conway
JH Cooper
PJ Dubenski

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each year which give a true and fair view of the statement of affairs of 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 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.

PENTLAND AVIATION FUELLING SERVICES LIMITED

AUDITORS

A resolution to reappoint PricewaterhouseCoopers as auditors and to authorise the directors to fix their remuneration will be proposed at the company's annual general meeting.

A handwritten signature in black ink, appearing to read 'R P B Swallow', with a horizontal line underneath it.

on behalf of the board '
R P B Swallow
Company Secretary

Date Approved: 31st October 2000

Registered Office :
Conoco Centre
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

AUDITORS' REPORT TO THE MEMBERS OF
PENTLAND AVIATION FUELLING SERVICES LIMITED

Auditors' report to the members of Pentland Aviation Fuelling Services Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

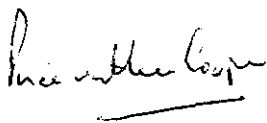
Basis of audit opinion

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 31st December 1999 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Temple Court
35 Bull Street
Birmingham
B4 6JT

Date: 31 October 2000

PENTLAND AVIATION FUELLING SERVICES LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1999

| | <u>NOTE</u> | <u>1999</u> £ | <u>1998</u> £ |
|---|-------------|-----------------------|-----------------------|
| TURNOVER | 2 | 4,065,195 | 4,035,025 |
| COST OF SALES | | (1,264,165) | (1,207,220) |
| GROSS PROFIT | | <u>2,801,030</u> | <u>2,827,805</u> |
| ADMINISTRATIVE EXPENSES | | (1,547,569) | (1,513,256) |
| OTHER OPERATING COSTS | | (733,499) | (602,790) |
| OPERATING PROFIT | 3 | 519,962 | 711,759 |
| INTEREST RECEIVABLE | | 30,224 | 45,120 |
| INTEREST PAYABLE | | (271,285) | (338,492) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>278,901</u> | <u>418,387</u> |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES | 6 | - | - |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>278,901</u> | <u>418,387</u> |
| DIVIDENDS | 8 | (301,397) | (229,609) |
| RETAINED PROFIT FOR THE FINANCIAL YEAR | | <u>(22,496)</u> | <u>188,778</u> |
| RETAINED PROFIT BROUGHT FORWARD | | <u>356,273</u> | <u>167,495</u> |
| RETAINED PROFIT CARRIED FORWARD | | <u><u>333,777</u></u> | <u><u>356,273</u></u> |

The notes on pages 8 to 14 form an integral part of these financial statements. All turnover and operating profit arise from continuing activity.

All recognised gains and losses are included on the profit and loss account.

The reconciliation of the movement in shareholders' funds is provided in Note 15.

PENTLAND AVIATION FUELLING SERVICES LIMITEDBALANCE SHEET FOR THE YEAR ENDED 31ST DECEMBER 1999

| | <u>NOTE</u> | <u>1999</u> £ | <u>1998</u> £ |
|---|-------------|--------------------|--------------------|
| <u>FIXED ASSETS</u> | | | |
| TANGIBLE ASSETS | 9 | 3,792,466 | 3,868,167 |
| <u>CURRENT ASSETS</u> | | | |
| DEBTORS | 10 | 891,589 | 554,032 |
| CASH AT BANK AND IN HAND | | 1,114,227 | 1,023,471 |
| | | <u>2,005,816</u> | <u>1,577,503</u> |
| <u>CURRENT LIABILITIES</u> | | | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | <u>(709,155)</u> | <u>(590,547)</u> |
| NET CURRENT ASSETS | | <u>1,296,661</u> | <u>986,956</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>5,089,127</u> | <u>4,855,123</u> |
| CREDITORS: AMOUNT FALLING DUE AFTER ONE YEAR | 12 | <u>(4,308,250)</u> | <u>(4,308,250)</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES | 13 | <u>(447,000)</u> | <u>(190,500)</u> |
| | | <u>333,877</u> | <u>356,373</u> |
| <u>FINANCED BY:</u> | | | |
| CALLED UP SHARE CAPITAL | 14 | 100 | 100 |
| PROFIT & LOSS ACCOUNT | | 333,777 | 356,273 |
| EQUITY SHAREHOLDERS' FUNDS | 15 | <u>333,877</u> | <u>356,373</u> |

APPROVED BY THE BOARD ON
AND SIGNED ON ITS BEHALF BY

NAME J. D. BEERY SIGNATURE 

DATE APPROVED: 31 October 2000

PENTLAND AVIATION FUELLING SERVICES LIMITED**CASH FLOW STATEMENT****YEAR ENDED 31ST DECEMBER 1999**

| | <u>NOTE</u> | <u>1999</u> £ | <u>1998</u> £ |
|--|--------------------|--------------------------------|--------------------------------|
| Reconciliation of operating profit to net cash flow from operating activities | | | |
| Operating Profit | | 519,962 | 711,759 |
| Depreciation charge | | 226,363 | 224,529 |
| Additional provision charge | | 181,500 | - |
| (Increase)/Decrease in Debtors | | (330,058) | 84,083 |
| Increase/(Decrease) in Creditors | | 150,710 | (5,409) |
| Net cash inflow from operating activities | | <u>748,477</u> | <u>1,014,962</u> |
| Cash flow statement | | | |
| Cash flow from operating activities | | 748,477 | 1,014,962 |
| Return on investments and servicing of finance | 16 | (253,023) | (300,896) |
| Taxation | | - | - |
| Capital expenditure and financial investment | 16 | (150,663) | (18,175) |
| Equity dividends paid | | (254,035) | (333,129) |
| Cash Inflow before use of liquid resources and financing | | <u>90,756</u> | <u>362,762</u> |
| Management of liquid resources | | - | - |
| Financing | | - | - |
| Increase in cash in the Period | 17 | 90,756 | 362,762 |
| Reconciliation of net cash flow to movement in net debt | | | |
| Movement in net debt in the period | | 90,756 | 362,762 |
| Net debt at the start of the period | | <u>(3,284,779)</u> | <u>(3,647,541)</u> |
| Net debt at the end of the period | | <u>(3,194,023)</u> | <u>(3,284,779)</u> |

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31ST DECEMBER 1999

1) ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTIONS

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

(b) TURNOVER

Turnover represents the net invoiced value of fuel delivered 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 - 30 years
Plant and machinery - 16 to 20 years

(d) DEFERRED TAXATION

Deferred taxation is provided on timing differences using the liability method to the extent that there is a reasonable probability that such taxation will become payable in the foreseeable future.

(e) LEASES

Operating lease rentals are charged to the profit and loss account during the period to which they relate.

2) TURNOVER

The turnover and pre-tax profits are wholly attributable to the company's main activities.

The geographical analysis and turnover by destination is as follows:

| | <u>1999</u> | <u>1998</u> |
|-------------------|------------------|------------------|
| | <u>£</u> | <u>£</u> |
| United Kingdom | 3,208,565 | 3,143,911 |
| Europe (Non - EC) | 856,630 | 891,114 |
| | <u>4,065,195</u> | <u>4,035,025</u> |

PENTLAND AVIATION FUELLING SERVICES LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****YEAR ENDED 31ST DECEMBER 1999****3) OPERATING PROFIT**

This is stated after charging the following:-

| | <u>1999</u> | <u>1998</u> |
|--------------------------|--------------------|--------------------|
| | £ | £ |
| Staff costs (see note 5) | 1,099,201 | 1,054,474 |
| Director's costs | 29,728 | 14,852 |
| Auditor's remuneration | 4,801 | 3,812 |
| Depreciation | 226,363 | 224,529 |
| Environmental provision | 167,100 | 75,000 |

There is an additional charge of £92,100 to increase the environmental provision. This is as a result of a new survey carried out by independent environmental consultant's SLR Group Limited.

4) DIRECTORS' REMUNERATION

The directors are not remunerated by Pentland Aviation Fuelling Services Limited. The costs shown are incurred for nominal expenses and reimbursement of costs and expenses made in relation to their services.

5) STAFF COSTS

| | <u>1999</u> | <u>1998</u> |
|--------------------|-------------------------|-------------------------|
| | £ | £ |
| Wages and salaries | 951,959 | 914,544 |
| Social Security | 73,123 | 70,226 |
| Pensions | 74,119 | 69,704 |
| | <u>1,099,201</u> | <u>1,054,474</u> |

The above costs are incurred by Simon Storage Group Limited and recharged to Pentland Aviation Fuelling Services Limited under a service contract. There are no employees under contract to Pentland Aviation Fuelling Services Limited.

The employees are members of the Simon Group PLC Pension Scheme which is a defined benefit scheme. Further details of the scheme are disclosed in the accounts of Simon Group PLC.

The costs are for 38 employees.

| | <u>1999</u> | <u>1998</u> |
|----------------------|--------------------|--------------------|
| | Number | Number |
| Airport Managers | 2 | 2 |
| Refuelling Personnel | 32 | 32 |
| Administration | 4 | 4 |
| | <u>38</u> | <u>38</u> |

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31ST DECEMBER 1999

6) TAXATION

No taxation charge arises for the year (1998 : £nil) as there are sufficient losses brought forward to absorb the profits chargeable to corporation tax.

7) DEFERRED TAXATION

There is no provision for deferred tax for the year (1998 : £nil), the potential provision on a full provision basis at 30% would be as follows: -

| | <u>1999</u> | <u>1998</u> |
|--------------------------------|----------------|----------------|
| | £ | £ |
| Accelerated capital allowances | 465,000 | 515,000 |
| Short term timing differences | (74,000) | - |
| | <u>391,000</u> | <u>515,000</u> |

8) DIVIDENDS

| | <u>1999</u> | <u>1998</u> |
|-------------------------|----------------|----------------|
| | £ | £ |
| Interim Dividend Paid | 113,148 | 88,722 |
| Final Dividend Declared | 188,249 | 140,887 |
| Total dividends in P&L | <u>301,397</u> | <u>229,609</u> |

PENTLAND AVIATION FUELLING SERVICES LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****YEAR ENDED 31ST DECEMBER 1999****9) TANGIBLE FIXED ASSETS**

| | Leasehold Land & Buildings £ | Plant & Machinery £ | Total £ |
|---------------------------------------|---------------------------------------|------------------------------|------------------|
| Cost or valuation at 1st January 1999 | 852,000 | 3,537,088 | 4,389,088 |
| Additions | 89,400 | 61,263 | 150,663 |
| Disposals | - | - | - |
| At 31st December 1999 | <u>941,400</u> | <u>3,598,351</u> | <u>4,539,751</u> |
| Depreciation at 1st January 1999 | 71,003 | 449,919 | 520,922 |
| Charge for year | 28,401 | 197,962 | 226,363 |
| At 31st December 1999 | <u>99,404</u> | <u>647,881</u> | <u>747,285</u> |
| Net book value at 31/12/99 | <u>841,996</u> | <u>2,950,470</u> | <u>3,792,466</u> |
| Net book value at 31/12/98 | <u>780,997</u> | <u>3,087,170</u> | <u>3,868,167</u> |

The amount of £89,400 relates to deferred costs for demolition work, which will be undertaken at the end of the lease to remove all buildings & tanks at each airport.

10) DEBTORS

| | <u>1999</u> £ | <u>1998</u> £ |
|------------------------------|------------------|------------------|
| Amounts due within one year: | | |
| Trade debtors | 658,674 | 441,342 |
| Other debtors | 232,915 | 112,690 |
| | <u>891,589</u> | <u>554,032</u> |

PENTLAND AVIATION FUELLING SERVICES LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****YEAR ENDED 31ST DECEMBER 1999****11) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | <u>1999</u> | <u>1998</u> |
|-------------------|----------------|----------------|
| | <u>£</u> | <u>£</u> |
| Trade creditors | 406,152 | 368,268 |
| Accruals | 114,555 | 81,193 |
| Corporation Tax | 199 | 199 |
| Dividend proposed | 188,249 | 140,887 |
| | <u>709,155</u> | <u>590,547</u> |

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

| | <u>1999</u> | <u>1998</u> |
|-------------------------|------------------|------------------|
| | <u>£</u> | <u>£</u> |
| Loans from shareholders | <u>4,308,250</u> | <u>4,308,250</u> |

The loans are payable upon demand but the shareholders have indicated that they do not anticipate requiring repayment for a period of 12 months from the date of these accounts.

13) PROVISIONS FOR LIABILITIES AND CHARGES

A provision has been made for the cost of cleaning up the contaminated land and returning each location to a green field site. This is to cover the contractual obligation of Pentland Aviation Fuelling Services Limited. The revised estimate of £447,000 (1998 : £190,500) of which £89,400 has been capitalised for future amortisation. This estimate has been based upon the opinion of an independent environmental consultant.

PENTLAND AVIATION FUELLING SERVICES LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****YEAR ENDED 31ST DECEMBER 1999****14) SHARE CAPITAL**

| | <u>1999</u> £ | <u>1998</u> £ |
|--------------------------|------------------|------------------|
| Authorised | | |
| Ordinary £1 | - | - |
| Ordinary £1 - 'A' shares | 500 | 500 |
| Ordinary £1 - 'B' shares | 500 | 500 |
| | <u>1,000</u> | <u>1,000</u> |
| | | |
| | <u>1999</u> £ | <u>1998</u> £ |
| Allotted and Fully Paid | | |
| Ordinary £1 | - | - |
| Ordinary £1 - 'A' shares | 50 | 50 |
| Ordinary £1 - 'B' shares | 50 | 50 |
| | <u>100</u> | <u>100</u> |

15) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | <u>1999</u> £ | <u>1998</u> £ |
|--------------------------------------|------------------|------------------|
| Profit for the financial year | 278,901 | 418,387 |
| Dividends | (301,397) | (229,609) |
| | <u>(22,496)</u> | <u>188,778</u> |
| Capital contribution | - | - |
| Net reduction to shareholders' funds | <u>(22,496)</u> | <u>188,778</u> |
| Opening shareholders' funds | 356,373 | 167,595 |
| Closing shareholders' funds | <u>333,877</u> | <u>356,373</u> |

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31ST DECEMBER 1999

16) ANALYSIS OF CASH FLOWS

| | <u>1999</u> | <u>1998</u> |
|--|------------------|------------------|
| | <u>£</u> | <u>£</u> |
| Returns on Investments and Servicing of Finance | | |
| Interest Received | 22,724 | 45,120 |
| Interest Paid | (275,747) | (346,016) |
| | <u>(253,023)</u> | <u>(300,896)</u> |
| Capital Expenditure | | |
| Purchase of Tangible Fixed Assets | <u>(150,663)</u> | <u>(18,175)</u> |

17) ANALYSIS OF BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET

| | <u>1999</u> | <u>1998</u> | <u>Change in</u> |
|------------------------|------------------|------------------|------------------|
| | <u>£</u> | <u>£</u> | <u>the year</u> |
| Cash at bank & in-hand | <u>1,114,227</u> | <u>1,023,471</u> | <u>90,756</u> |

18) ULTIMATE PARENT UNDERTAKINGS

As described on page 1 of the Directors' report, the Company is owned equally by Conoco Limited and BP Oil UK Limited.

19) RELATED PARTY TRANSACTIONS

The Company provides fuelling services for its joint owners, Conoco Limited and BP Oil UK Limited, in addition to another company.

During 1999 the amounts invoiced to Conoco Limited in respect of these services were £1,075,580 (1998: £1,094,832) and as at 31 December 1999 an amount of £159,038 (1998: £117,400) was owed to the Company by Conoco Limited.

During 1999 the amounts invoiced to Air BP Limited in respect of these services were £2,132,835 (1998: £2,049,079), and as at 31 December 1999 an amount of £377,925 (1998: £233,149) was owed to the Company by Air BP Limited.