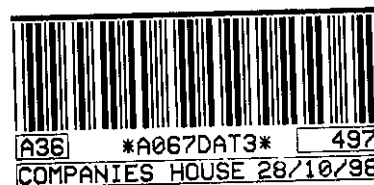


PENTLAND AVIATION FUELLING SERVICES LIMITED
(REGISTERED NO. 2544586)

REPORT AND ACCOUNTS

31 December 1997



PENTLAND AVIATION FUELLING SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The Directors present herewith their report and the audited financial statements of the Company for the year ended 31 December 1997.

PRINCIPAL ACTIVITY

The principal activity of the Company during the period was that of aircraft refuelling. The Company was previously dormant and commenced trading activities from 1 July 1996.

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 4 of the financial statements.

The directors consider the results to be satisfactory.

RESULTS AND DIVIDENDS

The results for the year shows a profit on ordinary activities after taxation of £357,476 (1996 - £275,122). The directors recommend the payment of a first and final dividend of 1997 of £250,494 (1996 - £214,609), and hence the balance of £106,982 (1996 - £60,513) will be transferred to reserves.

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 13).

DIRECTORS' AND THEIR INTERESTS

JD Beeby
JA Grant
HJ Harris
RW Houghton

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

PENTLAND AVIATION FUELLING SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

STATEMENTS 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:

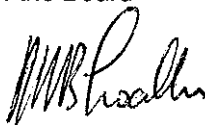
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

AUDITORS

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

On behalf of the Board



RPB SWALLOW
Company Secretary

30 June 1998

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

Price Waterhouse



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

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of the 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 director 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 mis-statement, 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

30 June 1998

PENTLAND AVIATION FUELLING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER	2	3,899,522	1,981,345
Cost of sales		<u>(1,133,812)</u>	<u>(587,710)</u>
GROSS PROFIT		2,765,710	1,393,635
Administrative expenses		<u>(1,441,824)</u>	<u>(881,022)</u>
Distribution costs		<u>(686,554)</u>	<u>(177,328)</u>
OPERATING PROFIT	3	637,332	335,285
Interest receivable		12,481	1,840
Interest payable		<u>(292,337)</u>	<u>(34,552)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		357,476	302,573
Taxation on profit on ordinary activities	6	<u>-</u>	<u>(27,541)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		357,476	275,122
Dividends	8	<u>(250,494)</u>	<u>(214,609)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>106,982</u>	<u>60,513</u>

The notes on pages 7 to 13 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.

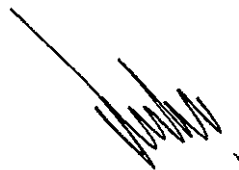
The reconciliation of the movement in shareholders' funds is provided in note 14.

PENTLAND AVIATION FUELLING SERVICES LIMITED

BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	<u>4,074,521</u>	<u>3,734,984</u>
CURRENT ASSETS			
Debtors	10	638,115	533,418
Cash at bank and in hand		<u>660,709</u>	<u>407,148</u>
		1,298,824	940,566
CURRENT LIABILITIES			
Creditors (amounts falling due within one year)	11	<u>(897,500)</u>	<u>(781,687)</u>
NET CURRENT ASSETS		<u>401,324</u>	<u>158,879</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,475,845</u>	<u>3,893,863</u>
Creditors (amounts falling due after one year)	12	<u>(4,308,250)</u>	<u>(3,833,250)</u>
		<u>167,595</u>	<u>60,613</u>
FINANCED BY:			
Called up share capital	13	100	100
Profit and loss account		<u>167,495</u>	<u>60,513</u>
EQUITY SHAREHOLDERS' FUNDS	14	<u>167,595</u>	<u>60,613</u>

Approved by the Board on 30 June 1998 and signed on its behalf by:


J.D. Beery
Director

PENTLAND AVIATION FUELLING SERVICES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £	<u>Restated</u> <u>1996</u> £
Cash flow from operating activities	15	815,149	439,762
Return on investments and servicing of finance	15	(257,063)	(32,712)
Taxation		(27,252)	-
Capital expenditure	15	(537,664)	(3,833,250)
Equity dividends paid		<u>(214,609)</u>	<u>-</u>
Cash inflow before use of liquid resources and financing		(221,439)	(3,426,200)
Management of liquid resources		-	-
Financing	15	<u>475,000</u>	<u>3,833,348</u>
INCREASE IN CASH IN THE PERIOD	16	<u>253,561</u>	<u>407,148</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in cash in the period		253,561	407,148
Cash inflow from increase in debt		<u>(475,000)</u>	<u>(3,833,250)</u>
Movement in net debt in the period		(221,439)	(3,426,102)
Net debt at 1 January		<u>(3,426,102)</u>	<u>-</u>
NET DEBT AT 31 DECEMBER		<u>(3,647,541)</u>	<u>(3,426,102)</u>

Prior year comparatives have been restated following the adoption of FRS1 (Revised).

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(1) Accounting conventions

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

(2) Turnover

Turnover represents the net invoiced value of fuel delivered at predetermined throughput rates, and services provided, excluding VAT.

(3) 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

(4) 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.

(5) 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 profit are wholly attributable to the Company's main activities.

The geographical analysis and turnover by destination is as follows:

	<u>1997</u> £	<u>1996</u> £
United Kingdom	3,315,906	1,753,817
Europe (non-EC)	<u>583,616</u>	<u>227,528</u>
	<u>3,899,522</u>	<u>1,981,345</u>

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

3 OPERATING PROFIT

This is stated after charging the following:

	<u>1997</u>	<u>1996</u>
	£	£
Staff costs (see note 5)	1,035,899	509,637
Directors' costs	14,218	5,928
Auditors' remuneration	3,756	5,000
Depreciation	198,125	98,266
	<u> </u>	<u> </u>

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>1997</u>	<u>1996</u>
	£	£
Wages and salaries	896,111	441,609
Social Security	71,300	37,307
Pensions	<u>68,488</u>	<u>30,721</u>
	1,035,899	509,637
	<u> </u>	<u> </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 (1996 - 37 employees) as follows:

	<u>1997</u>	<u>1996</u>
	Number	Number
Airport Managers	2	2
Refuelling Personnel	32	31
Administration	<u>4</u>	<u>4</u>
	38	37
	<u> </u>	<u> </u>

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

6 TAXATION

	<u>1997</u> £	<u>1996</u> £
Based on profit for the year:		
Corporation tax at 31.5% (1996 - 33%)	-	27,451
	<u> </u>	<u> </u>

7 DEFERRED TAXATION

There is no provision for deferred tax for the year (1996 - Nil), the potential provision on a full provision basis at 31% would be as follows:

	<u>1997</u> £	<u>1996</u> £
Accelerated capital allowances	262,494	95,234
Short term timing differences	<u>(35,650)</u>	<u>(13,200)</u>
	226,844	82,034
	<u> </u>	<u> </u>

The company has tax losses of £158,044 available for offset in the future.

8 DIVIDENDS

	<u>1997</u> £	<u>1996</u> £
Dividends proposed	250,494	214,609
	<u> </u>	<u> </u>

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

9 TANGIBLE FIXED ASSETS

	Leasehold Land and Buildings £	Plant and Machinery £	Total £
Cost or valuation at 1 January 1997	852,000	2,981,250	3,833,250
Additions	-	537,664	537,664
Disposals	-	-	-
At 31 December 1997	852,000	3,518,914	4,370,914
Depreciation for 1 January 1997	14,200	84,068	98,268
Charge for the year	28,404	169,721	198,125
Disposals	-	-	-
At 31 December 1997	42,604	253,787	296,391
Net book value at 31 December 1997	809,396	3,265,125	4,074,521
Net book value at 31 December 1996	837,800	2,897,182	3,734,982

10 DEBTORS

	1997 £	1996 £
Trade debtors	409,583	484,626
Other debtors	<u>228,532</u>	<u>48,792</u>
	638,115	533,418

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

11 CREDITORS (amounts falling due within one year)

	<u>1997</u> £	<u>1996</u> £
Trade creditors	443,415	297,895
Accruals and deferred income	203,392	241,732
Corporation tax	199	27,451
Dividend proposed	<u>250,494</u>	<u>214,609</u>
	<u>897,500</u>	<u>781,687</u>

12 CREDITORS (amounts falling due after one year)

	<u>1997</u> £	<u>1996</u> £
Loans from shareholders		
- Conoco Limited	1,720,000	1,720,000
- BP Oil UK Limited	<u>2,588,250</u>	<u>2,113,250</u>
	<u>4,308,250</u>	<u>3,833,250</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 SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised:		
Ordinary £1	-	-
Ordinary £1 - "A" shares	500	500
Ordinary £1 - "B" shares	<u>500</u>	<u>500</u>
	<u>1,000</u>	<u>1,000</u>
	<u>1997</u> £	<u>1996</u> £
Allotted and Fully Paid:		
Ordinary £1	-	-
Ordinary £1 - "A" shares	50	50
Ordinary £1 - "B" shares	<u>50</u>	<u>50</u>
	<u>100</u>	<u>100</u>

During the year the share capital was restructured and ranked into A and B ordinary shares, both of which rank pari-passu in respect of their rights.

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £	<u>1996</u> £
Profit for the financial year	357,476	275,122
Dividends	<u>(250,494)</u>	<u>(214,609)</u>
	106,982	60,513
New share capital subscribed	<u>-</u>	<u>98</u>
Net addition to shareholders' funds	106,982	60,611
Opening shareholders' funds	<u>60,613</u>	<u>2</u>
Closing shareholders' funds	<u>167,595</u>	<u>60,613</u>

15 ANALYSIS OF CASH FLOWS

	<u>1997</u> £	<u>1996</u> £
RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	637,332	335,285
Depreciation charge	198,125	98,266
Increase in debtors	(104,697)	(533,416)
Decrease in creditors	<u>84,389</u>	<u>539,627</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>815,149</u>	<u>439,762</u>
Returns on Investments and Servicing of Finance:		
Interest received	12,481	1,840
Interest paid	<u>(269,544)</u>	<u>(34,552)</u>
	<u>(257,063)</u>	<u>(32,712)</u>
Capital Expenditure:		
Purchase of tangible fixed assets	<u>(537,664)</u>	<u>(3,833,250)</u>
Financing:		
Issue of ordinary share capital	-	98
Increase in debt due beyond one year	<u>475,000</u>	<u>3,833,250</u>
	<u>475,000</u>	<u>3,833,348</u>

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

16 ANALYSIS OF BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET

	<u>1997</u>	<u>1996</u>	<u>Change in</u>
	£	£	the year
			£
Cash at bank and in hand	660,709	407,148	253,561

17 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.

18 RELATED PARTY TRANSACTIONS

The Company provides fuelling services for its joint owners, Conoco Limited and Air BP Limited, a subsidiary of BP Oil UK Limited.

During 1997 the amounts invoiced to Conoco Limited in respect of these services were £1,163,840 (1996 - £663,906) and as at 31 December 1997 an amount of £123,399 (1996 - £183,442) was owed to the Company by Conoco Limited.

During 1997 the amounts invoiced to Air BP Limited in respect of these services were £2,169,221 (1996 - £1,132,870) and as at 31 December 1997 an amount of £215,512 (1996 - £244,265) was owed to the Company by Air BP Limited.