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PREMIER TRANSMISSION LIMITED
(Formerly Premier Transco Limited)

Registered Number: NI 26421

DIRECTORS' REPORT AND ACCOUNTS

For the year ended 31 December 2000



**PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000**

The Directors submit their report and the audited accounts of the Company for the year ended 31 December 2000

PRINCIPAL ACTIVITIES

The Company owns and operates a gas pipeline between Scotland and Northern Ireland.

RESULTS AND DIVIDENDS FOR THE YEAR

During the year the Company made a profit after interest and tax of £4,750,000 (year to 31 December 1999 profit of £6,047,000). The Board do not propose to pay a dividend for 2000 (1999 £1,900,000). The amount transferred to reserves for 2000 was £4,750,000 (1999 transfer to reserves £4,147,000).

FIXED ASSETS

The changes in fixed assets are shown in note 8 to the accounts.

POLITICAL AND CHARITABLE DONATIONS

A charitable donation of £1,000 was made during the year to the Solway Harvester appeal. (1999 nil).

No political donations were made during the year (1999 nil).

**PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000**

DIRECTORS

The Directors during the year were as follows:

A.G. Cotgrave	(resigned 15 th August 2000)
A.J. DiBrita	
L.W. Dawson	(resigned 31 st October 2000) (re-appointed 13 th November 2000)
S.F. Ellis	
J.A. Rooney	
N.R. Shaw	
M.A. Jamieson	(appointed 1 st November 2000)
A.C.D.S. McCallum	(appointed 1 st November 2000)

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies (Northern Ireland) Order 1986 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 for the financial year.

The Directors consider that in preparing the financial statements on pages 5 to 17, the Company has used appropriate historical cost accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which are applicable have been followed and that the accounts have been prepared on the going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986.

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

The Directors 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.

The Directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

AUDITORS

A resolution to re-appoint the retiring auditors, PricewaterhouseCoopers, and to authorise the Directors to fix their remuneration will be proposed at the next general meeting.

By order of the Board.



Una Markham
Company Secretary

Date 23 Aug 2001

Registered Office:

Ballylumford Power Station
Islandmagee
Larne
County Antrim
BT40 3RS

REPORT OF THE AUDITORS TO THE MEMBERS OF PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

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 Companies (Northern Ireland) Order 1986. 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 Directors' 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 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

No 1 Embankment Place

London WC2N 6RH



23 May 2001

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>Note</u>	<u>2000</u> £'000	<u>1999</u> £'000
TURNOVER		20,024	15,323
Operating Costs		<u>(11,644)</u>	<u>(6,003)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	2	8,380	9,320
Interest Receivable & Other Income		395	679
Interest Payable	5	<u>(4,025)</u>	<u>(3,952)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,750	6,047
Taxation	6	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,750	6,047
DIVIDEND	7	-	(1,900)
RETAINED PROFIT		<u>4,750</u>	<u>4,147</u>
As at 1 January		4,895	748
As at 31 December		<u>9,645</u> =====	<u>4,895</u> =====

The profit for the period is derived solely from continuing activities.

The Company has no recognised gains and losses other than the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 9 to 17 form part of these accounts.

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
BALANCE SHEET AS AT 31 DECEMBER 2000

	<u>Note</u>	<u>2000</u> £'000	<u>1999</u> £'000
TANGIBLE FIXED ASSETS	8	121,661	115,614
CURRENT ASSETS			
Debtors	9	5,022	2,645
Cash at Bank and in Hand		6,184	8,153
CREDITORS (amounts falling due within one year)	10	(9,352)	(7,245)
NET CURRENT ASSETS		<u>1,854</u>	<u>3,553</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		123,515	119,167
CREDITORS (amounts falling due after more than one year)			
- loan	13	(58,320)	(60,000)
- deferred income	11	(40,677)	(39,399)
NET ASSETS		<u>24,518</u>	<u>19,768</u>
CAPITAL AND RESERVES			
Share Capital	14	861	861
Share Premium		14,012	14,012
Profit and Loss Account	16	9,645	4,895
TOTAL SHAREHOLDERS' FUNDS	15	<u>24,518</u>	<u>19,768</u>

The notes on pages 9 to 17 form part of these accounts.

APPROVED BY THE BOARD OF DIRECTORS ON:

23 May 2001

SIGNED ON THEIR BEHALF BY:

CHAIRMAN



N.R.SHAW

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2000

Reconciliation of cash-flow from operating activities to profit/(loss) on ordinary activities.

	<u>2000</u> £'000	<u>1999</u> £,000
Profit on Ordinary Activities	8,380	9,320
Depreciation Charges	2,907	2,781
ERD Grant Amortisation	(1,016)	(919)
Debtors – (Increase)/Decrease	(2,377)	394
Creditors – Increase/(Decrease)	2,509	(710)
	<hr/>	<hr/>
Cash inflow from operating activities	10,403	10,866
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest Paid	(4,009)	(3,876)
Interest Received	410	609
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(6,880)	(11,255)
ERD Grant received	2,355	4,089
EQUITY DIVIDENDS PAID	(2,568)	(5,446)
FINANCING ACTIVITIES		
Share Buy-back	-	(5,762)
Repayment of long-term loan	(1,680)	-
	<hr/>	<hr/>
Net (decrease)/increase in cash in the year	<u>(1,969)</u>	<u>(10,775)</u>

The notes on pages 9 to 17 form part of these accounts.

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2000

Reconciliation of net cash-flow to movement in net debt.

	<u>2000</u> £'000	<u>1999</u> £'000
Net (decrease)/increase in cash in the year	(1,969)	(10,775)
Decrease in long-term loan	<u>1,680</u>	<u>-</u>
Change in Net Debt	(289)	(10,775)
Net Debt at 1 January	<u>(51,847)</u>	<u>(41,072)</u>
Net Debt at 31 December (note 17)	<u>(52,136)</u>	<u>(51,847)</u>

The notes on pages 9 to 17 form part of these accounts.

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

1) ACCOUNTING POLICIES

- a) The accounts have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.
- b) Turnover comprises transportation charges levied on shippers for the use of the pipeline, and includes operating costs incurred by the Company recharged at nil mark-up.
- c) Deferred taxation, in respect of accelerated capital allowances and other timing differences is provided, using the liability method, only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.
- d) Costs incurred relating to the development of the pipeline are capitalised and treated as Fixed Assets. The costs of the pipeline are depreciated over its expected useful life of 43 years. Additions in the year are depreciated from the following year.
- e) The European Regional Development Grant received for the pipeline is treated as deferred income and is being amortised over the expected useful life of the pipeline.

2) PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

The profit before taxation is stated after charging/(crediting).

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Audit fees	9	8
Non-audit fees	1	6
Depreciation	2,907	2,781
Amortisation of ERD Grant	(1,016)	(919)
Bad Debt Provision *	-	(1,302)

* The provision for Bad Debts related to disputes with Shippers concerning charges for November 1996 and June 1997 when temporary supply interruptions occurred.

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

3) DIRECTORS' EMOLUMENTS

	<u>2000</u>	<u>1999</u>
	£	£
Emoluments	84,196	56,199

Directors' emoluments represent total amounts recharged by BG Group in connection with services provided to the Company.

None of the Directors received any emoluments from the Company in respect of their services during the year ended 31 December 2000 (1999 nil).

4) EMPLOYEE INFORMATION

The Company had no employees during the period.

5) INTEREST PAYABLE

	<u>2000</u>	<u>1999</u>
	£'000	£'000
On Bank Loans/Overdrafts	4,025	3,952

6) TAXATION

There is no charge to Corporation Tax in the year-ending 31 December 2000 (1999 nil) due to tax losses arising. Tax losses arising in the year are surrendered to shareholders, consideration for which will be deferred until such time as Premier Transmission Limited is under an obligation to pay Corporation Tax. At that time, the shareholders will pay Premier Transmission Limited an amount equal to the benefit of the losses surrendered.

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

7) DIVIDEND

The Board do not propose to declare a dividend for 2000 (1999 £1,900,00)

8) TANGIBLE FIXED ASSETS

Other – Pipeline Costs	£'000
Cost as at 1 January 2000	124,220
Additions	<u>8,954</u>
Cost as at 31 December 2000	<u>133,174</u>
Depreciation as at 1 January 2000	8,606
Charge for the year	<u>2,907</u>
Depreciation as at 31 December 2000	<u>11,513</u>
Net Book amount as at 31 December 2000	<u>121,661</u>
Net Book amount as at 31 December 1999	<u>115,614</u>

9) DEBTORS

	<u>2000</u>	<u>1999</u>
	<u>£'000</u>	<u>£'000</u>
Trade debtors	1,525	1,773
Prepayments and accrued income	<u>3,497</u>	<u>872</u>
	<u>5,022</u>	<u>2,645</u>

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

10) CREDITORS (amounts falling due within one year)

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Trade Creditors	1,354	567
Other Creditors	273	349
Accruals	5,148	1,245
Deferred Income (ERD Grant)	1,077	1,016
Dividend Payable	1,500	4,068
	<u>9,352</u>	<u>7,245</u>

11) CREDITORS (amounts falling due after more than one year)

The deferred income of £40,677,000 (1999: £39,399,000) represents the unamortised amount of the European Regional Development Grant received in respect of the pipeline.

12) PROVISIONS FOR LIABILITIES AND CHARGES

Details of liabilities and charges, which relate solely to deferred tax, are :

	<u>PROVIDED</u>		<u>UNPROVIDED</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	£'000	£'000	£'000	£'000
Accelerated Capital Allowances	NIL	NIL	13,262	11,456
Other Timing Differences	NIL	NIL	(8,135)	(7,463)
	<u>NIL</u>	<u>NIL</u>	<u>5,127</u>	<u>3,993</u>

13) LONG-TERM LOAN

On 24 November 1998, the Company received a loan of £60m from a consortium of commercial banks (Industrial Bank of Japan, Royal Bank of Scotland and Royal Bank of Canada).

Under the terms of the agreement interest is payable at LIBOR plus a margin of 0.70% (70 basis points) up to November 2005, and LIBOR plus 0.80% (80

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

basis points) thereafter. However under two separate hedging agreements, interest on 50% of the loan is fixed at a rate of 6.38% until May 2006.

The loan is repayable in 23 instalments at 6 monthly intervals commencing 13 November 2000.

MATURITY STATEMENT OF DEBT

Amounts repayable	<u>2000</u>	<u>1999</u>
	£'000	£'000
In one year or less, or on demand	3,600	1,680
In more than one year, but not more than two years	3,960	3,600
In more than two years, but not more than five years	13,860	12,840
In more than five years	36,900	41,880

14) SHARE CAPITAL

	<u>2000</u>	<u>1999</u>
	£	£
Authorised ordinary shares of £1 each	860,928	860,928
Issued, allotted and fully paid shares of £1 each	860,928	860,928

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

**15) RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2000**

	<u>2000</u> £'000	<u>1999</u> £'000
Profit on ordinary activities after taxation for the financial year	4,750	6,047
Dividend	-	(1,900)
Share Buy-back	-	(5,761)
Opening shareholders' funds	<u>19,768</u>	<u>21,382</u>
Closing shareholders' funds	<u>24,518</u>	<u>19,768</u>

16) RECONCILIATION OF RESERVES

	Profit and Loss Account £'000	Share Premium £'000	Total £'000
At 1 January 2000	4,895	14,012	18,907
Transfer to Reserves	<u>4,750</u>	<u>-</u>	<u>4,750</u>
At 31 December 2000	<u>9,645</u>	<u>14,012</u>	<u>23,657</u>

17) ANALYSIS OF CHANGES IN NET DEBT

	1 January 2000 £'000	Cash-flow £'000	31 December 2000 £'000
Cash at Bank and In Hand	8,153	(1,969)	6,184
Long-term Loan	(60,000)	1,680	(58,320)
Net Debt	<u>(51,847)</u>	<u>(289)</u>	<u>(52,136)</u>

PREMIER TRANSMISSION LIMITED (formerly Premier Transco Limited)
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000

18) RELATED PARTY TRANSACTIONS

	Sales to Related Party		Purchases from Related Party		Management Recharge	
	2000	1999	2000	1999	2000	1999
	£'000	£'000	£'000	£'000	£'000	£'000
Premier Power	3,598	3,186	276	115		
Phoenix Natural Gas			17	142		
BG Energy Services			311	57		
BG Insurance			118	117		
BG Transco	98	76	810	1,162		
BG Group			1,532	684	352	244

	Amounts owed by Related Party		Amounts owed to Related Party		Net Tax Losses surrendered to Shareholders	
	2000	1999	2000	1999	2000	1999
	£'000	£'000	£'000	£'000	£'000	£'000
Premier Power	293		280			
Phoenix Natural Gas			19			
BG Insurance						
BG Group			786	142		
BG Energy Holdings			750	2,829	736	2,311
BG North Sea Holdings			140			
Keyspan Energy			610	1,239		

Premier Power

Premier Power owns and operates Ballylumford Power Station in Northern Ireland, and is a wholly owned subsidiary of BG Energy Holdings Limited. Premier Power ships gas through Premier Transmission's pipeline to fuel the power station.

Phoenix Natural Gas

Phoenix Natural Gas owns and operates the gas distribution system in the Greater Belfast area. The company was 75.5% owned by BG Energy Holdings Limited until 19th March 2001 when ownership reduced to 51%. The purchases relate to the upgrade of pipeline control systems to ensure Y2K compliance.

BG Energy Services

BG Energy Services was a wholly owned subsidiary of BG Group plc, until Demerger on 23rd October 2000 and provides consultancy services to Premier Transmission.

BG Insurance Company

BG Insurance was a wholly owned subsidiary of BG Group plc until Demerger on 23rd October 2000 and arranges the insurance of the pipeline.

BG Transco plc

BG Transco is responsible for operating the U.K. national gas transmission system, and was a wholly owned subsidiary of BG Group plc, until Demerger on 23rd October 2000.

BG Transco ships gas through Premier Transmission's pipeline to Stranraer and also operates the pipeline control centre for Premier Transmission and provides a maintenance and emergency response service.

BG Group

BG Group provides a management team for Premier Transmission, together with a range of support services. The management recharge is for staff costs.

BG Energy Holdings/Keyspan Energy

BG Energy Holdings and Keyspan Energy are the parent companies of Premier Transmission (see note 21 below).

The amounts owed are in respect of dividends declared.

BG North Sea Holdings

BG North Sea Holdings is a holding company within the BG Group.

The following Directors of the Company held Directorships in the above related parties:

J.A. Rooney	Phoenix Natural Gas
N.R. Shaw	Phoenix Natural Gas and Premier Power
A.J. DiBrita	Phoenix Natural Gas
A.C.D.S McCallum	Phoenix Natural Gas
M.A. Jamieson	Phoenix Natural Gas
L.W. Dawson	Phoenix Natural Gas

19) COMMITMENTS

Authorised but not committed future capital expenditure as at 31 December 2000 is £150,000 (1999 £6.5m).

20) CHANGE OF NAME

The Company changed its name from Premier Transco Limited to Premier Transmission Limited on 1st June 2000.

21) ULTIMATE PARENT COMPANY

Keyspan Energy and BG Energy Holdings Limited, a wholly owned subsidiary of BG Group plc, each has a 50% shareholding in the Company.

The Keyspan Energy shareholding is held by Keyspan (UK) Limited (25.5%) and Keyspan CI Limited (24.5%)

Copies of the group accounts of BG Group plc may be obtained from BG Group plc, 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT.

Copies of the group accounts of Keyspan Energy may be obtained from Keyspan Energy Development Corporation, One MetroTech Center, 18th Floor, Brooklyn, New York 11201.