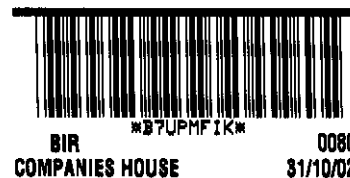


**Pentland Aviation Fuelling Services Limited**

**Registered No. 2544586**

**Report and Accounts**

**For the Year Ended 31st December 2001**



**PENTLAND AVIATION FUELLING SERVICES LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2001**

The Directors present herewith their report and the audited financial statements of the Company for the year ended to 31st December 2001.

**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 show a profit before taxation of £290,476 (2000 : £92,323).

The directors do not recommend the payment of a dividend (2000 : £122,960).

**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     (Retired 26<sup>th</sup> October 2001)  
A Conway  
PJ Dubenski  
RJ Scanlon

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

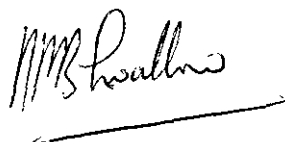
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

on behalf of the board  
R P B Swallow  
Company Secretary

Date Approved: 28<sup>th</sup> October 2002

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

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

We have audited the financial statements on pages 5 to 15.

**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 are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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.

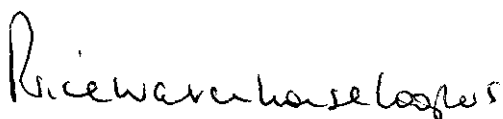
**Basis of audit opinion**

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 at 31 December 2001 and of its profit 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  
Birmingham

[Date] 28 October 2002

**PAGE 5**

**PENTLAND AVIATION FUELLING SERVICES LIMITED**

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2001**

	<b><u>NOTE</u></b>	<b><u>2001</u></b> £	<b><u>2000</u></b> £
<b>TURNOVER</b>	<b>2</b>	4,652,737	3,788,452
<b>COST OF SALES</b>		<u>(1,456,684)</u>	<u>(1,233,583)</u>
<b>GROSS PROFIT</b>		3,196,053	2,554,869
<b>ADMINISTRATIVE EXPENSES</b>		(1,781,319)	(1,633,256)
<b>OTHER OPERATING COSTS</b>		<u>(887,852)</u>	<u>(572,107)</u>
<b>OPERATING PROFIT</b>	<b>3</b>	526,882	349,506
<b>NET INTEREST PAYABLE</b>	<b>4</b>	<u>(236,406)</u>	<u>(257,183)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		290,476	92,323
<b>TAXATION (CHARGE) / CREDIT ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>7</b>	<u>(8,000)</u>	<u>199</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		282,476	92,522
<b>DIVIDENDS</b>	<b>8</b>	<u>-</u>	<u>(122,960)</u>
		282,476	(30,438)
<b>RETAINED PROFIT BROUGHT FORWARD</b>		<u>303,339</u>	<u>333,777</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u>585,815</u>	<u>303,339</u>

The notes on pages 8 to 15 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 2001

	<u>NOTE</u>	<u>2001</u> £	<u>2000</u> £
<u>FIXED ASSETS</u>			
TANGIBLE ASSETS	9	<u>4,402,452</u>	<u>3,684,262</u>
<u>CURRENT ASSETS</u>			
DEBTORS	10	994,662	812,657
CASH AT BANK AND IN HAND		<u>1,102,479</u>	<u>1,527,103</u>
		2,097,141	2,339,760
<u>CURRENT LIABILITIES</u>			
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(1,026,285)</u>	<u>(1,003,559)</u>
NET CURRENT ASSETS		<u>1,070,856</u>	<u>1,336,201</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,473,308	5,020,463
CREDITORS:			
AMOUNT FALLING DUE AFTER ONE YEAR	12	(4,308,250)	(4,308,250)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(579,143)	(408,774)
NET ASSETS		<u>585,915</u>	<u>303,439</u>
<u>FINANCED BY:</u>			
CALLED UP SHARE CAPITAL	14	100	100
PROFIT & LOSS ACCOUNT		<u>585,815</u>	<u>303,339</u>
EQUITY SHAREHOLDERS' FUNDS	15	<u>585,915</u>	<u>303,439</u>

APPROVED BY THE BOARD ON  
AND SIGNED ON ITS BEHALF BY

NAME A. CONWAY ..... SIGNATURE  .....

DATE APPROVED: 28.10.02 .....

PENTLAND AVIATION FUELLING SERVICES LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31ST DECEMBER 2001

	<u>NOTE</u>	<u>2001</u> £	<u>2000</u> £
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating Profit		526,882	349,506
Depreciation charge		255,911	236,724
(Decrease)/Increase in Provisions		152,383	(57,000)
Decrease/(Increase) in Debtors		(182,005)	71,432
(Decrease)/ Increase in Creditors		265,044	110,810
<b>Net cash inflow from operating activities</b>		<u><b>1,018,215</b></u>	<u><b>711,472</b></u>
<b>Cash flow statement</b>			
Cash flow from operating activities		1,018,215	711,472
Return on investments and servicing of finance	16	(282,245)	(170,076)
Taxation		-	-
Capital expenditure and financial investment	16	(849,385)	(128,520)
Equity dividends paid		(311,209)	-
Cash Inflow before use of liquid resources and financing		<u>(424,624)</u>	<u>412,876</u>
Management of liquid resources		-	-
Financing		-	-
(Decrease)/Increase in cash in the period	17	<u><b>(424,624)</b></u>	<u><b>412,876</b></u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Movement in net debt in the period		(424,624)	412,876
Net debt at the start of the period		<u>(2,781,147)</u>	<u>(3,194,023)</u>
<b>Net debt at the end of the period</b>		<u><b>(3,205,771)</b></u>	<u><b>(2,781,147)</b></u>



**PENTLAND AVIATION FUELLING SERVICES LIMITED**

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 31ST DECEMBER 2001**

**1) ACCOUNTING POLICIES**

**(a) ACCOUNTING CONVENTIONS**

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

The requirements of FRS 18 (Accounting Policies) have been implemented during the year. There is no financial impact.

**(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 – over the remainder of the lease, up to 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) PROVISIONS FOR ENVIRONMENTAL COSTS**

The total costs of reinstatement and surface restoration are recognised in the environmental provision. An external assessment will be carried out on each site every 5 years. An asset is created within tangible fixed assets for an amount to cover the costs of decommissioning the site buildings. This is then charged to the profit and loss account over the life of the lease.

**(f) DIVIDEND POLICY**

A dividend policy is established and under regular review.

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31ST DECEMBER 2001

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>2001</u>	<u>2000</u>
	£	£
United Kingdom	3,844,308	2,934,792
Europe (Non - EC)	808,429	853,660
	<u>4,652,737</u>	<u>3,788,452</u>

3) OPERATING PROFIT

This is stated after charging the following:-

	<u>2001</u>	<u>2000</u>
	£	£
Staff costs (see note 5)	1,288,920	1,164,242
Management charges	34,440	51,472
Auditor's remuneration	2,245	4,125
Depreciation	255,911	236,724
Environmental provision (see note 13)	<u>152,383</u>	<u>(57,000)</u>

The management charges shown are incurred for fees payable to the shareholders and reimbursement of costs and expenses made in relation to directors' services. The directors are not remunerated by Pentland Aviation Fuelling Services Limited.

4) NET INTEREST PAYABLE

	<u>2001</u>	<u>2000</u>
	£	£
Interest payable	(244,648)	(284,900)
Amortisation of discount on environmental provision	(17,986)	(18,774)
	<u>(262,634)</u>	<u>(303,674)</u>
Interest receivable	26,228	46,491
	<u>(236,406)</u>	<u>(257,183)</u>

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31ST DECEMBER 2001

5) STAFF COSTS

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Staff Costs	<u>1,288,920</u>	<u>1,164,242</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 45 personnel (2000 : 39) in the year.

6) DEFERRED TAXATION

There is no provision for deferred tax for the year (2000 : £nil), the potential provision on a full provision basis at 30% would be as follows: -

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Accelerated capital allowances	570,000	521,300
Short term timing differences	(8,000)	(152,900)
	<u>562,000</u>	<u>368,400</u>

7) TAXATION

Tax based on profit on ordinary activities:

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Based on profit for the year	8,000	-
Prior year adjustment	<u>-</u>	<u>(199)</u>

**PENTLAND AVIATION FUELLING SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**YEAR ENDED 31ST DECEMBER 2001**

**8) DIVIDENDS**

	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b><u>£</u></b>	<b><u>£</u></b>
Interim dividend declared	-	122,960
Total	<u>-</u>	<u>122,960</u>

**9) TANGIBLE FIXED ASSETS**

	<b><u>Leasehold Land &amp; Buildings</u></b>	<b><u>Plant &amp; Machinery</u></b>	<b><u>Total</u></b>
	<b><u>£</u></b>	<b><u>£</u></b>	<b><u>£</u></b>
Cost or valuation at 1st January 2001	941,400	3,726,871	4,668,271
Additions	616,224	357,877	974,101
Disposals	-	-	-
<b>At 31st December 2001</b>	<b><u>1,557,624</u></b>	<b><u>4,084,748</u></b>	<b><u>5,642,372</u></b>
Depreciation at 1st January 2001	131,178	852,831	984,009
Charge for year	34,644	221,267	255,911
<b>At 31st December 2001</b>	<b><u>165,822</u></b>	<b><u>1,074,098</u></b>	<b><u>1,239,920</u></b>
<b>Net book value at 31 December 2001</b>	<b><u>1,391,802</u></b>	<b><u>3,010,650</u></b>	<b><u>4,402,452</u></b>
Net book value at 31 December 2000	<u>810,222</u>	<u>2,874,040</u>	<u>3,684,262</u>

Land and buildings of £89,400 (2000: £89,400) relates to deferred costs for demolition work, which will be undertaken at the end of the lease to remove all buildings and tanks at Glasgow and Edinburgh airport. Land and buildings additions of £532,676 relates to the new operation at Aberdeen airport which commenced on 8<sup>th</sup> September 2001.

**10) DEBTORS**

	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b><u>£</u></b>	<b><u>£</u></b>
Amounts due within one year:		
Trade debtors	705,378	649,138
Other debtors	289,284	163,519
	<u>994,662</u>	<u>812,657</u>

PENTLAND AVIATION FUELLING SERVICES LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31ST DECEMBER 2001

11) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2001</u>	<u>2000</u>
	£	£
Trade creditors	596,907	482,410
Accruals	421,378	209,940
Corporation tax	8,000	-
Dividend proposed	-	311,209
	<u>1,026,285</u>	<u>1,003,559</u>

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

	<u>2001</u>	<u>2000</u>
	£	£
Loans from shareholders	<u>4,308,250</u>	<u>4,308,250</u>

The loans are unsecured and are not repayable for more than 5 years. Interest is calculated using the six-month LIBOR rate with 0.375 per cent added as per the BP Oil UK Limited and Conoco Limited Service Agreement.

13) PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2001</u>	<u>2000</u>
	£	£
Bought forward (1 January 2001)	408,774	447,000
Profit & loss account (see note 3)	152,383	(57,000)
Amortisation of discount	17,986	18,774
At 31 December 2001	<u>579,143</u>	<u>408,774</u>

A provision has been made for the cost of cleaning up the contaminated land at Glasgow, Edinburgh and Aberdeen airports and returning each location to a green field site. This is to cover the contractual obligation of Pentland Aviation Fuelling Services Limited. These payments are expected to be made at the end of the current lease agreements. The Glasgow and Edinburgh estimate was made in 2001 and has been based upon the opinion of an independent environmental consultant. The estimate is based on the mean liability of the likely range. The Aberdeen estimate is based on an internal assessment made in 2002, for which the Glasgow and Edinburgh reports were used as a comparison to determine the provision - an external assessment for Aberdeen airport will be carried out in 2002. The amounts have been discounted at a real risk-free pre-tax rate over the lives of the leases.

**PENTLAND AVIATION FUELLING SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**YEAR ENDED 31ST DECEMBER 2001**

**14) SHARE CAPITAL**

	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b>£</b>	<b>£</b>
Authorised		
Ordinary £1	-	-
Ordinary £1 - 'A' shares	500	500
Ordinary £1 - 'B' shares	500	500
	<u>1,000</u>	<u>1,000</u>
	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b>£</b>	<b>£</b>
Allotted and Fully Paid		
Ordinary £1	-	-
Ordinary £1 - 'A' shares	50	50
Ordinary £1 - 'B' shares	50	50
	<u>100</u>	<u>100</u>

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

**15) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b>£</b>	<b>£</b>
Profit for the financial year	290,476	92,323
Tax (charge) / credit	(8,000)	199
Dividends	-	(122,960)
	<u>282,476</u>	<u>(30,438)</u>
Capital contribution	-	-
Net increase / (reduction) to shareholders' funds	<u>282,476</u>	<u>(30,438)</u>
Opening shareholders' funds	303,439	333,877
Closing shareholders' funds	<u>585,915</u>	<u>303,439</u>

**PENTLAND AVIATION FUELLING SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**YEAR ENDED 31ST DECEMBER 2001**

**16) ANALYSIS OF CASH FLOWS**

	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b>£</b>	<b>£</b>
<b>Returns on Investments and Servicing of Finance</b>		
Interest Received	26,228	53,991
Interest Paid	(308,473)	(224,067)
	<u>(282,245)</u>	<u>(170,076)</u>
<b>Capital Expenditure</b>		
Purchase of Tangible Fixed Assets	<u>(849,385)</u>	<u>(128,520)</u>

**17) RECONCILIATION OF MOVEMENT IN NET DEBT**

	As at 1 January 2001	Cashflow	31 December 2001
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	1,527,103	(424,624)	1,102,479
Loans	(4,308,250)	-	(4,308,250)
<b>NET DEBT</b>	<u>(2,781,147)</u>	<u>(424,624)</u>	<u>(3,205,771)</u>

**18) CAPITAL COMMITMENTS**

	<b><u>2001</u></b>	<b><u>2000</u></b>
	<b>£</b>	<b>£</b>
Contracted for but not provided for in the Accounts	<u>430,861</u>	<u>93,017</u>
	<u>430,861</u>	<u>93,017</u>

This capital commitment relates to the remaining mechanical plant-work at Aberdeen airport.

**PENTLAND AVIATION FUELLING SERVICES LIMITED**

**NOTES TO THE ACCOUNTS (CONTINUED)**

**YEAR ENDED 31ST DECEMBER 2001**

**19) 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.

**20) RELATED PARTY TRANSACTIONS**

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

During 2001 the amounts invoiced to Conoco Limited in respect of these services were £1,216,133 (2000: £854,245) and as at 31 December 2001 an amount of £78,654 (2000: £133,057) was owed to the Company by Conoco Limited.

During 2001 the amounts invoiced to Air BP Limited in respect of these services were £2,602,122 (2000: £2,080,344), and as at 31 December 2001 an amount of £90,037 (2000: £399,190) was owed to the Company by Air BP Limited.

During 2001 management and accounting services were provided to Pentland Aviation Fuelling Services Limited by Conoco Ltd £ 21,093, (2000: £46,325) and Air BP Ltd £11,918, (2000: £5,147).