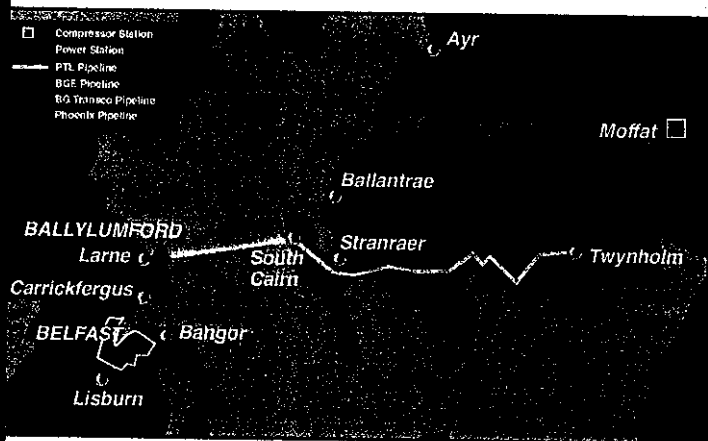


PREMIER TRANSMISSION LIMITED
Registered Number: NI26421

FC 26813
premier
TRANSMISSION LIMITED



DIRECTORS' REPORT AND ACCOUNTS

For the year ended 31 December 2001

253871/30



PREMIER TRANSMISSION LIMITED

Registered Number: NI 26421

DIRECTORS' REPORT AND ACCOUNTS

For the year ended 31 December 2001

PREMIER TRANSMISSION LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The directors submit their report and the audited accounts of the Company for the year ended 31 December 2001

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 £6,302,000 (year to 31 December 2000 profit of £4,750,000). An interim dividend of £4,500,000 was paid during the year (2000 nil). The Board do not propose to pay a final dividend for 2001 (2000 nil). The amount transferred to reserves for 2001 was £1,802,000 (2000 transfer to reserves £4,750,000).

POLITICAL AND CHARITABLE DONATIONS

Charitable donations of £850 were made during the year (2000 £1,000).

No political donations were made during the year (2000 nil).

DIRECTORS

The directors during the year were as follows:

	Date of Appointment	Date of Resignation
L.W. Dawson		9 May 2002
A.J. DiBrita		19 March 2002
S.F. Ellis		18 March 2002
M.A. Jamieson		8 January 2002
R.T. Michie	19 March 2002	
A.C.D.S. McCallum		4 March 2002
H.N. Nichols	25 June 2002	
J.A. Rooney (Chairman)		
N.R. Shaw		27 July 2001
S.J. Surrall	27 July 2001	

SECRETARY

The Company secretaries during the year were as follows:

	Date of Appointment	Date of Resignation
M. Edwards (Joint Secretary)	5 September 2001	
C.S. Inman (Joint Secretary)	27 November 2001	
U. Markham		5 September 2001

PREMIER TRANSMISSION LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

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 16, 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.

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

The auditors PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution concerning their reappointment will be put before the members.

By order of the Board.



C.S. Inman
Company Secretary

25 June 2002

Registered Office:
Ballylumford Power Station
Islandmagee
Larne
County Antrim
BT40 3RS

PREMIER TRANSMISSION LIMITED
REPORT OF THE AUDITORS TO THE MEMBERS OF PREMIER
TRANSMISSION LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention 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 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.

**PREMIER TRANSMISSION LIMITED
REPORT OF THE AUDITORS TO THE MEMBERS OF PREMIER
TRANSMISSION LIMITED**

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 (Northern Ireland) Order 1986.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
No 1 Embankment Place
London WC2N 6RH

25 June 2002

PREMIER TRANSMISSION LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000
TURNOVER		18,751	20,024
Operating Costs		(9,274)	(11,644)
OPERATING PROFIT	2	<u>9,477</u>	<u>8,380</u>
Interest Receivable & Other Income		416	395
Interest Payable	4	(3,591)	(4,025)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>6,302</u>	<u>4,750</u>
Taxation	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>6,302</u>	<u>4,750</u>
DIVIDEND – PAID	6	(4,500)	-
RETAINED PROFIT FOR THE YEAR	13, 14	<u>1,802</u>	<u>4,750</u>

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

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

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.

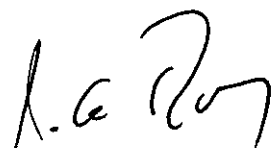
The notes on pages 8 to 16 form part of these accounts.

PREMIER TRANSMISSION LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000
TANGIBLE FIXED ASSETS	7	118,530	121,661
CURRENT ASSETS			
Debtors	8	5,362	5,022
Cash at Bank and in Hand		3,046	6,184
CREDITORS (amounts falling due within one year)	9	(6,012)	(9,352)
NET CURRENT ASSETS		<u>2,396</u>	<u>1,854</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		120,926	123,515
CREDITORS (amounts falling due after more than one year)			
Bank Loan	10	(54,720)	(58,320)
Deferred Income	10	(39,886)	(40,677)
NET ASSETS		<u>26,320</u>	<u>24,518</u>
 CAPITAL AND RESERVES			
Share Capital	12	861	861
Share Premium	14	14,012	14,012
Profit and Loss Account	14	11,447	9,645
TOTAL SHAREHOLDERS' FUNDS	13	<u>26,320</u>	<u>24,518</u>

The notes on pages 8 to 16 form part of these accounts.

The financial statements on pages 5 to 16 were approved by the Board of directors on 25 June 2002 and were signed on its behalf by:


J. A. Rooney
Chairman

PREMIER TRANSMISSION LIMITED
CASH FLOW STATEMENT FOR YEAR ENDED 31 DECEMBER 2001

	Note	2001 £'000	2000 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	11,073	10,403
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest Paid		(3,645)	(4,009)
Interest Received		396	410
CAPITAL EXPENDITURE			
Payments to Acquire Tangible Fixed Assets		(1,655)	(6,880)
European Regional Development Grant Received		293	2,355
EQUITY DIVIDENDS PAID		(6,000)	(2,568)
FINANCING ACTIVITIES			
Repayment of Bank Loan		(3,600)	(1,680)
NET (DECREASE)/INCREASE IN CASH IN THE YEAR		<u>(3,138)</u>	<u>(1,969)</u>
RECONCILIATION TO NET (DEBT)/CASH			
Net Debt at 1 January		(52,136)	(51,847)
Net (Decrease)/Increase in Cash in the Year		(3,138)	(1,969)
Decrease in Bank Loan		3,600	1,680
Net Debt at 31 December	16	<u>(51,674)</u>	<u>(52,136)</u>

The notes on pages 8 to 16 form part of these accounts.

PREMIER TRANSMISSION LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

1) ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of Accounting

The accounts have been prepared in accordance with the historical cost convention.

These financial statements also reflect the adoption of FRS 18 'Accounting Policies' in the current year.

Turnover

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.

Deferred Taxation

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.

Tangible Fixed Assets

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.

Grants

The European Regional Development ('ERD') Grant received for the pipeline is treated as deferred income and is being amortised over the expected useful life of the pipeline.

PREMIER TRANSMISSION LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

2) OPERATING PROFIT

This is stated after charging/(crediting) the following items:

	2001	2000
	£'000	£'000
Depreciation of owned assets	3,131	2,907
Amortisation of ERD grant	(1,077)	(1,016)
Auditors' Remuneration:		
Audit services	9	9
Non-audit services	-	1

The Company has no employees (2000 nil). BG Group plc makes charges for the service of their employees engaged on the Company's business.

3) DIRECTORS' EMOLUMENTS

	2001	2000
	£	£
Directors' emoluments	74,369	84,196

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 2001 (2000 nil).

4) INTEREST PAYABLE

	2001	2000
	£'000	£'000
Interest payable on bank loan	3,591	4,025

5) TAXATION

There is no charge to Corporation Tax in the year-ending 31 December 2001 (2000 nil) due to tax losses brought forward. Tax losses arising in previous years were 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
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

6) DIVIDEND

An interim dividend of £4,500,000 was paid during the year (2000 nil). The Board do not propose to pay a final dividend for 2001 (2000 nil)

7) TANGIBLE FIXED ASSETS

	Pipeline £'000
Cost	
As at 1 January 2001	133,174
Additions	-
As at 31 December 2001	<u>133,174</u>
Depreciation	
As at 1 January 2001	11,513
Charge for the year	3,131
As at 31 December 2001	<u>14,644</u>
Net Book Value	
31 December 2001	<u>118,530</u>
31 December 2000	<u>121,661</u>

8) DEBTORS

	2001 £'000	2000 £'000
Trade debtors	2,612	1,525
Prepayments and accrued income	2,750	3,497
	<u>5,362</u>	<u>5,022</u>

PREMIER TRANSMISSION LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001****9) CREDITORS (amounts falling due within one year)**

	2001	2000
	£'000	£'000
Trade creditors	1,071	1,354
Other creditors	461	273
Accruals	3,396	5,148
Deferred income (ERD grant)	1,084	1,077
Dividend payable	-	1,500
	<u>6,012</u>	<u>9,352</u>

10) CREDITORS (amounts falling due after more than one year)**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 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. The maturity profile of the loan is as follows:

	2001	2000
	£'000	£'000
Amounts repayable		
In one year or less, or on demand	3,960	3,600
In more than one year, but not more than two years	4,260	3,960
In more than two years, but not more than five years	14,880	13,860
In more than five years	31,620	36,900

Deferred Income

The deferred income of £39,886,000 (2000: £40,677,000) represents the unamortised amount of the European Regional Development Grant received in respect of the pipeline.

PREMIER TRANSMISSION LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

11) PROVISIONS FOR LIABILITIES AND CHARGES

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

	Provided		Unprovided	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	14,332	13,262
Other timing differences	-	-	(7,224)	(8,135)
	<u>-</u>	<u>-</u>	<u>7,108</u>	<u>5,127</u>

12) SHARE CAPITAL

	2001	2000
	£	£
Authorised ordinary shares of £1 each	<u>860,928</u>	<u>860,928</u>
Issued, allotted and fully paid shares of £1 each	<u>860,928</u>	<u>860,928</u>

13) RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2001

	2001	2000
	£'000	£'000
Profit on ordinary activities after taxation for the financial year	6,302	4,750
Dividend paid in the year	(4,500)	-
Net addition to shareholders' funds	<u>1,802</u>	<u>4,750</u>
Opening shareholders' funds	<u>24,518</u>	<u>19,768</u>
Closing shareholders' funds	<u>26,320</u>	<u>24,518</u>

PREMIER TRANSMISSION LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001****14) RECONCILIATION OF RESERVES**

	Profit and Loss Account	Share Premium Account	Total
	£'000	£'000	£'000
As at 1 January 2001	9,645	14,012	23,657
Transfer to reserves	1,802	-	1,802
As at 31 December 2001	<u>11,447</u>	<u>14,012</u>	<u>25,459</u>

15) CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities:

	2001	2000
	£'000	£'000
Operating profit	9,477	8,380
Depreciation charges	3,131	2,907
ERD grant amortisation	(1,077)	(1,016)
Debtors – (increase)/decrease	(340)	(2,377)
Creditors – increase/(decrease)	(118)	2,509
Cash inflow from operating activities	<u>11,073</u>	<u>10,403</u>

16) ANALYSIS OF CHANGES IN NET DEBT

	1 January 2001	Cash Flow	31 December 2001
	£'000	£'000	£'000
Cash at bank and in hand	6,184	(3,138)	3,046
Bank loan	(58,320)	3,600	(54,720)
Net debt	<u>(52,136)</u>	<u>462</u>	<u>(51,674)</u>

PREMIER TRANSMISSION LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

17) RELATED PARTY TRANSACTIONS

	Sales to Related Party		Purchases from Related Party		Management Recharge	
	2001	2000	2001	2000	2001	2000
	£'000	£'000	£'000	£'000	£'000	£'000
Premier Power Limited	7,768	3,598	-	276	-	-
Phoenix Natural Gas Limited	-	-	11	17	-	-
Sunfish Insurance PCC Limited	-	-	66	118	-	-
BG Group plc	-	-	913	1,532	391	352
	Amounts owed by Related Party		Amounts owed to Related Party		Net Tax Losses surrendered to Shareholders	
	2001	2000	2001	2000	2001	2000
	£'000	£'000	£'000	£'000	£'000	£'000
Premier Power Limited	851	293	-	280	-	-
Phoenix Natural Gas Limited	-	-	-	19	-	-
Sunfish Insurance PCC Limited	-	-	-	-	-	-
BG Group plc	-	-	108	786	-	-
BG Energy Holdings Limited	-	-	-	750	-	736
BG North Sea Holdings Limited	-	-	-	140	-	-
Keyspan Energy	-	-	23	610	-	-

PREMIER TRANSMISSION LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

17) RELATED PARTY TRANSACTIONS (continued)

Premier Power Limited

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

Phoenix Natural Gas Limited

Phoenix Natural Gas Limited owns and operates the gas distribution system in the Greater Belfast area. The Company was 75.5% owned by BG Energy Holdings Limited until 19 March 2001 when ownership reduced to 51%.

Sunfish Insurance PCC Limited

Sunfish Insurance PCC Limited is a wholly owned subsidiary of BG Group and arranges the insurance of the pipeline.

BG Group plc

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

BG Energy Holdings Limited/Keyspan Energy

BG Energy Holdings Limited and Keyspan Energy are the parent companies of Premier Transmission Limited (see note 19 below).

BG North Sea Holdings Limited

BG North Sea Holdings Limited is a holding company within the BG Group plc group of companies.

The following directors of the Company held directorships in the above related parties:

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

18) COMMITMENTS

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

PREMIER TRANSMISSION LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

19) 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.