

TRANSCO plc*(incorporated with limited liability in England and Wales on 1 April 1986)***Euro 6,000,000,000****Euro Medium Term Note Programme**

Under the Euro Medium Term Note Programme (the "*Programme*") described in this information memorandum (the "*Information Memorandum*"), Transco plc (the "*Issuer*"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt instruments (the "*Instruments*") denominated in any currency (including Euro) agreed between the Issuer, the Trustee and the relevant Dealer (as defined below). The aggregate nominal amount of Instruments outstanding will not at any time exceed Euro 6,000,000,000 (or the equivalent in other currencies). The Instruments will only be issued in bearer form.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services Act 1986 (the "*UK Listing Authority*") for Instruments issued within 12 months from the date of this Information Memorandum to be admitted to the official list of the UK Listing Authority (the "*Official List*") and to the London Stock Exchange plc (the "*London Stock Exchange*") for such Instruments to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List of the UK Listing Authority together with admission to trading on the London Stock Exchange's market for listed securities constitute admission to official listing on a stock exchange. However, unlisted Instruments may be issued pursuant to the Programme. The relevant Pricing Supplement (as defined on page 47) in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities (or any other stock exchange).

Copies of this document, which comprises listing particulars approved by the UK Listing Authority in relation to Instruments to be issued during the period of 12 months from the date of this Information Memorandum, have been delivered for registration to the Registrar of Companies in England and Wales as required by Section 149 of the Financial Services Act 1986.

Each Series (as defined on page 6) of Instruments will be represented on issue by a temporary global instrument in bearer form (each a "*temporary Global Instrument*") or a permanent global instrument (each a "*permanent Global Instrument*"). Global Instruments (being together, temporary Global Instruments and permanent Global Instruments) may be deposited on the issue date with a common depositary on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("*Euroclear*") and Clearstream Banking, société anonyme ("*Clearstream, Luxembourg*"). The provisions governing the exchange of interests in Global Instruments for other Global Instruments and definitive Instruments are described in "*Summary of Provisions Relating to the Instruments while in Global Form*".

This Information Memorandum replaces, and is produced in substitution for, the Information Memorandum dated 2 February 2001 and the Supplementary Listing Particulars dated 26 April 2001.

Arranger for the Programme

UBS Warburg

The Principal Dealers

Barclays Capital
Deutsche Bank
HSBC
Lehman Brothers
The Royal Bank of Scotland

Credit Suisse First Boston
Goldman Sachs International
JPMorgan
Mizuho International plc
UBS Warburg



This Information Memorandum comprises listing particulars given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 by the UK Listing Authority, for the purpose of giving information with regard to Transco plc and its subsidiary undertakings (together the "**Group**") and the Instruments which are to be issued within 12 months of the date of this Information Memorandum and admitted to the Official List and admitted to trading on the London Stock Exchange's market for listed securities. The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum in connection with the issue or sale of the Instruments and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or Arranger (as defined in "**Summary of the Programme**"). Neither the delivery of this Information Memorandum nor any sale made in connection with the Information Memorandum shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of the Information Memorandum or the date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date of the Information Memorandum or the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Investors should review, *inter alia*, the most recently published consolidated audited Annual Report and Accounts of Transco plc, including the Form 20-F Annual Report pursuant to Section 13 or 15(d) of the United States Securities Exchange Act of 1934 of Transco plc filed with the Securities and Exchange Commission and the London Stock Exchange when deciding whether or not to purchase any of the Instruments. Such documents do not form part of the listing particulars.

The distribution of this Information Memorandum and the offering, distribution or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended and will be in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Instruments and on distribution of this Information Memorandum, see "**Plan of Distribution**".

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Instruments.

The Dealers and the Arranger have not independently verified the information contained in this Information Memorandum. None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Information Memorandum. Neither this Information Memorandum nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Information Memorandum or any other financial statements should purchase the Instruments. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Information Memorandum and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the

arrangements contemplated by this Information Memorandum or to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Dealers or the Arranger.

In connection with any Tranche (as defined in "*Summary of the Programme*"), one of the Dealers will act as a stabilising agent (the "*Stabilising Agent*"). The identity of the Stabilising Agent will be disclosed in the relevant Pricing Supplement. References in the next paragraph to "*this issue*" are to each Tranche in relation to which a Stabilisation Agent is appointed.

In connection with this issue, the Stabilising Agent may over-allot or effect transactions which stabilise or maintain the market price of the Instruments at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time and will be carried out in accordance with applicable laws and regulations.

In this Information Memorandum, unless otherwise specified or the context otherwise requires, references to "*Euro*" are to the currency of those member states of the European Union which are participating in European economic and monetary union pursuant to the Treaty on European Union, "*Japanese yen*" are to the lawful currency of Japan, to "*£*", "*sterling*" and "*Sterling*" are to the lawful currency of the United Kingdom, to "*U.S.\$*" and "*U.S. dollars*" are to the lawful currency of the United States of America, to "*C\$*", "*Cdn \$*" and "*Canadian dollars*" are to the lawful currency of Canada, to "*Aus \$*" and "*Australian dollars*" are to the lawful currency of Australia, to "*New Zealand dollars*" are to the lawful currency of New Zealand, to "*Swedish krona*" are to the lawful currency of Sweden, to "*Danish krone*" are to the lawful currency of Denmark, to "*Hong Kong dollars*" are to the lawful currency of Hong Kong, to "*Sw Fr*" and "*Swiss francs*" are to the lawful currency of Switzerland and to "*Finnish markkas*" are to the lawful currency of Finland.

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DOCUMENTS INCORPORATED BY REFERENCE

This Information Memorandum should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published consolidated audited Annual Report and Accounts of Transco plc, including the Form 20-F Annual Report pursuant to Section 13 or 15(d) of the United States Securities Exchange Act of 1934 of Transco plc filed with the Securities and Exchange Commission and the London Stock Exchange and any consolidated interim accounts (whether audited or unaudited) of Transco plc published subsequently to such annual accounts which shall be deemed to be incorporated in, and to form part of, this Information Memorandum and which shall be deemed to modify or supersede the contents of this Information Memorandum to the extent that a statement contained in any such document is inconsistent with such contents; provided, however, that no such document incorporated by reference or modifying or superseding statement shall form part of the listing particulars issued in compliance with the listing rules made under Section 142 of the Financial Services Act 1986.

The Issuer will, at the specified offices of the Paying Agents (as set out under "*Summary of the Programme*" on page 6), provide, free of charge, upon an oral or written request, a copy of any or all of the documents which, or portions of which, are deemed to be incorporated by reference into this Information Memorandum. Written or telephone requests for such documents should be directed to the specified office of any Paying Agent.

SUPPLEMENTARY LISTING PARTICULARS

If at any time the Issuer shall be required to prepare supplementary listing particulars pursuant to Section 147 of the Financial Services Act 1986, the Issuer will prepare and make available an appropriate amendment or supplement to this Information Memorandum or a further Information Memorandum which, in respect of any subsequent issue of Instruments to be listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities, shall constitute supplementary listing particulars as required by the UK Listing Authority and Section 147 of the Financial Services Act 1986.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Information Memorandum.

Issuer:	Transco plc (registered number 2006000).
Description:	Euro Medium Term Note Programme.
Size:	Up to Euro 6,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Instruments outstanding at any one time.
Arranger:	UBS AG, acting through its business group UBS Warburg (" <i>UBS Warburg</i> ").
Principal Dealers:	Credit Suisse First Boston (Europe) Limited Deutsche Bank AG London Goldman Sachs International Lehman Brothers International (Europe) Mizuho International plc J.P. Morgan Securities Ltd. The Royal Bank of Scotland plc UBS AG, acting through its business group UBS Warburg The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Information Memorandum to " <i>Permanent Dealers</i> " are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to " <i>Dealers</i> " are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Issuing and Paying Agent:	Bank One, NA
Other Paying Agents:	Banque Bruxelles Lambert S.A., Kredietbank S.A. Luxembourgeoise and Crédit Agricole Indosuez.
Method of Issue:	The Instruments will be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a " <i>Series</i> ") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Instruments of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each a " <i>Tranche</i> ") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in

respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Information Memorandum (a "*Pricing Supplement*").

Issue Price:

Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Instruments may be issued, the issue price of which will be payable in two or more instalments.

Form of Instruments:

The Instruments may be issued in bearer form only. Each Tranche of Instruments will be represented on issue by a temporary Global Instrument if (i) definitive Instruments are to be made available to Instrumentholders following the expiry of 40 days after their issue date or (ii) such Instruments have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Summary of the Programme - Selling Restrictions*"), otherwise such Tranche will be represented by a permanent Global Instrument. Any permanent Global Instrument shall only be exchanged for Instruments in definitive form in the limited circumstances set out in the permanent Global Instrument.

Clearing Systems:

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Initial Delivery of Instruments:

On or before the issue date for each Tranche, the Global Instrument representing Instruments may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Instruments may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Currencies:

Subject to compliance with all relevant laws, regulations and directives, Instruments may be issued in U.S. dollars, Australian dollars, Canadian dollars, Danish krone, Euro, Hong Kong dollars, New Zealand dollars, Sterling, Swedish krona, Swiss francs, Finnish markkas or Japanese yen or in other currencies if the Issuer and the relevant Dealers so agree. Instruments may, subject to compliance as above, be issued as dual currency Instruments.

Where the proceeds of the issue of any Instruments are to be accepted by the Issuer in the United Kingdom, such Instruments will be "commercial paper", "shorter term debt securities" or "longer term debt securities", as the case may be, in each case issued in accordance with the regulations made under Section 4

of the Banking Act of 1987.

Issues of Instruments denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year (other than Instruments privately placed with a single investor with no publicity) will be effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8 November 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Corporation on Stock Exchanges and Securities Trading of 2 December 1996. Under those regulations, the relevant Dealer or, in the case of a syndicated issue the lead manager (the "*Swiss Dealer*"), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission as per the Federal Law on Stock Exchanges and Securities Trading of 24 March 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date for such a transaction.

Maturities:

Subject to compliance with all relevant laws, regulations and directives, any maturity from one month to perpetuity.

Denominations:

Definitive Instruments will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Instruments (including Instruments denominated in Sterling) in respect of which the issue proceeds are accepted by the Issuer in the United Kingdom will have a minimum denomination of £100,000 or its equivalent in other currencies, unless such Instruments may not be redeemed until the third anniversary of their date of issue and are to be listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities or other stock exchange in the European Economic Area ("*EEA*").

Fixed Rate Instruments:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement and at maturity.

Floating Rate Instruments:

Floating Rate Instruments will bear interest set separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or

- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be selected by the Issuer prior to issue and specified in the relevant Pricing Supplement. Floating Rate Instruments may also have a maximum interest rate, a minimum interest rate, or both.

Zero Coupon Instruments:

Zero Coupon Instruments may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Instruments:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Instruments will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.

Index Linked Instruments:

Payments of principal in respect of Index Linked Redemption Instruments or of interest in respect of Index Linked Interest Instruments will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.

Interest Periods and Rates of Interest:

The length of the interest periods for the Instruments and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Instruments may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Instruments to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption:

The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable, which may be by reference to a stock index or formula or as otherwise provided in the relevant Pricing Supplement. Unless permitted by then current laws and regulations, Instruments (including Instruments denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom must have a minimum redemption amount of £100,000 (or its equivalent in other currencies), unless such Instruments may not be redeemed until the third anniversary of their date of issue and are to be listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities or other stock exchange in the EEA.

Redemption by Instalments:

The Pricing Supplement issued in respect of each issue of Instruments that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Instruments may be redeemed.

Other Instruments:	Terms applicable to high interest Instruments, low interest Instruments, step-up Instruments, step-down Instruments, dual currency Instruments, reverse dual currency Instruments, optional dual currency Instruments, partly-paid Instruments and any other type of Instrument that the Issuer, the Trustee and any Dealer or Dealers may agree to issue under the Programme, subject to compliance with all relevant laws, regulations and directives, will be set out in the relevant Pricing Supplement.
Optional Redemption:	The Pricing Supplement issued in respect of each issue of Instruments will state whether such Instruments may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Instruments:	The Instruments will constitute unsubordinated and unsecured obligations of the Issuer all as described in <i>"Terms and Conditions of the Instruments - Status"</i> .
Negative Pledge:	The Issuer will not give any negative pledge in respect of the Programme.
Cross Default:	The events of default in respect of Instruments in any Series will not contain any cross default provision in respect of any other indebtedness of the Issuer whether with respect to Instruments in any other Series or otherwise.
Events of Default:	The events of default under the Instruments are as specified below under <i>"Terms and Conditions of the Instruments - Events of Default"</i> .
Early Redemption:	Except as provided in <i>"Optional Redemption"</i> above and subject always to the Regulations and any other laws, regulations and directives applicable to the relevant currency in which such Instruments are denominated, Instruments will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See <i>"Terms and Conditions of the Instruments - Redemption, Purchase and Options"</i> .
Withholding Tax:	All payments of principal and interest in respect of the Instruments will be made free and clear of withholding taxes of the United Kingdom subject to customary exceptions, all as described in <i>"Terms and Conditions of the Instruments - Taxation"</i> .
Governing Law:	English.
Listing:	Instruments may be listed on the Official List and admitted to trading on the London Stock Exchange or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Instruments may be unlisted.
Selling Restrictions:	United States, United Kingdom, the Netherlands and Japan. See <i>"Plan of Distribution"</i> .

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act.

The Instruments will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that Instruments are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Instruments are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Instruments will not constitute "**registration required obligations**" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

Terms and Conditions:

The Terms and Conditions applicable to each Series will be as agreed between the Issuer, the Trustee and the relevant Dealer or other purchaser at or prior to the time of issuance of such Series and will be specified in the relevant Pricing Supplement. The Terms and Conditions applicable to each Series will therefore be those as set out on pages 12 to 29 (inclusive) of the Information Memorandum as supplemented, modified or replaced by the relevant Pricing Supplement.

TERMS AND CONDITIONS OF THE INSTRUMENTS

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Instruments in definitive form (if any) issued in exchange for the Global Instrument(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Instruments. All capitalised terms which are not defined in these Conditions will have the meanings given to them in the Trust Deed or the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Instruments. References in the Conditions to "Instruments" are to the Instruments of one Series only, not to all Instruments that may be issued under the Programme.

The Instruments are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Instruments (the "**Issue Date**"), the "**Trust Deed**") dated 2 February 2001 as amended by a supplemental trust deed dated 20 July 2001 between Transco plc (the "**Issuer**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Instrumentholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Definitive Instruments, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 2 February 2001 has been entered into in relation to the Instruments between the Issuer, the Trustee, Bank One, NA as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the registered office of the Trustee (presently at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents.

The Instrumentholders, the holders of the interest coupons (the "**Coupons**") appertaining to interest bearing Instruments and, where applicable in the case of such Instruments, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Instruments of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

1 **Form, Denomination and Title**

The Instruments are issued in bearer form in the Specified Denomination(s) shown on this Instrument and are serially numbered. Instruments of one Specified Denomination are not exchangeable for Instruments of another Specified Denomination.

This Instrument is a Fixed Rate Instrument, a Floating Rate Instrument, a Zero Coupon Instrument, a Perpetual Instrument, an Index Linked Interest Instrument, an Index Linked Redemption Instrument, an Instalment Instrument, a Dual Currency Instrument or a Partly Paid Instrument, a combination of any of the preceding or any other kind of Instrument, depending upon the Interest and Redemption/Payment Basis shown on this Instrument.

Instruments are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Instruments in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Instruments are issued with one or more Receipts attached. Title to the Instruments and the Receipts, Coupons and Talons shall pass by delivery and except as ordered by a court of competent jurisdiction or as required by law, the Issuer and the Paying Agents shall be entitled to treat the bearer of any Instrument, Receipt, Coupon or Talon as the absolute owner of that Instrument, Receipt, Coupon or Talon, as the case may be, and shall not be required to obtain any proof of ownership or as to the identity of the bearer.

In these Conditions, "**Instrumentholder**" means the bearer of any Instrument and the Receipts relating to it, "**holder**" (in relation to an Instrument, Receipt, Coupon or Talon) means the bearer of any Instrument, Receipt, Coupon or Talon and capitalised terms have the meanings given to them on this Instrument, the absence of any such meaning indicating that such term is not applicable to this Instrument.

2 Status

The Instruments and the Receipts and Coupons relating to them constitute direct, unconditional and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves. The payment obligations of the Issuer under the Instruments, Receipts and Coupons shall, subject to such exceptions as are from time to time applicable under the laws of England, rank equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Issuer.

3 Interest

- (a) **Interest on Fixed Rate Instruments:** Each Fixed Rate Instrument bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified on this Instrument, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount, or, if applicable, the Broken Amount so specified and in the case of a Broken Amount will be payable on the particular Interest Payment Date(s) specified on this Instrument.

- (b) **Interest on Floating Rate Instruments and Index Linked Interest Instruments:**

- (i) **Interest Payment Dates:** Each Floating Rate Instrument and Index Linked Interest Instrument bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown on this Instrument as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown on this Instrument, Interest Payment Date shall mean each date which falls the number of months or other period shown on this Instrument as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) **Business Day Convention:** If any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall

be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in that event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Rate of Interest for Floating Rate Instruments:* The Rate of Interest in respect of Floating Rate Instruments for each Interest Accrual Period shall be determined in the manner specified on this Instrument and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified on this Instrument.

(A) ISDA Determination for Floating Rate Instruments

Where ISDA Determination is specified on this Instrument as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "*ISDA Rate*" for an Interest Accrual Period means a rate equal to the Floating Rate which would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

the Floating Rate Option is as specified on this Instrument;

- (a) the Designated Maturity is a period specified on this Instrument; and
- (b) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified on this Instrument.

For the purposes of this sub-paragraph (A), "*Floating Rate*", "*Calculation Agent*", "*Floating Rate Option*", "*Designated Maturity*", "*Reset Date*" and "*Swap Transaction*" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Instruments

Where Screen Rate Determination is specified on this Instrument as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (x) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
 - (a) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
 - (b) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

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- (y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(a) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(b) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro in those member states of the European Union which are participating in European economic and monetary union as selected by the Calculation Agent (the "*Principal Financial Centre*") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).
- (iv) *Rate of Interest for Index Linked Interest Instruments:* The Rate of Interest in respect of Index Linked Interest Instruments for each Interest Accrual Period shall be determined in the manner specified on this Instrument and interest will accrue by reference to an Index or Formula as specified on this Instrument.
- (c) **Zero Coupon Instruments:** Where an Instrument, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Instrument. As from the Maturity Date, the Rate of Interest for any overdue principal of such an Instrument shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 4(d)(i)(B).
- (d) **Dual Currency Instruments:** In the case of Dual Currency Instruments, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified on this Instrument.
- (e) **Partly Paid Instruments:** In the case of Partly Paid Instruments (other than Partly Paid Instruments which are Zero Coupon Instruments), interest will accrue as previously stated on the paid-up nominal amount of such Instruments and otherwise as specified on this Instrument.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Instrument on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall
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continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 6).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:**

- (i) *If any Margin or Rate Multiplier is specified on this Instrument (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 3(b) above, by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.*
- (ii) *If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified on this Instrument, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.*
- (iii) *For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency which is available as legal tender in the country of such currency.*

- (h) **Calculations:** The amount of interest payable in respect of any Instrument for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Instrument by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Instrument for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, *obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Instruments for the relevant Interest Accrual Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Instrumentholders, any other Calculation Agent appointed in respect of the Instruments that is to make a further calculation upon receipt of such information and, if the Instruments are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and*

Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 3(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Instruments become due and payable under Condition 8, the accrued interest and the Rate of Interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the preceding provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (k) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

- (i) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of Euro, a day on which the TARGET System is operating (a "**TARGET Business Day**") and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres as specified on this Instrument, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency or, if no currency is indicated, generally in each of the Additional Business Centres.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Instrument for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**");

- (i) if "**Actual/365**" or "**Actual/Actual-ISDA**" is specified on this Instrument, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified on this Instrument, the actual number of days in the Calculation Period divided by 365;
- (iii) if "**Actual/360**" is specified on this Instrument, the actual number of days in the Calculation Period divided by 360;

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- (iv) if “30/360”, “360/360” or “**Bond Basis**” is specified on this Instrument, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if “30E/360” or “**Eurobond Basis**” is specified on this Instrument, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (vi) if “**Actual/Actual-ISMA**” is specified on this Instrument,
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“Determination Date” means the date specified as such on this Instrument or, if none is so specified, the Interest Payment Date.

“**Effective Date**” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such on this Instrument or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

“**Euro-zone**” means the region comprising of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union and the Treaty of Amsterdam.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means the amount of interest payable, and in the case of Fixed Rate Instruments, means the Fixed Coupon Amount or Broken Amount, as the case may be.

"Interest Commencement Date" means the Issue Date or such other date as may be specified on this Instrument.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such on this Instrument or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"Interest Period Date" means each Interest Payment Date unless otherwise specified on this Instrument.

"ISDA Definitions" means the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified on this Instrument.

"Page" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 ("**Reuters**") and the Bridge/Telerate Service ("**Telerate**")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Instrument and that is either specified or calculated in accordance with the provisions on this Instrument.

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement.

"Reference Banks" means the institutions specified as such in this Instrument or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe).

"Relevant Financial Centre" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such on this Instrument or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London.

"Relevant Rate" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

"Relevant Time" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified on this Instrument or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose **"local time"** means, with respect to Europe as a Relevant Financial Centre, 11:00 a.m., Brussels time.

"Representative Amount" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in this Instrument or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

"Specified Currency" means the currency specified as such on this Instrument or, if none is specified, the currency in which the Instruments are denominated.

"Specified Duration" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in this Instrument or, if none is specified, a period of time equal to the relevant Interest Accrual Period, ignoring any adjustment pursuant to Condition 3(b)(ii).

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor to it.

- (l) **Calculation Agent and Reference Banks:** The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in this Instrument and for so long as any Instrument is outstanding (as defined in the Trust Deed). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall (with the prior approval of the Trustee) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Instruments, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) which is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as specified in this paragraph.

4 Redemption, Purchase and Options

- (a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below this Instrument will be redeemed at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) on the Maturity Date specified on this Instrument provided, however, that if the Instrument is a Perpetual Instrument it will only be redeemable and repayable in accordance with the following provisions of this Condition 4.

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- (b) **Redemption for Taxation Reasons:** If, on the occasion of the next payment in respect of the Instruments the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that it would be unable to make such payment without having to pay additional amounts as described in Condition 6, and such requirement to pay such additional amounts arises by reason of a change in the laws of the United Kingdom or any political sub-division of the United Kingdom or taxing authority in the United Kingdom or any political sub-division of the United Kingdom or in the interpretation or application of the laws of the United Kingdom or any political sub-division of the United Kingdom or in any applicable double taxation treaty or convention, which change becomes effective on or after the Issue Date, and such requirement cannot be avoided by the Issuer taking reasonable measures (such measures not involving any material additional payments by, or expense for, the Issuer), the Issuer may, at its option, on any Interest Payment Date or, if so specified on this Instrument, at any time, having given not less than 30 nor more than 45 days' notice to the Instrumentholders in accordance with Condition 13, redeem all, but not some only, of the Instruments at their Early Redemption Amount together with interest accrued to the date of redemption provided that the date fixed for redemption shall not be earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or make such withholding or deduction, as the case may be, were a payment in respect of the Instruments then due. Prior to the publication of any notice of redemption pursuant to this Condition 4(b), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above in which event it shall be conclusive and binding on Instrumentholders and Couponholders.
- (c) **Purchases:** The Issuer and any of its subsidiary undertakings may at any time purchase Instruments (provided that all unmatured Receipts and Coupons and unexchanged Talons appertaining to them are attached or surrendered with them) in the open market or otherwise at any price.
- (d) **Early Redemption:**
- (i) Zero Coupon Instruments:
 - (A) The Early Redemption Amount payable in respect of any Zero Coupon Instrument, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Instrument pursuant to Condition 4(b) or upon it becoming due and payable as provided in Condition 8 shall be the Amortised Face Amount (calculated as provided below) of such Instrument unless otherwise specified on this Instrument.
 - (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Instrument shall be the scheduled Final Redemption Amount of such Instrument on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown on this Instrument, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Instruments if they were discounted back to their issue price on the Issue Date) compounded annually.
 - (C) If the Early Redemption Amount payable in respect of any such Instrument upon its redemption pursuant to Condition 4(b) or, if applicable, Condition 4(e) or (f) or upon it becoming due and payable as provided in Condition 8, is not paid when due, the Early Redemption Amount due and payable in respect of such Instrument shall be the Amortised Face Amount of such Instrument as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the reference in that sub-paragraph to the date on which the Instrument becomes due and payable was replaced by a reference to the Relevant
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Date as defined in Condition 6. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Instrument on the Maturity Date together with any interest that may accrue in accordance with Condition 3(b).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown on this Instrument.

- (ii) *Other Instruments:* The Early Redemption Amount payable in respect of any Instrument (other than Instruments described in (i) above), upon redemption of such Instrument pursuant to Condition 4(c) or upon it becoming due and payable as provided in Condition 8, shall be the Final Redemption Amount unless otherwise specified on this Instrument.
- (e) **Redemption at the Option of the Issuer and Exercise of Issuer's Options:** If Call Option is specified on this Instrument, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified on this Instrument), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Instruments shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Instruments of a nominal amount at least equal to the minimum nominal amount to be redeemed specified hereon and no greater than the maximum nominal amount to be redeemed specified on this Instrument.

All Instruments in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Instrumentholders shall also contain the serial numbers of the Instruments to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, listing authority and stock exchange requirements.
- (f) **Redemption at the Option of Instrumentholders and Exercise of Instrumentholders' Options:** If Put Option is specified on this Instrument, the Issuer shall, at the option of the holder of any such Instrument, upon the holder of such Instrument giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified on this Instrument) redeem such Instrument on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Instrumentholders' option which may be set out on this Instrument (which must be exercised on an Option Exercise Date) the holder must deposit such Instrument with any Paying Agent at its specified office, together with a duly completed option exercise notice ("*Exercise Notice*") in the form obtainable from any Paying Agent within the Instrumentholders' Option Period. No Instrument so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.
- (g) **Partly Paid Instruments:** Partly Paid Instruments will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified on this Instrument.
- (h) **Redemption by Instalments:** Unless previously redeemed, purchased and cancelled as provided in this Condition 4, each Instrument which provides for Instalment Dates and Instalment Amounts will be

partially redeemed on each Instalment Date at the Instalment Amount specified on it. The outstanding nominal amount of each such Instrument shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Instrument, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

- (i) **Cancellation:** All Instruments redeemed by the Issuer will be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached to them or surrendered with them) and may not be reissued or resold and the obligations of the Issuer in respect of any such Instruments shall be discharged.

5 Payments and Talons

- (a) **Payments:** Payments of principal and interest in respect of Instruments will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Instrument), Instruments (in the case of all other payments of principal and, in the case of interest, as specified in Condition 5(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 5(e)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with, a bank in the principal financial centre for that currency; Provided that in the case of Euro, the transfer shall be in a city in which banks have access to the TARGET System.
- (b) **Payments in the United States:** Notwithstanding the above, if any Instruments are denominated in U.S. dollars, payments in respect of them may be made at the specified office of any Paying Agent in New York City in the same manner as specified above if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Instruments in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (c) **Payments subject to Fiscal Laws etc.:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 6. No commission or expenses shall be charged to the Instrumentholders or Couponholders in respect of such payments.
- (d) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Paying Agent having a specified office in a continental European city, (iii) a Calculation Agent where the Conditions so require one, (iv) so long as the Instruments are listed on the London

Stock Exchange, a Paying Agent having a specified office in London and (v) to the extent that the Issuer is able to do so, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. As used in these Conditions, the terms "*Issuing and Paying Agent*", "*Calculation Agent*", and "*Paying Agent*" include any additional or replacement Issuing and Paying Agent, Calculation Agent or Paying Agent appointed under this Condition.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Instruments denominated in U.S. dollars in the circumstances described in paragraph (b) above.

Notice of any such change or any change of any specified office shall promptly be given to the Instrumentholders in accordance with Condition 13.

(e) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Unless the Instruments provide that the relevant Coupons are to become void upon the due date for redemption of those Instruments, Instruments should be surrendered for payment together with all unmaturing Coupons (if any) appertaining to them, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) will be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 7).
- (ii) If the relevant Instruments so provide, upon the due date for redemption of any Instrument, unmaturing Coupons relating to such Instrument (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Instrument, any unexchanged Talon relating to such Instrument (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Instrument which is redeemable in instalments, all Receipts relating to such Instrument having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Instrument which provides that the relevant Coupons are to become void upon the due date for redemption of those Instruments is presented for redemption without all unmaturing Coupons and any unexchanged Talon relating to it, and where any Instrument is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Instrument is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Instrument. Interest accrued on an Instrument that

only bears interest after its Maturity Date shall be payable on redemption of that Instrument against presentation of that Instrument.

- (f) **Non-business Days:** If any date for payment in respect of any Instrument, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Additional Financial Centres**" on the Instrument and:
- (i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in Euro), which is a TARGET Business Day.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Instrument, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 7).

6 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Instruments, the Receipts and the Coupons will be made without withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division of the United Kingdom or any authority in or of the United Kingdom having power to tax, unless such withholding or deduction is compelled by law. In that event, the Issuer will pay such additional amounts of principal and interest as will result in the payment to the Instrumentholders, Receiptholders or, as the case may be, the Couponholders of the amounts which would otherwise have been receivable in respect of the Instruments, Receipts or Coupons had no withholding or deduction been made, except that no such additional amounts shall be payable in respect of any Instrument, Receipt or Coupon presented for payment:

- (a) by or on behalf of, a person who is liable to such taxes or duties in respect of such Instrument, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Instrument, Receipt or Coupon; or
- (b) by or on behalf of a person who would not be liable or subject to such deduction or withholding by making a declaration of non-residence or other similar claim for exemption to the tax authority in such country; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Instrument, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Instrumentholders in accordance with Condition 13 that, upon further presentation of the Instrument, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Instruments, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 4 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

7 Prescription

Instruments, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

8 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by the holders of at least one-fifth in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution shall, give notice to the Issuer at its registered office that the Instruments are, and they shall accordingly immediately become due and repayable at their Redemption Amount together with accrued interest (if any) to the date of payment:

- (a) **Non-Payment:** there is default for more than 30 days in the payment of any principal or interest due in respect of the Instruments; or
- (b) **Breach of Other Obligations:** there is default in the performance or observance by the Issuer of any other obligation or provision under the Trust Deed or the Instruments (other than any obligation for the payment of any principal or interest in respect of the Instruments) which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 90 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) **Enforcement Proceedings:** a resolution is passed, or a final order of a court in the United Kingdom is made and, where possible, not discharged or stayed within a period of 90 days, that the Issuer be wound up or dissolved; or
- (d) **Winding-up:** attachment is made of the whole or substantially the whole of the assets or undertaking of the Issuer and such attachment is not released or cancelled within 90 days or an encumbrancer takes possession or an administrative or other receiver or similar officer is appointed of the whole or substantially the whole of the assets or undertaking of the Issuer or an administration or similar order is made in relation to the Issuer and such taking of possession, appointment or order is not released, discharged or cancelled within 90 days; or
- (e) **Insolvency:** the Issuer ceases to carry on all or substantially all of its business or is unable to pay its debts within the meaning of Section 123(1)(e) or Section 123(2) of the Insolvency Act 1986; or

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- (f) **Bankruptcy:** the Issuer is adjudged bankrupt or insolvent by a court of competent jurisdiction in its country of incorporation.

provided that in the case of paragraph (b) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Instrumentholders.

Any such notice by the Trustee to the Issuer shall specify the serial number(s) of the Instrument(s) concerned.

9 Enforcement

The Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Instruments or under the Trust Deed, but shall not be bound to do so unless:

- (a) it has been so directed by an Extraordinary Resolution or in writing by the holders of at least one-fifth of the principal amount of the Instruments outstanding; and
- (b) it has been indemnified to its satisfaction.

No Instrumentholder, Receiptholder or Couponholder shall be entitled to institute proceedings directly against the Issuer unless the Trustee, having become bound to proceed as specified above, fails to do so within a reasonable time and such failure is continuing.

10 Meetings of Instrumentholders, Modifications and Substitution

- (a) **Meetings of Instrumentholders:** The Trust Deed contains provisions for convening meetings of Instrumentholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. An Extraordinary Resolution duly passed at any such meeting shall be binding on Instrumentholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or redemption of the Instruments, any Instalment Date or any date for payment of interest on the Instruments, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Instruments, (iii) to reduce the rate or rates of interest in respect of the Instruments or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Instruments, (iv) if a Minimum and/or a Maximum Rate of Interest is shown on the face of the Instrument, to reduce any such Minimum and/or Maximum Rate of Interest, (v) to vary any method of calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, (vi) to take any steps that as specified in this Instrument may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, and (vii) to modify the provisions concerning the quorum required at any meeting of Instrumentholders or the majority required to pass the Extraordinary Resolution will only be binding if passed at a meeting of the Instrumentholders (or at any adjournment of that meeting) at which a special quorum (as defined in the Trust Deed) is present. A resolution in writing signed by the holders of not less than 95 per cent. in nominal amount of the Instruments will be binding on all Instrumentholders and Couponholders. The Issuer may convene a meeting of Instrumentholders jointly with the holders of all other instruments issued pursuant to the Agency Agreement and not forming a single series with the Instruments to which meeting the provisions referred to above apply as if all such instruments formed part of the same series, provided that the proposals to be considered at such meeting affect the rights of the

holders of the instruments of each series attending the meeting in identical respects (save insofar as the Conditions applicable to each such series are not identical).

- (b) **Modification of the Trust Deed:** The Trustee may agree, without the consent of the Instrumentholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders. Any such modification, authorisation or waiver shall be binding on the Instrumentholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Instrumentholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Instrumentholders or the Couponholders, to the substitution of any other company in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Instruments. In the case of such a substitution the Trustee may agree, without the consent of the Instrumentholders or the Couponholders, to a change of the law governing the Instruments, the Receipts, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Instrumentholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Instrumentholders as a class and shall not have regard to the consequences of such exercise for individual Instrumentholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Instrumentholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Instrumentholders or Couponholders.

11 Replacement of Instruments, Receipts, Coupons and Talons

If an Instrument, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, listing authority and stock exchange regulations, at the specified office of such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Instrumentholders in accordance with Condition 13 on payment by the claimant of the fees and costs incurred in connection with that replacement and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Instrument, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Instruments, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Instruments, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12 Further Issues

The Issuer may from time to time without the consent of the Instrumentholders or Couponholders create and issue further instruments having the same terms and conditions as the Instruments and so that such further issue shall be consolidated and form a single series with such Instruments. References in these Conditions to the Instruments include (unless the context requires otherwise) any other instruments issued pursuant to this Condition and forming a single series with the Instruments. Any such further instruments forming a single

series with Instruments constituted by the Trust Deed or any deed supplemental to it shall, and any other instruments may (with the consent of the Trustee), be constituted by the Trust Deed.

The Trust Deed contains provisions for convening a single meeting of the Instrumentholders and the holders of instruments of other series if the Trustee so decides.

13 Notices

All notices to the Instrumentholders will be valid if published in a daily English language newspaper of general circulation in the United Kingdom (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Instruments in accordance with this Condition.

14 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any other securities by the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Instruments under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law

The Trust Deed, the Instruments, the Receipts, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

Initial Issue of Instruments

Upon the initial deposit of a Global Instrument with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"), Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Instruments equal to the nominal amount of those Instruments for which it has subscribed and paid.

Instruments which are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Instruments that are initially deposited with another clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of an Instrument represented by a Global Instrument must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Instrument and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument in respect of each amount so paid.

Exchange

1 Temporary Global Instruments

Each temporary Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- 1.1 if the relevant Pricing Supplement indicates that such Global Instrument is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme-Selling Restrictions*"), in whole, but not in part, for the Definitive Instruments defined and described below; and
- 1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Instrument or, if so provided in the relevant Pricing Supplement, for Definitive Instruments.

2 Permanent Global Instruments

Each permanent Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Instruments*", in part for Definitive Instruments:

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- 2.1 by the Issuer giving notice to the Issuing and Paying Agent and the Instrumentholders of its intention to effect such exchange;
 - 2.2 if the relevant Pricing Supplement provides that such Global Instrument is exchangeable at the request of the holder, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange; and
 - 2.3 otherwise, if the permanent Global Instrument is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

3 Partial Exchange of Permanent Global Instruments

For so long as a permanent Global Instrument is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Instrument will be exchangeable in part on one or more occasions for Definitive Instruments (i) if principal in respect of any Instruments is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Instruments.

4 Delivery of Instruments

On or after any due date for exchange the holder of a Global Instrument may surrender such Global Instrument or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Instrument, or the part of that Global Instrument to be exchanged, the Issuer will (i) in the case of a temporary Global Instrument exchangeable for a permanent Global Instrument, deliver, or procure the delivery of, a permanent Global Instrument in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Instrument that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Instrument to reflect such exchange or (ii) in the case of a Global Instrument exchangeable for Definitive Instruments, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Instruments. In this Information Memorandum, "**Definitive Instruments**" means, in relation to any Global Instrument, the Definitive Instruments for which such Global Instrument may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Instrument and a Talon). Definitive Instruments will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Instrument, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Instruments.

5 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Instrument, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Instrument, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Instruments when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Instruments and permanent Global Instruments contain provisions that apply to the Instruments which they represent, some of which modify the effect of the terms and conditions of the Instruments set out in this Information Memorandum. The following is a summary of certain of those provisions:

6 Payments

No payment falling due after the Exchange Date will be made on any Global Instrument unless exchange for an interest in a permanent Global Instrument or for Definitive Instruments is improperly withheld or refused. Payments on any temporary Global Instrument issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Instruments represented by a Global Instrument will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Instruments, surrender of that Global Instrument to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Instrumentholders for such purpose. A record of each payment so made will be endorsed on each Global Instrument, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Instruments.

7 Prescription

Claims against the Issuer in respect of Instruments which are represented by a permanent Global Instrument will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 6).

8 Meetings

The holder of a permanent Global Instrument shall (unless such permanent Global Instrument represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Instrumentholders and, at any such meeting, as having one vote in respect of each minimum Specified Denomination of Instruments for which such Global Instrument may be exchanged.

9 Cancellation

Cancellation of any Instrument represented by a permanent Global Instrument which is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Instrument.

10 Purchase

Instruments represented by a permanent Global Instrument may only be purchased by the Issuer or any of its subsidiary undertakings if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) on those Instruments.

11 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument shall be exercised by the Issuer giving notice to the Instrumentholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system or Approved Intermediary in respect of the Instruments will be

governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

12 Instrumentholders' Options

Any option of the Instrumentholders provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument may be exercised by the holder of the permanent Global Instrument giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the nominal amount of Instruments in respect of which the option is exercised and at the same time presenting the permanent Global Instrument for notation.

13 Trustee's Powers

In considering the interests of Instrumentholders while any Global Instrument is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Instrument and may consider such interests as if such accountholders were the holders of the Instruments represented by such Global Instrument.

14 Events of Default

Each Global Instrument provides that the Trustee, at its discretion, may, and if so requested by holders of at least one-fifth in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution, shall cause such Global Instrument, or a portion of it, to become due and repayable in the circumstances described in Condition 8 by stating in the notice to the Issuer the principal amount of such Global Instrument which is becoming due and repayable. If principal in respect of any Instrument is not paid when due, only the Trustee may enforce the rights of the Instrumentholders against the Issuer under the terms of the Trust Deed unless the Trustee, having become bound to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Notices

So long as any Instruments are represented by a Global Instrument and such Global Instrument is held on behalf of a clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Instrument.

16 Partly Paid Instruments

The provisions relating to Partly Paid Instruments are not set out in this Information Memorandum, but will be contained in the relevant Pricing Supplement and so in the Global Instruments. While any instalments of the subscription moneys due from the holder of Partly Paid Instruments are overdue, no interest in a Global Instrument representing such Instruments may be exchanged for an interest in a permanent Global Instrument or for Definitive Instruments (as the case may be). If any Instrumentholder fails to pay any instalment due on any Partly Paid Instruments within the time specified, the Issuer may forfeit such Instruments and shall have no further obligation to their holder in respect of them.

17 Contract (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Instruments under the Contracts (Rights of Third Parties) Act 1999.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Instruments will be used by the Issuer for the general corporate purposes of the Group.

TRANSCO plc

Incorporation and Businesses

Transco plc comprises the business of Transco, the developer and operator of the substantial majority of Great Britain's gas transportation system, which is regulated as a monopoly service provider to gas shippers.

Transco plc is the parent undertaking of the Group and is an indirectly wholly-owned subsidiary undertaking of Lattice Group plc. Transco plc is incorporated in England and Wales.

Regulation

On 27 June 2001, Ofgem issued the following press release:

"Proposals announced today (Wednesday) by energy regulator Ofgem on the future price control of national gas pipeline operator, Transco, are aimed at ensuring best value for money for customers, strengthening security of supply and reducing the commercial risk to which Transco is exposed.

Under Ofgem's proposals, Transco will:

- be asked to agree to output targets for its National Transmission System (NTS) and receive incentives to react to the changing demands of its customers, and
- receive incentives to minimise the number and duration of supply interruptions and be expected to accept Guaranteed and Overall Standards of service for its customers in its Local Distribution Zones (LDZs).

Transco and the Health and Safety Executive (HSE) are in the process of agreeing a programme to replace cast-iron mains with safer modern materials. This may involve a significantly greater expenditure than in Transco's initial plan. Once the scale of the programme is agreed, Ofgem will review its price control proposals to ensure that the programme can be financed and is carried out efficiently.

Chief Executive of Ofgem, Callum McCarthy, said: "It is important when setting price controls to be clear not only about the amount of money Transco will be able to earn, but also about the level and quality of services Transco will be expected to provide in return. There must be strong incentives on Transco to operate efficiently and provide a high level of service.

"The price control must also balance the need to ensure that customers receive good value for money from Transco with the need to ensure that the company is able to finance the safe operation and development of its transmission network."

An important issue of the price control review has been to establish a definitive, and final, approach to setting the regulatory value of Transco's assets. Ofgem has concluded that the benefits of remaining consistent with the 'unfocused' method used in the last price control review outweigh the arguments in favour of a different 'focused' approach, which would have reduced Transco's regulatory asset base by some £2 billion.

Therefore, it has decided to adopt the 'unfocused' method to set the new price control. The greater regulatory consistency this provides will be reflected in a lower cost of capital. Ofgem has set a range of 6-6.25 per cent and has used 6.1 per cent for its base case.

Other aspects of the new controls are:

- Separate price controls will apply to Transco's role as NTS asset owner, its role as NTS system operator, its LDZs, and its metering and meter reading services

- Transco will be expected to reduce its operating expenditure by 3.5 per cent per annum
- Ofgem expects that Transco's capital and replacement expenditure during the five years of the price control will be £1.9 billion and £1.7 billion respectively, compared to Transco's projection of £2.4 billion and £2 billion.
- Transco will continue to be subject to an RPI-2 price control on most activities.

The overall impact of these proposals, which are based on Ofgem's assessment of Transco's Business Plan, will be a reduction in Transco's revenues of 14 per cent from 1 April 2002, and a reduction of 2 per cent in real terms in each following year. This would equate to about £15 off the average domestic gas customer's bill.

Ofgem is also still discussing with Transco its recently submitted revised plans and will consider whether the new information gives cause to reconsider these proposals.

If the HSE requires Transco to increase its mains replacement programme, Ofgem will ensure that Transco can carry out an efficiently-managed programme. Depending on the scale of this programme, this could mean an increase in Transco's revenues, rather than the decrease described.

Transco may also receive higher revenues for greater investment in the NTS. This incentive revenue would not impact on prices to customers."

On 27 June 2001, Transco issued the following press release in response to the proposals announced by Ofgem:

"Transco is reviewing initial proposals published by Ofgem today for price controls from April 2002, and will be making a formal response during July.

Transco welcomes Ofgem's confirmation that the pre-1991 component of the Regulated Asset Base would be left unchanged (the so-called 'unfocused' approach), and that the issue would not be re-opened.

Nonetheless, the other aspects of Ofgem's Initial Proposals are considerably different from Transco's strategic business plan (SBP), which is based on a £5 billion programme of investment and renewal. In particular, the proposed level of operating expenditure appears to be significantly out of line with the SBP. The treatment of replacement expenditure remains unresolved. In addition, Transco's view is that the rate of return proposed by Ofgem is insufficient to fund an investment programme of this scale.

In responding to the Initial Proposals, and in continuing discussions with Ofgem, Transco will be seeking an outcome to the review which enables it to provide the required standards of safety, supply reliability and customer service, as well as adequately remunerate its providers of equity and debt."

Transco will continue to discuss these proposals with Ofgem. Ofgem is due to publish its final proposals in September 2001, at which time the matter may be referred to the Competition Commission. The new Transco price control is due to come into effect in April 2002.

The full text of Ofgem's initial proposals can be found on Ofgem's website (www.ofgem.co.uk).

Subsidiaries

The following table shows certain information on Transco plc's principal subsidiaries as at the date of this Information Memorandum:

Name	Country of Incorporation	Transco plc's Shareholding (either directly or indirectly)
British Transco Capital Inc.	U.S.A.	100%
British Transco Finance (No. 1) Limited	Cayman Islands	100%
British Transco Finance (No. 2) Limited	Cayman Islands	100%
British Transco Finance Inc.	U.S.A.	100%
British Transco International Finance B.V.	The Netherlands	100%
Lattice Opsco Limited	England & Wales	100%
The Joint Radio Company Limited	England & Wales	50%
Transco Connections Limited	England & Wales	100%

Directors

The Directors of Transco plc and their principal activities outside the Group are as follows:

Name	Principal Occupation	Directorships
Philip Michael Gerard Nolan	Chairman Chief Executive Officer	Lattice Group plc Transco Holdings plc Lattice Group Holdings Limited 186K Limited Advantica Technologies Limited
Stephen David Ainger	Executive Director	Advantica Technologies Limited Lattice Intellectual Property Limited
Christopher Wesley Bolt	Executive Director	None
Christopher Nelson Le Fevre	Executive Director	The Pipelines Industries Guild Ltd. Utility Metering Services Limited
Stephen Charles Burrard-Lucas	Executive Director	Lattice Group plc Transco Holdings plc Lattice Group Holdings Limited Lattice Insurance Company Limited
Robert Edward Verrion	Executive Director	Transco Holdings plc Advantica Technologies Limited
Paul Nicholas Woollacott	Executive Director	Transco Holdings plc

Name	Principal Occupation	Directorships
John Bryan Wybrew	Executive Director	Lattice Group plc Transco Holdings plc Lattice Group Holdings Limited

The business address of the Directors is 130 Jermyn Street, London SW1Y 4UR.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets out the historical cost consolidated capitalisation and indebtedness of the Group as at 31 December 2000 extracted (without material adjustment) from the audited accounts of the Group for the year ended 31 December 2000:

	<i>£ (in millions)</i>
Shareholders' equity⁽¹⁾	
Ordinary shares of 1 and 2/15p each (6,052 million authorised, 3,944 million issued and fully paid)	45
Share premium account	204
Capital redemption reserve	1,332
Profit and loss account reserve	1,078
Shareholders' interest	2,659
Total shareholders' equity	2,659
Indebtedness for borrowed money	
Short-term debt⁽²⁾	
Bank loans and overdrafts	8
Bills of exchange payable	40
Other loans - commercial paper	824
Other loans - bonds	490
Other loans - funding from parent company and fellow subsidiary undertakings ⁽³⁾	638
Obligations under finance leases	20
Total short-term debt	2,020
Long-term debt⁽⁴⁾	
Other loans - bonds	3,344
Obligations under finance leases	26
Total long-term debt	3,370
Total debt	5,390
Total capitalisation and indebtedness	8,049

Notes:

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- (1) The Group prepares its accounts using modified historical cost accounting principles. Therefore, the modified historical revaluation reserve includes a revaluation of the fixed assets, principally Transco regulatory fixed assets of £6,609 million as at 31 December 2000. The modified historical cost shareholders' funds at that date were £9,268 million.
 - (2) Short-term debt is unguaranteed and unsecured.
 - (3) Account has been taken of liabilities and guarantees between undertakings within the same group.
 - (4) Long-term debt is unguaranteed and unsecured.
 - (5) The Issuer's total contingent liabilities and guarantees as at 31 December 2000 were £4,019 million.
As at 31 December 2000 the Issuer had guaranteed borrowings of wholly-owned subsidiaries amounting to £2,773 million. These subsidiary borrowings are included in the total Group borrowings of £5,390 million.
As at 31 December 2000 further guarantees of £1,166 million had been given by the Issuer in respect of companies within the BG Group. All of these guarantees were cross-indemnified by BG Energy Holdings Ltd. On 23 October 2000, at the time of the demerger from the BG Group, this indemnity was replaced by an indemnity from Transco Holdings plc, the Issuer's immediate parent.
Other contingent liabilities and guarantees as at 31 December 2000 amounted to £80 million.
 - (6) Save as disclosed herein, there has been no material change in the consolidated capitalisation and indebtedness, contingent liabilities and guarantees of the Group since 31 December 2000.
 - (7) The Group had cash and short-term money market investments of £59 million at 31 December 2000.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom tax treatment in relation to the payments of interest, discount and premium on the Instruments issued by Transco plc and certain other aspects of law and Inland Revenue practice at the date of this Information Memorandum. The comments do not deal with all United Kingdom tax aspects of acquiring, holding or disposing of Instruments. It is not exhaustive and in particular it does not deal with the position of certain classes of holders of Instruments, such as dealers in securities. Prospective holders of Instruments should be aware that the particular terms of issue of any Tranche or Series of Instruments as specified in the relevant Pricing Supplement may affect the tax treatment of that and other Tranches or Series of Instruments. The following is a general guide and should be treated with corresponding caution. Holders of Instruments who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their own professional advisers.

1 UK Withholding Tax

If Instruments are, and continue to be, listed on a recognised stock exchange within the meaning of Section 841 of the Income and Corporation Taxes Act 1988, payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax if, at the time the relevant payments are made, the Issuer reasonably believes that, broadly, the person beneficially entitled to the interest is a company within the charge to United Kingdom corporation tax in respect of that interest.

In addition to the exemptions referred to above, if Instruments carry a right to interest which is not yearly interest, the interest may be paid without withholding or deduction for or on account of United Kingdom income tax.

If none of these exemptions applies, interest will generally be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary from the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Persons in the United Kingdom paying interest to or receiving interest on behalf of another person may be required to provide certain information to the United Kingdom Inland Revenue regarding the identity of the payee or person entitled to the interest and, in certain circumstances, such information may be exchanged with tax authorities in other countries.

2 Other Issues

Interest on Instruments has a United Kingdom source and may be chargeable to income tax by direct assessment even if the interest is paid without withholding or deduction.

However, Sections 128 and 129 of the Finance Act 1995 contain provisions which provide that interest on an Instrument received without deduction or withholding will not be chargeable to United Kingdom tax in the hands of an investor who is not resident for tax purposes in the United Kingdom, unless that investor carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received to which the Instruments are attributable. There are certain exemptions for interest received by certain categories or agent (such as some brokers and investment managers).

If interest were paid under deduction of United Kingdom income tax, Instrumentholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Instrumentholders should note that the provisions relating to additional amounts referred to in "*Terms and Conditions of the Instruments - Taxation*" above would not apply if the Inland Revenue sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

3 Discounts and Premia

Instruments may be issued at a discount or be redeemable at a premium whether or not periodic interest payments are due on the Instrument. No United Kingdom withholding tax will apply to the payment of such discount or premium so long as it does not constitute yearly interest for tax purposes.

4 Taxation of Returns

Holders of Instruments who are individuals or trustees within the charge to United Kingdom tax should be aware that they may be subject to United Kingdom tax upon a disposal of an Instrument under the accrued income scheme legislation, the relevant discount securities rules and/or the capital gains legislation. Holders of Instruments who are companies within the charge to United Kingdom corporation tax should be aware that they may be subject to United Kingdom tax on any returns from the Instruments under the loan relationship legislation and/or in certain circumstances under the capital gains legislation. Tax charges may accrue to such holders under the regime applicable to the taxation of foreign exchange gains and losses. Non-United Kingdom residents will have no United Kingdom tax liability on a disposal of Instruments unless (i) the Instruments are attributable to a United Kingdom branch or agency through which the non-resident carries on a trade in the United Kingdom or (ii) in certain cases, the non-resident cannot take the benefit of the Finance Act 1995 provisions referred to in paragraph 2 above.

5 Proposed EU Directive on the Taxation of Savings Income

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that member states of the European Union will be required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other member state, subject to the right of certain member states to opt instead for a withholding system for a transitional period in relation to such payments.

PLAN OF DISTRIBUTION

Summary of Agreement

Subject to the terms and on the conditions contained in an amendment and restatement agreement dated 2 February 2001 between the Issuer, the Permanent Dealers and the Arranger (the "**Dealer Agreement**"), the Instruments will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Instruments directly on its own behalf to dealers which are not Permanent Dealers. The Instruments may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Instruments to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers. The commissions in respect of an issue of Instruments on a syndicated basis will be stated in the relevant Pricing Supplement. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments.

Selling Restrictions

United States

The Instruments have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations under it.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Instruments of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Instruments issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Instruments during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has agreed that:

- (i) it has not offered or sold and will not offer or sell (a) any Instruments (other than Instruments with a maturity of less than one year or a minimum denomination of at least Euro 40,000 or its equivalent in other currencies), in respect of which admission to listing in accordance with Part IV of the Financial Services Act 1986 (the "*Act*") is to be sought, to persons in the United Kingdom prior to admission of such Instruments to such listing or (b) prior to the date six months after their date of issue, any Instruments having a maturity of one year or more, in respect of which admission to such listing is not to be sought, to persons in the United Kingdom, in each case, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or, in the case of Instruments in respect of which admission to such listing is to be sought, the Act;
- (ii) it has complied with and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the Instruments in, from or otherwise involving the United Kingdom; and
- (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Instruments, other than any document which consists of, or any part of, listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Act, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

The Netherlands

Each Dealer has represented and agreed that any Instruments (including rights representing an interest in an Instrument in global form) issued under the Programme and offered in the Netherlands shall, in order to comply with the Securities Market Supervision Act 1995 ("*Wet toezicht effectenverkeer 1995*" - the "*Netherlands Securities Act*") only be offered:

- (i) in the event that such Instruments have been or are likely to be admitted shortly to listing on the official segment of the stock market of Euronext Amsterdam; or
- (ii) subject to the proviso stated below, in the event that (a) such Instruments have been admitted to the official listing on the stock exchange or have otherwise been publicly offered in another state belonging to the EEA and (b) this Information Memorandum has been approved by, and the applicable Pricing Supplement in respect of such Instruments has been submitted to or approved by, the competent authority as referred to in Article 20 or Article 21 of EC Directive 89/298/EEC and (c) the Securities Board of the Netherlands ("*Stichting Toezicht Effectenverkeer*" - the "*STE*") has confirmed, where necessary, the availability of mutual recognition in respect of such documents; or
- (iii) if such Instruments have a denomination of at least NLG 100,000 or the equivalent in any other currency; or

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- (iv) as part of their initial distribution or at any time thereafter, to individuals or legal entities situated in the Netherlands who or which trade or invest in securities in the conduct of a profession or business (which includes banks, credit institutions, brokers, insurance companies, securities firms, pension funds, investment institutions, central governments, large international supernational organisations and entities such as treasuries and finance companies or groups which are regularly active in financial markets in a professional manner and at their own account), in which case:
- (a) it must be made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such Instruments is publicly announced that the offer is exclusively made to such individuals or legal entities; and
 - (b) a copy of this Information Memorandum and the applicable Pricing Supplement must be submitted to the STE before the issue date; or
- (v) (for syndicated Series of Instruments) if the following criteria are met:
- (a) the Instruments are underwritten and placed by a syndicate of which at least two members are established in different states which are a party to the Treaty in the EEA;
 - (b) 60 per cent. or more of the issue is placed by syndicate members which are established in one or more states other than the United Kingdom; and
 - (c) investors may only acquire the Instruments being offered through the intermediary of a credit institution registered with the Dutch Central Bank or through another financial institution which provides the services described in paragraphs 7 and 8 of the Annex to the EC Second Banking Coordination Directive;
- provided that each of the Issuer and each relevant Dealer further represents and agrees that it has not publicly promoted and shall not publicly promote the offer or sale of such Instruments by conducting a generalised advertising or canvassing campaign anywhere in the world; or
- (vi) if any other exemption from the prohibition contained in article 3 paragraph 1 of the Netherlands Securities Act applies or if the STE has granted (individual) dispensation from this prohibition and the conditions attached to such exemption or dispensation are fully complied with;

Provided that in the case of (ii) above:

- (a) the Issuer and each relevant Dealer or Dealers procure that any advertisement or document in which a forthcoming offering of Instruments is publicly announced will be submitted to the STE prior to its publication and will mention the respective dates on which this Information Memorandum and the relevant Pricing Supplement were or will be published (as the case may be) and were made available or (as the case may be) will be published and will be made available for inspection at the registered office of the Issuer and at the office of the Agent; and
 - (b) each relevant Dealer severally represents and agrees that prior to the submission of the Information Memorandum (with the approval of the competent authorities) and applicable Pricing Supplement to the STE and its publication in accordance with (a) above:
- (D) it has not offered, transferred or sold any Instruments and will not, directly or indirectly offer, transfer or sell any Instruments except to individuals or legal entities as referred to in (iv) above; and
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- (E) either it has not distributed and will not distribute any offering or promotional materials in respect of the Instruments or it has complied and will comply with the conditions under (iv)(a) and (b) above;

and each invitation telex and Pricing Supplement in respect of such Instruments will set forth the restrictions under (A) and (B) above.

In addition to the above, Zero Coupon Instruments (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or an authorised admitted institution (*toegelaten instelling*) of Euronext Amsterdam N.V. in accordance with the Dutch Savings Certificate Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended). Such restrictions do not apply (a) to a transfer and acceptance of Zero Coupon Instruments in definitive form between individuals not acting in the conduct of their business or profession, or (b) to the transfer and acceptance of such Zero Coupon Instruments if all the Zero Coupon Instruments (either in definitive form or as rights representing an interest in the Zero Coupon Instruments in global form) of the relevant Series of Instruments are issued outside the Netherlands and are not distributed within, from or into the Netherlands in the course of initial distribution or immediately thereafter. "**Zero Coupon Instruments**" means Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever and "**NLG**" means the lawful currency for the time being of the Netherlands.

Japan

The Instruments have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Instruments to which it relates or in a supplement to this Information Memorandum.

Other than in the United Kingdom, no action has been taken in any jurisdiction that would permit a public offering of any of the Instruments, or possession or distribution of this Information Memorandum or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Instruments or has in its possession or distributes this Information Memorandum, any other offering material or any Pricing Supplement and neither the Issuer nor any other Dealer shall have responsibility for such material.

FORM OF PRICING SUPPLEMENT

Pricing Supplement dated [•]

TRANSCO plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]
under the **Euro 6,000,000,000 Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Instruments described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set out in the Information Memorandum dated 20 July 2001 [and the supplemental Information Memorandum dated [•]]. This Pricing Supplement must be read in conjunction with that Information Memorandum [as so supplemented].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

- | | | |
|---|--|--|
| 1 | Issuer: | Transco plc |
| 2 | (i) Series Number: | [•] |
| | (ii) Tranche Number: | [•] |
| | <i>[(If fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible.)]</i> | |
| 3 | Specified Currency or Currencies: | [•] |
| 4 | Aggregate Nominal Amount: | |
| | (i) Series: | [•] |
| | (iii) [Tranche: | [•]] |
| 5 | (i) Issue Price: | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (in the case of fungible issues only, if applicable)] |
| | (ii) [Net proceeds: | [•] (Required only for listed issues)] |
| 6 | Specified Denominations: | [•] |
| | | [•] |
| 7 | (i) Issue Date: | [•] |

- (ii) [Interest Commencement Date (if different from the Issue Date): [•]]
- 8 Maturity Date: [*specify date or (for Floating Rate Instruments) Interest Payment Date falling in the relevant month and year*]
- 9 Interest Basis: [[•] per cent. Fixed Rate]
[[*specify reference rate*] +/- [•] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Other (*specify*)]
(further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Instruments into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Put]
[Call]
[(further particulars specified below)]
- 13 Status of the Instruments: Senior
- 14 Listing: [Official List of the UK Listing Authority and trading on the London Stock Exchange/Other (*specify*)/None]
- 15 Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY)
PAYABLE**

- 16 Fixed Rate Instrument Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate [(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date[(s)]: [•] in each year
- (iii) Fixed Coupon Amount [(s)]: [•] per [•] in nominal amount

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- | | |
|--|--|
| (iv) Broken Amount: | <i>[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to which they relate]</i> |
| (v) Day Count Fraction (Condition 3(k)): | [•]
<i>(Day count fraction should be Actual/Actual-ISMA for all fixed rate issues other than those denominated in U.S. dollars unless otherwise agreed)</i> |
| (vi) Determination Date(s) (Condition 3(k)): | <i>[Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)] in each year¹</i> |
| (vii) Other terms relating to the method of calculating interest for Fixed Rate Instruments: | [Not Applicable/give details] |
- 17 Floating Rate Instrument Provisions**
- | | |
|---|---|
| | <i>[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for Instruments denominated in Euro)</i> |
| (i) Specified Period(s)/Specified Interest Payment Dates: | [•] |
| (ii) Business Day Convention: | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] |
| (iii) Additional Business Centre(s) (Condition 3(k)): | [•] |
| (iv) Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination/other (give details)] |
| (v) Interest Period Date(s): | [Not Applicable/specify dates] |
| (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): | [•] |
| (vii) Screen Rate Determination (Condition 3(b)(iii)(B)): | |
| Relevant Time: | [•] |
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¹ Only to be completed for an issue where Day Count Fraction is Actual/Actual-ISMA

Interest Determination Date:	<i>[•] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]</i>
Primary Source for Floating Rate:	<i>[Specify relevant screen page or "Reference Banks"]</i>
Reference Banks (if Primary Source is "Reference Banks"):	<i>[Specify four]</i>
Relevant Financial Centre:	<i>[The financial centre most closely connected to the Benchmark - specify if not London]</i>
Benchmark:	<i>[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]</i>
Representative Amount:	<i>[Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]</i>
Effective Date:	<i>[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]</i>
Specified Duration:	<i>[Specify period for quotation if not duration of Interest Accrual Period]</i>
(viii) ISDA Determination (Condition 3(b)(iii)(A)):	
Floating Rate Option:	<i>[•]</i>
Designated Maturity:	<i>[•]</i>
Reset Date:	<i>[•]</i>
ISDA Definitions: (if different from those set out in the Conditions)	<i>[•]</i>
(ix) Margin(s):	<i>[+/-] [•] per cent. per annum</i>
(x) Minimum Rate of Interest:	<i>[•] per cent. per annum</i>
(xi) Maximum Rate of Interest:	<i>[•] per cent. per annum</i>
(xii) Day Count Fraction (Condition 3(k)):	<i>[•]</i>
(xiii) Rate Multiplier:	<i>[•]</i>
(xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Instruments, if different from those set out in the Conditions:	<i>[•]</i>
18 Zero Coupon Instrument Provisions	<i>[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>

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|-------|--|-------------------------|
| (i) | Amortisation Yield (Condition 4(d)): | [•] per cent. per annum |
| (ii) | Day Count Fraction (Condition 3(k)): | [•] |
| (iii) | Any other formula/basis of determining amount payable: | [•] |
- 19** Index Linked Interest Instrument Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- | | | |
|--------|--|---|
| (i) | Index/Formula: | [Give or annex details] |
| (ii) | Calculation Agent responsible for calculating the interest due: | [•] |
| (iii) | Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: | [•] |
| (iv) | Specified Period(s)/Specified Interest Payment Dates: | [•] |
| (v) | Business Day Convention: | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>] |
| (vi) | Additional Business Centre(s) (Condition 3(k)): | [•] |
| (vii) | Minimum Rate of Interest: | [•] per cent. per annum |
| (viii) | Maximum Rate of Interest: | [•] per cent. per annum |
| (ix) | Day Count Fraction (Condition 3(k)): | [•] |
- 20** Dual Currency Instrument Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- | | | |
|-------|---|----------------|
| (i) | Rate of Exchange/Method of calculating Rate of Exchange: | [Give details] |
| (ii) | Calculation Agent, if any, responsible for calculating the principal and/or interest due: | [•] |
| (iii) | Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: | [•] |
| (iv) | Person at whose option Specified Currency(ies) is/are payable: | [•] |
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- (v) Day Count Fraction (Condition 3(k)): [•]

PROVISIONS RELATING TO REDEMPTION

- 21** Call Option [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [•]
- (iii) If redeemable in part: [•]
- (a) Minimum nominal amount to be redeemed: [•]
- (b) Maximum nominal amount to be redeemed:
- (iv) Option Exercise Date(s): [•]
- (v) Description of any other Issuer's option: [•]
- (vi) Notice period (if other than as set out in the Conditions): [•]
- 22** Put Option [Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [•]
- (iii) Option Exercise Date(s): [•]
- (iv) Description of any other Instrumentholder's option: [•]
- (v) Notice period (if other than as set out in the Conditions): [•]
- 23** Final Redemption Amount [Nominal amount/Other/See Appendix]

24 Early Redemption Amount

- (i) Early Redemption Amount(s) payable on redemption for taxation reasons (Condition 4(b)) or an Event of Default (Condition 8) and/or the method of calculating the same (if required or if different from that set out in the Conditions): [**•**]
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 4(b)): [Yes/No]
- (iii) Unmatured Coupons to become void upon early redemption (Bearer Instruments only) (Condition 5(e)): [Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

25 Form of Instruments:

Bearer Instruments

- (i) Temporary or permanent Global Instrument: [temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments on 60 days' notice in the limited circumstances specified in the permanent Global Instrument]
- [temporary Global Instrument exchangeable for Definitive Instruments on 40 days' notice]
- [permanent Global Instrument exchangeable for Definitive Instruments on 60 days' notice/at any time/in the limited circumstances specified in the permanent Global Instrument]
- (ii) Applicable TEFRA exemption: [C Rules/D Rules/Not applicable]

- 26** Additional Financial Centre(s) (Condition 5(f)) or other special provisions relating to payment dates: [Not applicable/Give details. *Note that this item relates to the place of payment, and not interest period end dates, to which item 17(iii) relates*]]

- 27** Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature): [Yes/No. *If yes, give details*]

- 28** Details relating to Partly Paid Instruments: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment: [Not applicable/*give details*]

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- | | | |
|-----------|--|---|
| 29 | Details relating to Instalment Instruments: | [Not applicable/ <i>give details</i>] |
| | Instalment Amount(s): | [•] |
| | Instalment Date(s): | [•] |
| | Minimum Instalment Amount: | [•] |
| | Maximum Instalment Amount: | [•] |
| 30 | Redenomination, renominatisation and reconventioning provisions: | [Not applicable/The provisions [in Condition [•]] [annexed to this Pricing Supplement] apply] |
| 31 | Consolidation provisions: | [Not applicable/The provisions [in Condition [•]] [annexed to this Pricing Supplement] apply] |
| 32 | Other terms or special conditions: ¹ | [Not applicable/ <i>give details</i>] |

DISTRIBUTION

- | | | |
|-----------|------------------------------------|--|
| 33 | If syndicated, names of Managers: | [Not applicable/ <i>give names</i>] |
| | Stabilising Agent (if any): | [Not applicable/ <i>give name</i>] |
| | Dealer's Commission: | [•] |
| 34 | If non-syndicated, name of Dealer: | [Not applicable/ <i>give name</i>] |
| 35 | Additional selling restrictions: | [Not applicable/ <i>give details</i>] |

OPERATIONAL INFORMATION

- | | | |
|-----------|--|--|
| 36 | ISIN Code: | [•] |
| 37 | Common Code: | [•] |
| 38 | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not applicable/ <i>give name(s) and number(s)</i>] |
| 39 | Delivery: | Delivery [against/free of] payment |
| 40 | The Agents appointed in respect of the Instruments are: | [•] |

GENERAL

- | | | |
|-----------|--|--|
| 41 | Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 10(a): | [Not applicable/ <i>give details</i>] |
| 42 | The aggregate principal amount of Instruments issued has been translated into Euro at the rate of [•], producing a sum of (for Instruments not denominated in Euro): | [Not applicable/[€][•]] |

[LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Instruments described pursuant to the listing of the Euro 6,000,000,000 Euro Medium Term Note Programme of Transco plc.

[STABILISING]

In connection with this issue, *[insert name of Stabilising Agent]* may over-allot or effect transactions which stabilise or maintain the market price of the Instruments at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.]

MATERIAL ADVERSE CHANGE STATEMENT

There has been no significant change in the financial or trading position of the Issuer or of the Group since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer or of the Group since *[insert date of last published annual accounts.]*

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Information Memorandum [and the supplemental Information Memorandum] referred to above, contains all information that is material in the context of the issue of the Instruments.

Signed on behalf of the Issuer:

By: _____
Duly authorised

1. If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Instruments [and which will be endorsed on the Instruments in definitive form] are set out in [the Annex to this Pricing Supplement], which Conditions replace in their entirety those appearing in the Information Memorandum for the purposes of these Instruments and such Conditions will prevail over any other provisions to the contrary."

The first set of bracketed words is to be deleted where there is a permanent Global Instrument instead of Instruments in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

2. If any change is disclosed in the Pricing Supplement, it will require approval by the Financial Services Authority in its capacity as UK Listing Authority (for London listed deals) or the stock exchange(s), as the case may be. Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Information Memorandum [comprising supplementary listing particulars] rather than in a Pricing Supplement.

[THE BANKING ACT 1987 (EXEMPT TRANSACTIONS) REGULATIONS 1997

[The Instruments constitute [commercial paper] [shorter/longer term debt securities]² issued in accordance with regulations made under section 4 of the Banking Act 1987. The Issuer of the Instruments is Transco plc, which is not an authorised institution or a European authorised institution (as such terms are defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997). Repayment of the principal and payment of any interest or premium in connection with the Instruments has not been guaranteed.]³

[The Issuer (a) has complied with its obligations under the listing rules of the Financial Services Authority in its capacity as UK Listing Authority (the "**UK Listing Authority**") in relation to the admission to and continuing listing of any Instruments issued under the Programme and of any previous issues made by it under the Programme and listed on the official list maintained by the UK Listing Authority (the "**Official List**") and traded on the London Stock Exchange plc (the "**London Stock Exchange**"); (b) confirms that it will have complied with its obligations under the listing rules of the UK Listing Authority in relation to the admission to listing of the Instruments by the time the Instruments are so admitted; (c) has not, since the last publication of information in compliance with the listing rules of the UK Listing Authority about the Programme, any previous issues made by it under the Programme and listed on the Official List, or the Instruments, having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as Issuer in respect of the Instruments as they fall due; and (d) has complied and will continue to comply with its obligations under the Banking Act 1987 (Exempt Transactions) Regulations 1997 to lodge all relevant information in relation to the Instruments with the UK Listing Authority]⁴.]⁵

² Include "commercial paper" if Instruments must be redeemed before their first anniversary. Include "shorter" if Instruments may not be redeemed before their first anniversary but must be redeemed before their third anniversary. Include "longer" if Instruments may not be redeemed before their third anniversary.

³ Unless otherwise permitted, text to be included for all Instruments (including Instruments denominated in sterling) in respect of which the issue proceeds are accepted by the Issuer in the U.K.

⁴ Wording only applies where the Issuer is relying on Regulation 13(4)(b).

⁵ Unless otherwise permitted, text to be included for all Instruments which are to be listed on the London or another EEA stock exchange. The text would not be required if the Issuer is relying on Regulation 13(4)(c) to (g) of the Regulations.

GENERAL INFORMATION

- (1) The listing of the Instruments on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that listing of the Instruments on the Official List and admission of the Instruments to trading on the London Stock Exchange's market for listed securities will be granted on or before 20 July 2001, subject only to the issue of a temporary or permanent Global Instrument in respect of each Tranche.
- (2) As a consequence of the demerger of Lattice Group plc from BG Group plc, with effect from 23 October 2000, BG Transco plc changed its name to Transco plc. Transco plc is an indirect wholly-owned subsidiary of Lattice Group plc.
- (3) Transco plc has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Instruments. The issue of the Instruments was authorised by a resolution of the Board of Directors of Transco plc passed on 18 July 2000 and the increase in the Programme limit was authorised by a resolution of the Finance Committee of Transco plc passed on 14 May 2001.
- (4) There has been no significant change in the financial or trading position of the Group since 31 December 2000 and no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2000.
- (5) Except as disclosed in this paragraph of the Information Memorandum, no member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Group nor is the Issuer aware that any such proceedings are pending or threatened.
 - (a) Transco plc is in dispute with Siemens Metering Limited with regard to Electronic Token Meters provided by Siemens Metering Limited to Transco plc. At present, the parties are seeking to settle the dispute. If these discussions do not reach a satisfactory conclusion, it is possible that Transco plc will issue formal proceedings against Siemens Metering Limited. No proceedings have yet been issued. Following a test of electronic token meters in Wales a decision will be taken by Transco plc as to whether formal proceedings should be issued, and if so as to the value of the claim.
 - (b) There are a number of historic claims brought against the former British Gas plc (now known as Transco plc) relating to the forced early retirement of women at the age of 60 before the company's rules changed to equalise retirement ages. There are 19 current cases which Transco plc is challenging on the basis that they have been brought 'out of time'. Although Transco plc was successful at first instance, the cases were appealed to the Employment Appeal Tribunal ("EAT") which has issued additional guidance and referred the cases back to the Employment Tribunal for consideration in the light of that guidance. Pursuant to an indemnity agreement dated 15 September 2000 between BG Group plc and Lattice Group plc (the "Indemnity Agreement"), Lattice Group plc will take responsibility for such claims.
 - (c) Conoco and Chevron (Britannia Field partners) issued proceedings against BG plc (now known as Transco plc) in the fourth quarter of 1999. The claim is for approximately £17.4 million plus interest and costs. Damages for continuing losses, which have not yet been quantified, and a declaration that Transco plc is contractually bound to the claimants are also sought. The claimants seek to rely on an alleged assurance given in 1994 by the then

Transco plc director of development regarding the provision of capacity for gas flows at and away from the St Fergus terminal. The claim relates to alleged losses suffered as a result of capacity constraints at the St Fergus terminal after October 1998. Proceedings have been issued, pleadings exchanged, disclosure completed, witness statements exchanged with a trial on liability listed for June 2002.

- (d) There are historic pensions claims originally lodged against British Gas plc (now Transco plc) relating to provisions in the pension scheme which, until 1990, restricted access to the pension scheme for individuals on the basis of the number of hours worked per week. Such provision may amount to indirect sex discrimination where women account for a significant majority of those affected. Where such discrimination exists and cannot be objectively justified, there may be liability. There are currently approximately 1,100 such claims with the possibility of more claims being lodged by current employees who worked on a part time basis between 1976 and 1990. The claims are now proceeding through the Employment Tribunals following the House of Lords' ruling confirming that provided that claims are brought within six months of termination of employment, an employee can claim in respect of any losses suffered from 1976 onwards. The cases are now being reviewed with a view to establishing those claims that are out of time, the potential compensation payable and the prospects of successfully defending the claims. These claims are subject to an indemnity given by Centrica plc entered into when Centrica plc demerged from British Gas plc on 17th February 1997 in respect of those individuals who were Centrica employees. Transco plc has lodged a claims notice with Centrica plc under this indemnity.
- (e) Transco plc has received a number of claims and anticipates receiving further claims regarding such work-related risks as vibration white finger, back injuries and work-related upper limb disorders. While the Directors believe that no individual claim would be significant, £20 million has been set aside against the likely level of claims in excess of insurance reserves. Transco plc is insured for such claims which occurred in the post-privatisation years and partially insured for such pre-privatisation claims. The Indemnity Agreement will apply for the purpose of determining liabilities for such pre-privatisation claims.
- (6) Each Instrument, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
- (7) Instruments have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) will be set out in the relevant Pricing Supplement.
- (8) **Instruments (including Instruments denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom and which are issued pursuant to an exempt transaction under regulation 13(1) or (3) of the Banking Act 1987 (Exempt Transactions) Regulations 1997 (the "Regulations") will constitute commercial paper, or shorter term debt securities or longer term debt securities (in each case, as defined in the Regulations), as specified in the applicable Pricing Supplement, in each case issued in accordance with regulations made under Section 4 of the Banking Act 1987. Transco plc is not an authorised institution or a European authorised institution (as such terms are defined in the Regulations).**

In relation to any Instruments which are issued pursuant to an exempt transaction under regulation 13(3) of the Regulations where such Instruments would fall within regulation 13(4)(a) or (b) of the Regulations:

- (a) the Issuer confirms that as at the date of this Information Memorandum, it has complied with its obligations under the relevant rules (as defined in the Regulations) in relation to the admission to and continuing listing of the Programme and of any previous issues made under it and listed on the same exchange as the Programme;
- (b) the Issuer confirms that it will have complied with its obligations under the relevant rules in relation to the admission to listing of such Instruments by the time such Instruments are so admitted; and
- (c) the Issuer confirms that as at the date of this Information Memorandum, it has not, since the last publication, if any, in compliance with the relevant rules of information about the Programme, any previous issues made under it and listed on the same exchange as the Programme, or any Instruments falling within regulation 13(4)(a) or (b) of the Regulations, having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as issuer in respect of such Instruments as they fall due.

In relation to Instruments which are to be exempt transactions under regulation 13(3) of the Regulations and fall within Regulation 13(4)(b), the Issuer confirms that; as at the date in this Information Memorandum, it has complied and will continue to comply with its obligations under the Regulations to lodge all relevant information (as defined in the Regulations) in relation to any such Instruments with the UK Listing Authority.

- (9) For so long as Instruments may be issued and for so long as any Instruments are outstanding pursuant to this Information Memorandum, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the offices of Bank One, NA at 27 Leadenhall Street, London EC3A 1AA and at the registered offices of the Issuer:
 - (i) the Trust Deed (which includes the form of the Global Instruments, the Definitive Instruments, the Coupons, the Receipts and the Talons);
 - (ii) the Agency Agreement;
 - (iii) the Dealer Agreement;
 - (iv) the Memorandum and Articles of Association of Transco plc;
 - (v) the audited consolidated annual accounts of Transco plc for the two years ended 31 December 2000 and any consolidated interim accounts of Transco plc published subsequently to such annual accounts;
 - (vi) each Pricing Supplement for Instruments which are listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities or on any other stock exchange;
 - (vii) a copy of this Information Memorandum together with any supplement to this Information Memorandum or further Information Memorandum; and
 - (viii) a copy of the subscription agreement for each issue of Instruments made on a syndicated basis which are listed on the Official List and admitted to trading on the London Stock Exchange's market for listed securities.

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- (10) PricewaterhouseCoopers (Chartered Accountants) has audited the accounts of the Group for the three years ended 31 December 2000. The audited annual accounts for the Group contain unqualified reports.

REGISTERED OFFICE OF THE ISSUER

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THE TRUSTEE

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*To the Dealers and to the Trustee as to
English law*

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London EC3A 1AA

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