



British Gas International Finance B.V.

(incorporated in The Netherlands with limited liability and having its statutory seat in The Hague)

U.S.\$1,500,000,000

Zero Coupon Guaranteed Bonds due 2021

Guaranteed by

British Gas public limited company

(incorporated in England and Wales with limited liability on 1st April, 1986)

(registered number 2006000)

Issue Price 8.77 per cent.

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange" or the Bonds to be admitted to the Official List. Copies of this document have been delivered to the Registrar of Companies in England and Wales as required by Section 149 of the Companies Act 1986.

Payments on the Bonds will be made without deduction for or on account of taxes of The Netherlands or the United Kingdom as described under "Terms and Conditions of the Bonds - Taxation".

The Bonds mature on 4th November, 2021, but may be redeemed before then, in whole but not in part at the option of the Issuer at any time at their Redemption Amount in the event of certain changes affecting taxes of The Netherlands or the United Kingdom as described under "Terms and Conditions of the Bonds - Redemption and Purchase"

The Bonds will initially be represented by a Temporary Global Bond which will be deposited with a common depository on behalf of CEDEL S.A. and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system ("Euroclear") on or about 4th November, 1991 (the "Closing Date"). The Temporary Global Bond will be exchangeable for definitive Bonds in bearer form in the denominations of U.S.\$10,000, U.S.\$100,000 and U.S.\$1,000,000 each following the expiration of 40 days after the Closing Date, upon presentation of certificates in a form required by United States tax laws as to non-U.S. beneficial ownership.

Goldman Sachs International Limited

This Offering Circular comprises listing particulars prepared in compliance with the listing rules (the "Listing Rules") made under Section 142 of the Financial Services Act 1986 by the London Stock Exchange for the purpose of giving information with regard to British Gas International Finance B.V. (the "Issuer"), British Gas public limited company (the "Guarantor"), the Guarantor and its subsidiaries (together the "Group") and the U.S.\$1,500,000,000 Zero Coupon Guaranteed Bonds due 2021 (the "Bonds"). The Issuer and the Guarantor accept responsibility for the information contained in this document. To the best of the knowledge and belief of each of the Issuer and the Guarantor (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular does not constitute an offer of the Bonds, or an invitation by or on behalf of the Issuer, the Guarantor or Goldman Sachs International Limited to subscribe or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and Goldman Sachs International Limited to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and distribution of this Offering Circular see "Subscription and Sale" below.

The Bonds have not been and will not be registered under the United States Securities Act of 1933 and are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to U.S. persons all as set out in "Subscription and Sale" below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or Goldman Sachs International Limited. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

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IN CONNECTION WITH THIS ISSUE, GOLDMAN SACHS INTERNATIONAL LIMITED MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions of the Bonds which, subject to amendment, will appear on the reverse of each Bond in definitive form:

The U.S.\$1,500,000,000 Zero Coupon Guaranteed Bonds due 2021 (the "Bonds", which expression shall include any further bonds constituted pursuant to Condition 9 and forming a single series therewith) of British Gas International Finance B.V. (the "Issuer") form a series of Bonds constituted by a Supplemental Trust Deed (the "Supplemental Trust Deed") dated 4th November, 1991 made between the Issuer, British Gas public limited company (the "Guarantor") and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall wherever the context so admits include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed referred to below). The Supplemental Trust Deed is supplemental to a master trust deed (the "Principal Trust Deed") dated 8th September, 1989 and made between the Issuer, the Guarantor and the Trustee. The Supplemental Trust Deed and the Principal Trust Deed are together referred to as the "Trust Deed". The Trustee shall act as trustee for the holders of the Bonds (the "Bondholders") in accordance with the provisions of the Trust Deed (copies of which are available for inspection at the principal office for the time being of the Trustee in London, being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY, and at the specified office of each of the Principal Paying Agent and the other Paying Agents referred to in Condition 5 (together the "Paying Agents")). The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. The Bondholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all of the provisions contained in the Trust Deed applicable to them. Expressions defined in the Trust Deed shall have the same meanings in these Conditions.

1. Status and Guarantee

(a) The Bonds 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 Bonds and of the Guarantor under the Guarantee (as defined below) shall (subject to such exceptions as are from time to time applicable under the laws of The Netherlands in the case of the Issuer or the laws of England in the case of the Guarantor) rank equally with their respective other present and future unsecured obligations (other than subordinated obligations, if any).

(b) The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the "Guarantee") are contained in the Trust Deed.

2. Form, Denomination and Title

The Bonds are serially numbered and in bearer form in the denominations of U.S.\$10,000, U.S.\$100,000 and U.S.\$1,000,000 each. Title to the Bonds will pass by delivery and, except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Guarantor, the Trustee and the Paying Agents shall be entitled to treat the bearer of any Bond as the absolute owner thereof and shall not be required to obtain any proof thereof or as to the identity of the bearer. Bonds of one denomination are not exchangeable for Bonds of any other denomination.

3. Redemption and Purchase

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided in this Condition 3, the Bonds will be redeemed at their principal amount on 4th November, 2021.

(b) Redemption for Taxation Reasons

If the Issuer or the Guarantor satisfies the Trustee immediately prior to the giving of the notice referred to below that if payment in respect of the Bonds were then due either (i) the Issuer would be unable to make such payment without having to pay additional amounts as described in Condition 5, or (ii) the Guarantor would (A) be required to deduct or withhold amounts for or on account of United Kingdom tax in making any payment of any sum to the Issuer necessary to enable the Issuer duly to

make a payment in respect of the Bonds, or (B) being unable to procure the Issuer duly to make any payment in respect of the Bonds, be required to make payment under the Guarantee and be unable to make such payment without having to pay additional amounts as provided in Condition 5, and in any such case such requirement arises by reason of a change in the laws of The Netherlands or the United Kingdom or any political sub-division thereof or taxing authority therein or in the interpretation or application thereof or in any applicable double taxation treaty or convention, which change becomes effective on or after 1st November, 1991, and such compulsion could not be avoided by the Issuer or the Guarantor (as the case may be) taking reasonable measures (such measures not involving any material additional payments by, or expense for, the Issuer or the Guarantor), the Issuer may, having given not less than 30 nor more than 45 days' notice to the Bondholders in accordance with Condition 11, redeem all, but not some only, of the Bonds at their Redemption Amount (as defined below) provided that the date fixed for redemption shall not be earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor 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 Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 3(b), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or the Guarantor (as the case may be) stating that the compulsion referred to above could not be avoided by the Issuer or the Guarantor (as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of such condition precedent in which event it shall be conclusive and binding on the Bondholders. Any notice of redemption given to Bondholders by the Issuer under this Condition 3(b) shall be irrevocable.

(c) Redemption Amount

For the purposes of these Conditions, the "Redemption Amount" in respect of a Bond means the aggregate of 8.77 per cent. of its principal amount and accrued amortisation of the original issue discount in respect thereof from (and including) 4th November, 1991 to (but excluding) the date of redemption, at the rate of 8.45094656 per cent. compounded annually. Where such calculation is to be made for any period other than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an uncompleted month, the number of days elapsed.

The table below shows the Redemption Amount of a Bond in the denomination of U.S.\$1,000,000 if it is redeemed on the dates set out below; in respect of Bonds in the smaller denominations such amount will be proportionately reduced (redemptions on intermediate dates giving rise to intermediate Redemption Amounts):

Date	Redemption Amount
4th November, 1992	95,111.48
4th November, 1993	103,149.30
4th November, 1994	111,866.39
4th November, 1995	121,320.16
4th November, 1996	131,572.86
4th November, 1997	142,692.02
4th November, 1998	154,750.84
4th November, 1999	167,828.75
4th November, 2000	182,011.87
4th November, 2001	197,393.60
4th November, 2002	214,075.22
4th November, 2003	232,166.61
4th November, 2004	251,786.88
4th November, 2005	273,065.26
4th November, 2006	296,141.86
4th November, 2007	321,168.65
4th November, 2008	348,310.44
4th November, 2009	377,745.97
4th November, 2010	409,669.08
4th November, 2011	444,289.99
4th November, 2012	481,836.70
4th November, 2013	522,556.46

4th November, 2014	566,717.43
4th November, 2015	614,610.42
4th November, 2016	666,550.82
4th November, 2017	722,880.67
4th November, 2018	783,970.93
4th November, 2019	850,223.89
4th November, 2020	922,075.86
4th November, 2021	1,000,000.00

(d) *Purchases*

The Issuer, the Guarantor or any other subsidiary of the Guarantor may at any time purchase beneficially or procure others to purchase beneficially for its account Bonds in the open market or otherwise at any price, subject to compliance with the listing rules made under Part IV of the Financial Services Act 1986 and the Deed of Settlement of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). If purchases are made by tender, tenders must be available to all Bondholders alike.

(e) *Cancellation*

All Bonds redeemed or purchased beneficially for the account of the Issuer, the Guarantor or any other subsidiary of the Guarantor under this Condition 3 shall be cancelled forthwith and may not be resold or reissued.

4. Payments

(a) Payments in respect of the Bonds will be made against presentation and surrender of Bonds at the specified office of any Paying Agent. Such payments will be made, at the option of the holder, by a U.S. Dollar cheque drawn on, or by transfer to a U.S. Dollar account maintained by the payee with, a bank in New York City.

(b) The names of the initial Paying Agents and their respective specified offices appear below these Conditions.

(c) All payments are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 5.

(d) If the due date for payment of any amount in respect of any Bond is not at any place of presentation of the relevant Bond a business day, then the holder will not be entitled to payment at such place of the amount due until the next following business day at such place and will not be entitled to any payment in respect of any such delay. In this Condition, "business day" means any day on which banks are open for business and on which dealings in foreign currencies may be carried on in the relevant place of presentation and in London and New York City.

(e) The Issuer reserves the right at any time to terminate the appointment of any Paying Agent and, with the approval of the Trustee, to vary the terms of appointment of any Paying Agent or to appoint additional or other Paying Agents provided that it will at all times maintain Paying Agents having specified offices in a major city approved by the Trustee in continental Europe and, so long as the Bonds are listed on the London Stock Exchange, in London or such other place as the London Stock Exchange may approve. Any variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 nor less than 30 days' prior notice thereof shall have been given by the Issuer to the Bondholders in accordance with Condition 11. Notice of any changes in the specified offices of the Paying Agents will be given promptly by the Issuer to the Bondholders in accordance with Condition 11.

5. Taxation

All payments in respect of the Bonds or, as the case may be, under the Guarantee 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 Netherlands or the United Kingdom or any political

sub-division thereof, respectively, or any authority of or in The Netherlands or the United Kingdom, respectively, having power to tax, unless the withholding or deduction of such taxes or duties is compelled by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts of principal as will result in the payment to the Bondholders of the amounts which would otherwise have been receivable in respect thereof had no such withholding or deduction been made, except that no such additional amount shall be payable in respect of any Bond presented for payment:

- (a) by, or on behalf of, a person who is liable to such taxes or duties on such Bond by reason of his having some connection with The Netherlands or the United Kingdom other than the mere holding of such Bond; or
- (b) in The Netherlands or the United Kingdom by or on behalf of a person who would not be liable or subject to such withholding or deduction 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.

For the purposes of these Conditions, "Relevant Date" in relation to any Bond means the due date for payment thereof but, if the full amount of the moneys payable on such due date has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which notice is duly given to the Bondholders in accordance with Condition 11 that such moneys have been so received.

References in these Conditions to payment of any amount in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 5 or any obligation undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed.

6. Repayment on Event of Default and Enforcement

Upon the happening of any of the events listed in (a) to (g) of this Condition and the Trustee giving written notice to the Issuer and the Guarantor to such effect, the outstanding Bonds shall become immediately due and repayable at the Redemption Amount which would have been payable if the Bonds had been redeemed pursuant to Condition 3(b) on the date when the Bonds are repaid pursuant to this Condition 6.

If the event falls within (a) to (f) no such notice may be given by the Trustee unless the Trustee certifies to the Issuer and the Guarantor that the happening of such event is in its opinion materially prejudicial to the interests of the Bondholders. Subject thereto, the Trustee may, and if so requested in writing by the holders of not less than one-fifth in principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders shall, give such notice.

The said events are that:

- (a) there is default in the performance or observance by the Issuer or the Guarantor of any obligation or provision under the Trust Deed or the Bonds (other than any obligation for any payment in respect of the Bonds) which continues for more than 90 days after written notice thereof shall have been given to the Issuer and the Guarantor by the Trustee (except where the Trustee shall have certified to the Issuer and the Guarantor that such default is incapable of remedy, when no such notice or continuation shall be required); or
- (b) a resolution is passed, or a final order of a court in The Netherlands or, as the case may be, the United Kingdom is made and, where possible, not discharged or stayed within a period of 90 days, that the Issuer or, as the case may be, the Guarantor be wound up or dissolved; or
- (c) in the case of the Issuer, attachment is made, other than a conservatory third party attachment (*conservatoir derdenbeslag*), 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, in the case of the Guarantor, 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 Guarantor or an administration or similar order is made in relation to the Guarantor and such taking of possession, appointment or order is not released, discharged or cancelled within 90 days; or

- (d) the Issuer or the Guarantor ceases to carry on all or substantially all of its business or is unable to pay its debts, in the case of the Guarantor, within the meaning of Section 123 of the Insolvency Act 1986; or
- (e) the Issuer applies for suspension of payment (*surséance van betaling*) within the meaning of The Netherlands Insolvency Act (*Faillissementswet*); or
- (f) the Issuer or the Guarantor is adjudicated bankrupt or insolvent by a court of competent jurisdiction in its country of incorporation; or
- (g) the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

At any time after the Bonds shall have become due and repayable, the Trustee may, at its discretion and without further notice, but subject as provided in these Conditions, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce repayment of the Bonds but it shall not be bound to take any such proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of not less than one-fifth in principal amount of the outstanding Bonds and (ii) it shall have been indemnified to its satisfaction. Only the Trustee may pursue the remedies available under the general law or under the Trust Deed to enforce the rights of the Bondholders and no such holder will be entitled to proceed against the Issuer or the Guarantor unless the Trustee, having become bound to do so in accordance with the terms of the Trust Deed, fails or neglects to do so within a reasonable period and such failure or neglect shall be continuing.

7. Prescription

Bonds will become void unless presented for payment within 10 years from the Relevant Date therefor.

8. Modifications, Waiver, Substitution of Principal Debtor and Meetings of the Bondholders

(a) The Trustee may agree, without the consent of the Bondholders, to any modification of the provisions of the Trust Deed or the Bonds which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or (subject to certain exceptions) is not materially prejudicial to the interests of the Bondholders. The Trustee may also agree without any such consent to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or the Bonds which is not in its opinion materially prejudicial to the interests of the Bondholders.

(b) The Trustee may also agree, without any such consent, to the substitution of (i) another company (as described in the Trust Deed) as principal debtor or (ii) a Successor in Business (as defined in the Trust Deed) of the Guarantor as guarantor, under the Trust Deed and the Bonds, subject to the relevant provisions of the Trust Deed, to such requirements as the Trustee may direct in the interests of the Bondholders and (in the case of substitution as principal debtor) to the Bonds carrying the unconditional and irrevocable guarantee of the Guarantor or of the Successor in Business of the Guarantor unless the substitute principal debtor is the Guarantor or its Successor in Business.

(c) The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. The quorum at any such meeting is two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions and provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution is two or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less

than one-third, in principal amount of the Bonds for the time being outstanding. A resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a resolution in writing signed by the holders of not less than 95 per cent. in principal amount of the Bonds will be binding on all Bondholders.

(d) Any such modification, waiver, authorisation or substitution shall be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Bondholders as soon as possible thereafter in accordance with Condition 11.

(e) In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation, determination or substitution as aforesaid), the Trustee shall have regard to the interests of the Bondholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequence of such exercise for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

9. Further Issues

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further notes or bonds either ranking *pari passu* in all respects and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Bonds) constituted by the Principal Trust Deed or any deed supplemental thereto or upon such terms as to interest, conversion, redemption and otherwise as the Issuer may at the time of the issue thereof determine. Any further notes or bonds forming a single series with the outstanding notes or bonds of any series constituted by the Principal Trust Deed or any deed supplemental thereto shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Principal Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes and bonds of other series in certain circumstances where the Trustee so decides.

10. Replacement of Bonds

If a Bond is mutilated, defaced, lost, stolen or destroyed it may be replaced at the specified office of the Principal Paying Agent on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Guarantor may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

11. Notices

All notices to the Bondholders will be valid if published in a daily newspaper in the English language of general circulation in London or, if in any case this is not, in the opinion of the Trustee, practicable, in at least one leading daily English language newspaper with circulation in Europe approved by the Trustee. It is expected that publications will be made in the *Financial Times*. Such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

12. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee in certain circumstances and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce obligations unless indemnified to its satisfaction.

13. Governing Law and Jurisdiction

The Bonds and the Trust Deed are governed by, and shall be construed in accordance with, English law.

The Issuer has in the Trust Deed submitted for the benefit of the Trustee and the Bondholders to the jurisdiction of the English courts for all purposes in connection with the Trust Deed and the Bonds and has appointed the Guarantor as its agent for service of process in England.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds will be used for the general corporate purposes of the Group.

BRITISH GAS INTERNATIONAL FINANCE B.V.

Incorporation and Business

The Issuer is a wholly-owned subsidiary of British Gas International Holdings B.V. which is an indirect wholly-owned subsidiary of the Guarantor. The Issuer was incorporated with limited liability under the laws of The Netherlands for an unlimited duration on 18th January, 1982 and adopted its current name on 29th April, 1988.

The business of the Issuer is to raise finance for members of the Group.

Directors

The Directors of the Issuer are:

Pierre André Alec Alby

Principal Occupation

Honorary Chairman of Gaz de France

Directorships

British Gas International Finance B.V.
British Gas International Holdings B.V.
British Gas Netherlands Holdings B.V.
Banque Pétrofigaz S.A.

Drs Eijmert Klazinus den Bakker

Principal Occupation

Former Chairman of the Executive Board and Member of the Supervisory Board of Nationale-Nederlanden N.V.

Directorships

British Gas International Finance B.V.
British Gas International Holdings B.V.
British Gas Netherlands Holdings B.V.
PAN Holding, Luxembourg

Odo Hattink

Principal Occupation

Former Deputy Chairman of the Executive Board of Nationale-Nederlanden N.V.

Directorships

British Gas International Finance B.V.
British Gas International Holdings B.V.
British Gas Netherlands Holdings B.V.
Koninklijke Pakhoed N.V.
Wolters Kluwer N.V.
IHC Caland N.V.
Hudig-Langeveldt Groep B.V.
RBC Finance B.V.
Koninklijke Verkade N.V.

Peter Walsh

Principal Occupation

Regional Chairman, West Midlands, British Gas public limited company

Directorships

British Gas International Finance B.V.
British Gas International Holdings B.V.
British Gas Netherlands Holdings B.V.
British Synergy Limited
Landranch Limited
Stargas Nominees Limited
British Gas Pension Funds Management Limited

The business address of the Directors is Lange Voorhout 58, 2514 EG, The Hague, Holland.

Capitalisation of the Issuer

The following table sets out the shareholder's equity and unaudited finance debt of the Issuer as at 8th October, 1991, adjusted to reflect the issue on 29th October, 1991 of C\$200,000,000 Guaranteed Bonds due 2001 and of the Bonds, except that Reserves are stated as at 31st March, 1991 based on the audited accounts at that date:

	DFL
Shareholder's Equity	
Share Capital (Authorised DFL 2,500,000 divided into 2,500 shares of DFL 1,000 each, issued and fully paid 505 shares of DFL 1,000 each).....	505,000
Reserves	1,611,220
Total Shareholder's Equity	2,116,220
Finance Debt	
The Bonds (1).....	251,260,500
9½% C\$200,000,000 Guaranteed Bonds due 2001 (2).....	338,600,000
10% C\$200,000,000 Guaranteed Bonds due 1994 (3).....	338,600,000
12% Italian Lire 150,000,000,000 Guaranteed Notes due 1996 (4).....	226,050,000
10¼% C\$250,000,000 Guaranteed Bonds due 1998 (5).....	423,250,000
8% ¥25,000,000,000 Guaranteed Notes due 1992 (6).....	367,000,000
12¼% Italian Lire 100,000,000,000 Guaranteed Notes due 1994 (7).....	150,700,000
7½% Sw.Fr. 100,000,000 Notes due 1995 (8).....	128,600,000
8⅞% U.S.\$350,000,000 Guaranteed Notes due 1999 (9).....	668,500,000
11% ECU 100,000,000 Guaranteed Notes due 1993 (10).....	231,200,000
8% Sw.Fr. 100,000,000 Schuldscheindarlehen due 1992 (11).....	128,600,000
8% Sw.Fr. 60,000,000 Schuldscheindarlehen due 1993 (12).....	77,160,000
8% Sw.Fr. 75,000,000 Schuldscheindarlehen due 1992 (13).....	96,450,000
	<u>3,425,970,500</u>
Total Capitalisation (14)	<u>3,428,086,720</u>

Notes:

- (1) The accreted amount of the U.S.\$1.5bn zero coupon bonds has been converted at the rate of U.S.\$1=DFL 1.910, the rate of exchange pertaining on 8th October, 1991.
- (2) Converted at the rate of C\$1 = DFL 1.693, the rate of exchange pertaining on 8th October, 1991.
- (3) Converted at the rate of C\$1 = DFL 1.693, the rate of exchange pertaining on 8th October, 1991.
- (4) Converted at the rate of It. Lire 10,000 = DFL 15.07, the rate of exchange pertaining on 8th October, 1991.
- (5) Converted at the rate of C\$1 = DFL 1.693, the rate of exchange pertaining on 8th October, 1991.
- (6) Converted at the rate of ¥1,000 = DFL 14.68, the rate of exchange pertaining on 8th October, 1991.
- (7) Converted at the rate of It. Lire 10,000 = DFL 15.07, the rate of exchange pertaining on 8th October, 1991.
- (8) Converted at the rate of Sw.Fr. 1 = DFL 1.286, the rate of exchange pertaining on 8th October, 1991.
- (9) Converted at the rate of U.S.\$1 = DFL 1.910, the rate of exchange pertaining on 8th October, 1991.
- (10) Converted at the rate of ECU 1 = DFL 2.312, the rate of exchange pertaining on 8th October, 1991.
- (11) Converted at the rate of Sw.Fr. 1 = DFL 1.286, the rate of exchange pertaining on 8th October, 1991.
- (12) Converted at the rate of Sw.Fr. 1 = DFL 1.286, the rate of exchange pertaining on 8th October, 1991.
- (13) Converted at the rate of Sw.Fr. 1 = DFL 1.286, the rate of exchange pertaining on 8th October, 1991.
- (14) Save as disclosed above, there has been no material change in the capitalisation of the Issuer since 8th October, 1991.

BRITISH GAS PUBLIC LIMITED COMPANY

The Guarantor, one of the largest British companies (based on sales) and a major public company, is involved in gas and oil activities worldwide. Its UK operation is the largest integrated gas supply business in the western world. The Guarantor is organised into three business units: Gas Business, Exploration and Production and Global Gas (including overseas gas supply).

The primary activity of the Guarantor, conducted through the Gas Business unit, is the purchase, transmission, distribution and supply of gas in the UK, supported by a broad range of services to customers and the marketing of gas appliances. The Guarantor is the principal supplier of natural gas in the UK; it supplies over half of the energy used in British households and about a third of the energy used by British industry and commerce. Through its some 11,100 mile transmission system and some 146,200 mile distribution system, the Guarantor provides gas to almost 18 million customers in Great Britain. More than half of the gas sold by the Guarantor is used by residential (domestic) customers, for whom a network of 679 retail showrooms provides a significant point of contact with the Guarantor. Industry, particularly the chemicals and engineering sectors, uses over 28 per cent. of the gas sold. Commercial customers, such as schools, offices and hospitals, account for the remaining gas sales. Tariff sales are subject to a system of price control and, following a review of the existing tariff price formula by the Director General of Gas Supply, a new, more demanding, formula has been agreed to come into operation in April 1992, which will inevitably have an impact on results. Tariff sales accounted for some 79 per cent. of gas sales value to the Guarantor in the financial year ended 31st March, 1991.

Since its privatisation in 1986, the Guarantor has adopted a strategy of diversifying away from its traditional business of UK gas supply and of expanding its exploration and production activities. The Guarantor formalised this business under the control of the Exploration and Production business unit in the financial year ended 31st March, 1990 and is committed to becoming a significant international participant in the oil and gas exploration and production business. The majority of its exploration and production assets are located in the UK Continental Shelf but it now has interests in over 20 countries worldwide.

The Guarantor announced the creation of Global Gas with effect from 1st April, 1990. The main aim of Global Gas is to find profitable opportunities for participating in the development of gas businesses outside the UK (including the transmission, distribution, marketing and use of gas) as well as opportunities in the UK which are outside the traditional gas supply business and which conform to the Guarantor's diversification objectives. In July 1990, a new Power Generation department was formed within Global Gas to develop opportunities both in the UK and worldwide in connection with the design, construction and operation of power generation and large-scale cogeneration facilities. Global Gas is also active in promoting the technical and market expertise of British Gas worldwide. In all these activities Global Gas may draw on the resources and knowhow of the Gas Business and Exploration and Production business units and from Group Services.

Until May 1989, the Guarantor operated a pricing policy for gas sold to customers in Great Britain with individual premises generally using more than 25,000 therms each year ("non-tariff customers"). Under this policy contracts were individually negotiated with such customers, with prices related to the prices of the various alternative fuels available to each premises.

As a result of a report by the UK Monopolies and Mergers Commission ("MMC") on the supply of gas to the contract market and the amendments subsequently made to the Guarantor's Authorisation as a public gas supplier, the Guarantor is required to publish prices for the supply of gas to non-tariff customers. The Guarantor's first schedule of prices for contract periods of one and two years became effective on 1st May, 1989 and was subsequently revised as of 1st December, 1989. In addition, a separate long term schedule was introduced with effect from 1st November, 1989 for the supply of large volumes of interruptible gas for periods of between ten and fifteen years. The Guarantor introduced an additional schedule with effect from 1st April, 1990 for contracts between three and ten years and with effect from 1st September, 1990 published a schedule for periods of less than one year in order to facilitate the development of gas-on-gas competition. The latter schedule was subsequently withdrawn and instead contract terms were revised to allow customers more easily to switch to third party gas supplies. The Guarantor has modified and will continue to modify existing schedules or introduce new ones and to adjust prices as and when it is deemed appropriate. The requirement to publish price schedules will cease to have effect if the Director General serves notice to terminate it after 30th April, 1994.

The implementation of the recommendations of the MMC Report has already resulted in significant changes to the market and the emergence of competition in the supply of gas. Five organisations are now supplying gas to the contract market in competition with the Guarantor. The Shell/Esso joint venture,

Quadrant, was first into the market followed by Mobil, BP Gas Marketing and AGAS in October 1990. Kinetica, (a joint venture between Conoco and PowerGen), and United Gas Company Limited (which is part owned by the US utility Utilicorp and is operating in co-operation with Midlands Gas Ltd, a subsidiary of Midlands Electricity) have also both recently entered the market.

The Guarantor is also required to publish details of its common carriage services through its pipeline system and the statement was revised in September 1991. In supplying the contract gas market and power generation plants, companies may therefore seek to enter into common carriage arrangements with the Guarantor. In the financial year 1990/1991, the Guarantor's Gas Transportation Services Department received approximately 14,000 enquiries for gas transportation to over 3,600 sites, including to proposed power stations. In November 1990, the Guarantor's fifth transportation agreement was signed to transport gas supplied from the Bruce field to Corby Power's gas fired power station starting in late 1993. Since then a further six transportation contracts have been signed including those with United Gas Company Limited, and with Amerada Hess Gas Limited. Active negotiations are proceeding in a number of other cases, several of which are expected to be signed in the near future.

Alternatively, companies may lay their own pipelines. Kinetica has announced plans to lay a short pipeline from the Theddlethorpe landing terminal to PowerGen's new power station on Humberside as well as a longer pipeline to the Isle of Grain near London. Other independent pipeline projects have been proposed by Gas Transmission UK (part-owned by Enterprise Oil) and by Shell, both considering serving part of the London area from Bacton, Norfolk.

A number of other power station projects have been announced which not only themselves will be in direct competition with the Guarantor, as an energy supplier, but also will be supplied with gas by competitors of the Guarantor. The Guarantor may, however, benefit from these projects as a result of common carriage or direct gas supply arrangements. The US utility, Enron Corporation, is leading a consortium which proposes to build a power station in Teesside which will use gas from the Everest and Lomond fields, in which subsidiaries of the Guarantor have an equity interest. PowerGen and National Power, UK electricity generating companies, as well as a number of other companies, have also announced proposals to construct gas-fired power stations. In addition, the Guarantor has entered into arrangements to supply gas to a number of power stations. The notification by the Guarantor of an increase in the long-term interruptible schedules to take effect on 2nd March, 1991 gave rise to complaints to the Director General from two potential customers with whom the Guarantor had been in discussion for contracts under the previous schedule. On 1st March, 1991 the Director General issued provisional orders against the Guarantor requiring it to enter into contracts with these potential customers at the prices in force on that day. The Guarantor did not do so and has challenged the validity of the orders in the courts. The Guarantor has now resolved all outstanding legal issues with these two customers. However, it is possible that other parties may seek to obtain similar treatment to the primary claimants. It is difficult at this stage for the Guarantor to assess the effect on the Group of any such subsequent proceedings.

With regard to gas purchasing, HM Government announced in April 1989 that an overall target of 10 per cent. of gas coming from new fields should be supplied to the UK market by suppliers other than the Guarantor. In February 1990, the Guarantor undertook that it would in good faith give constructive support to the efforts of gas producers toward achievement of the target that 10 per cent. of the gas coming from new gas fields and contracted to be sold after 31st May, 1989 be supplied to the industrial and commercial market in the UK by suppliers other than the Guarantor.

The first contract to be signed under the new arrangements was signed in January 1990 for the sale of natural gas from the Beryl field in the North Sea to the Guarantor. It has since signed a contract to purchase 90 per cent. of the gas to be produced from the Bruce North Sea field and made arrangements to release back to several of its suppliers substantial quantities of gas. The Guarantor currently estimates that, if contracts which it believes are on the point of being made are confirmed, about half of the gas committed for sale in the UK since June 1989 could be to gas suppliers other than the Guarantor although much of this gas is likely to be sold into the power generation market. Notwithstanding these developments, however, the Director General continues to press for further quantities of gas to be made available to the market.

The Director General has indicated that he would wish that about 30 per cent. of the firm contract market would be supplied by companies other than the Guarantor by 1993. The Office of Fair Trading has recently undertaken and published a Review of the level of competition that has developed or is likely to develop in the gas market and has made a number of recommendations with a view to increasing competition generally. Peter Lilley, Secretary of State for Trade and Industry, announced on 10th October, 1991 that he welcomed the findings of the Office of Fair Trading's Review and supported the conclusion that more competition was needed in the gas market. He stated that the Review had made some significant

and far reaching recommendations to increase competition in the supply of gas to industrial and commercial users. The Review stated that a reference to the MMC was justified but that the Office of Fair Trading was delaying a decision until early in the New Year to see whether the Guarantor would voluntarily negotiate changes to foster competition in the contract gas market. Mr. Lilley also stated that he would urgently consider with colleagues legislative changes to stimulate competition in the gas market. The Department of Trade and Industry announced on 31st October, 1991 the proposed introduction of a Competition and Service (Utilities) Bill (the "Bill") to reinforce the regulation of privatised utilities. The Department of Trade and Industry stated that *inter alia* the Bill would introduce enabling powers for the abolition of the Guarantor's statutory monopoly for gas supply to customers using less than 25,000 therms per annum, which powers would permit a progressive reduction of this monopoly threshold. The Guarantor has stated that it will provide the Office of Fair Trading and the Government with an analysis of the impact which implementation of the Review's proposals would have on the business, and has entered into discussions with the Office of Fair Trading in respect of the recommendations in the Review. The Guarantor is unable to determine the effect which enactment of the proposed Bill would have on its business until the Bill is published. Depending on its nature, any further undertaking by the Guarantor designed to increase competition, or any reference to the MMC resulting from the Office of Fair Trading's Review, or the proposed or any other legislative changes to stimulate competition in the gas market could have a negative effect on the results of the Group.

Directors

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

R. Evans CBE F Eng	Chairman and Chief Executive	Director, International Management and Development Institute, Non-executive Director, Senior Engineering Group plc
N. Blacker	Executive Director	
C. H. Brown F Eng	Executive Director	
C. E. Donovan	Executive Director	
W. R. Probert	Executive Director	
D. H. Benson	Non-executive Director	Vice-Chairman, Kleinwort Benson Group plc, Chairman, Kleinwort Benson Holdings Inc., Non-executive Director, Rouse Company, USA, Marshall Cavendish Limited, Trustee of Charities Official Investment Fund
R. H. Boissier	Non-executive Director	Chairman, Pressac Holdings PLC, Non-executive Director, Edward Lumley Holdings Limited, Severn Trent PLC, T&N plc
S. Kalms	Non-executive Director	Chairman, Dixons Group plc
Baroness Platt of Writtle CBE DL F Eng	Non-executive Director	Member, Council of the Engineering Training Authority, Member, House of Lords Science and Technology Select Committee
The Rt. Hon. Peter Walker MBE MP	Non-executive Director	Member of Parliament, Non-executive Director, Smith New Court PLC, NM Rothschild & Sons (Wales) Ltd., the Worcester Group plc, Dalgety plc, D. C. Gardner Group plc, Tate & Lyle PLC, CBC UK Limited, Thornton & Co. Limited

The business address of the Directors is Rivermill House, 152 Grosvenor Road, London SW1V 3JL.

Capitalisation of the Group

The following table sets out the audited consolidated capitalisation of the Group as at 31st March, 1991 after giving effect to the issue of Swiss Franc Schuldscheindarlehen on 30th May, 1991, Italian Lire Notes on 1st August, 1991, Canadian Dollar Bonds on 23rd August, 1991 and 29th October, 1991 and the Bonds:

	£ (in millions)
Shareholders' equity (a)	
Ordinary shares of 25p each..... (5,500 million authorised, 4,261 million issued)	1,065
Reserves (current cost accounting) (b) (c).....	18,739
British Gas shareholders' interest.....	19,804
Minority interest.....	357
Total shareholders' equity.....	<u>20,161</u>
Indebtedness for borrowed money	
Short-term debt	
H.M. Government Debenture (d).....	350
C\$ borrowings.....	195
Bank loans and overdrafts.....	96
US\$ commercial paper.....	257
C\$ commercial paper.....	127
Total short-term debt as at 31.3.91.....	<u>1,025</u>
Long-term debt	
Notes and debentures.....	2,246
Sw.Fr. Schuldscheindarlehen (issued 30.5.91)(e).....	29
Italian Lire Notes (issued 1.8.91)(f).....	69
Canadian Dollar Bonds (issued 23.8.91)(g).....	103
Canadian Dollar Bonds (issued 29.10.91)(h).....	103
Other borrowings.....	87
The Bonds (i).....	77
Total long-term debt.....	<u>2,714</u>
Total debt.....	<u>3,739</u>
Total capitalisation (j).....	<u>23,900</u>

Notes:

- (a) The Guarantor has authorised and issued the Special Share, which is held by H.M. Government. The Special Share carries no right to participate in the capital (beyond the sum of £1) or earnings of the Guarantor and carries no voting rights. Ordinary Shares entitle the holders thereof to one vote per Ordinary Share.
- (b) The Group had cash and short-term investments of £899 million at 31st March, 1991.
- (c) Reserves comprise Retained Earnings, the Current Cost Reserve and the Share Premium Account. Historical Cost Reserves at 31st March, 1991 were £6,977 million.
- (d) On 20th November, 1986 an unsecured debenture in the amount of £2,500 million was issued by the Guarantor in favour of H.M. Government of which £2,150 million has been repaid.
- (e) On 30th May, 1991 the Issuer issued Sw.Fr. 75,000,000 8 per cent. Schuldscheindarlehen, guaranteed by the Guarantor and with a maturity on 30th November, 1992. The amount of Sw.Fr. 75,000,000 has been converted at the rate of £1=Sw.Fr. 2.545, the rate of exchange pertaining on 8th October, 1991.
- (f) On 1st August, 1991 the Issuer issued It. Lire 150,000,000,000 12 per cent. Guaranteed Notes due 1996 guaranteed by the Guarantor. The amount of It. Lire 150,000,000,000 has been converted at the rate of £1 = It. Lire 2,172, the rate of exchange pertaining on 8th October, 1991.
- (g) On 23rd August, 1991, the Issuer issued C\$200,000,000 10 per cent. Guaranteed Bonds due 1994 guaranteed by the Guarantor. The amount of C\$200,000,000 has been converted at the rate of £1 = C\$1.938, the rate of exchange pertaining on 8th October, 1991.
- (h) On 29th October, 1991, the Issuer issued C\$200,000,000 9½ per cent. Guaranteed Bonds due 2001 guaranteed by the Guarantor. The amount of C\$200,000,000 has been converted at the rate of £1 = C\$1.938, the rate of exchange pertaining on 8th October, 1991.
- (i) The accreted amount of the U.S.\$1.5bn zero coupon bonds has been converted at the rate of £1 = U.S.\$1.715, the rate of exchange pertaining on 8th October, 1991.
- (j) Save as disclosed above, there has been no material change in the consolidated capitalisation of the Guarantor since 31st March, 1991.

NETHERLANDS TAXATION

The Issuer has been advised that under existing Netherlands law:

- (a) Payments of principal on the Bonds will not be subject to Netherlands withholding tax.
- (b) A holder of a Bond will not be subject to Netherlands net wealth tax provided that such holder is not an individual or, if he is an individual, provided that:
 - (i) such holder is not a resident or deemed resident of The Netherlands; and
 - (ii) such holder does not have, during the taxable year, an enterprise, or an interest in an enterprise, which carries on business in The Netherlands through a permanent establishment or a permanent representative to which or to whom the Bonds are attributable.
- (c) A holder of a Bond, irrespective of whether a holder is an individual or not, will not be subject to Netherlands income tax and/or corporation tax on payment of principal and gains realised on the sale, redemption or exchange of the Bonds provided that the conditions mentioned under (b)(i) and (ii) above are met and provided that such holder does not have, directly or indirectly, a substantial or deemed substantial interest in the share capital of the Issuer as referred to in Article 39 or Article 40 of the Income Tax Act (*Wet op de Inkomstenbelasting*) 1964 or, in the event that such holder does have such a substantial interest, such interest belongs to an enterprise other than an enterprise as mentioned under (b)(ii) above.
- (d) No gift, estate or inheritance tax will arise in The Netherlands on a gift of a Bond by, or on the death of, a holder neither resident nor deemed resident in The Netherlands, unless such Bond is attributable to a permanent establishment or permanent representative of such holder in The Netherlands, or the holder is of Dutch nationality and has been resident in The Netherlands within the ten year period before his death or making the gift.

UNITED KINGDOM TAXATION

1. All payments made on redemption of the Bonds may be made without deduction of United Kingdom tax.

2. The Bonds will be deep discount securities for the purpose of Schedule 4 of the Income and Corporation Taxes Act 1988. Therefore, for United Kingdom tax purposes, on a disposal or redemption of a Bond the Bondholder may be chargeable to income tax or corporation tax (as appropriate) on an amount representing the accrued discount attributable to the period between his acquisition and disposal or redemption of the Bond. This amount will be the aggregate of the income elements which relate to income periods which fall wholly during the Bondholder's period of ownership and the proportionate parts of income elements which relate to income periods which fall partly during the Bondholder's period of ownership. Each Bond will show the income element for each income period between the date of issue of the Bond and the redemption date.

3. Where Bonds are redeemed before maturity, the accrued discount attributable to a Bondholder will be the amount paid on redemption less either (i) the issue price of the Bond, or (ii) (where the Bond was not acquired by the Bondholder on issue) the aggregate of the issue price and the accrued discount to the date of acquisition.

4. Bondholders who are resident or ordinarily resident in the United Kingdom or who, if non-resident, carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable may, depending upon their circumstances, be subject to United Kingdom tax on any chargeable gain (as computed for tax purposes and after deduction of the accrued discount brought into charge under Schedule 4 of the Income and Corporation Taxes Act 1988) arising on a disposal or redemption of a Bond.

The above summary is general in nature, based on current United Kingdom law and Inland Revenue practice, and may not apply to certain Bondholders (such as dealers). Persons who are in any doubt as to their tax position should consult their professional advisers.

SUBSCRIPTION AND SALE

Pursuant to a Subscription Agreement dated 1st November, 1991, Goldman Sachs International Limited ("GSIL") has agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe for U.S.\$1,500,000,000 in principal amount of the Bonds at 8.77 per cent. of their principal amount, for a selling commission of 0.15 per cent. of such principal amount. The Subscription Agreement entitles GSIL to terminate it in certain circumstances prior to payment being made to the Issuer.

GSIL has, on behalf of the Issuer, invited certain banks, brokers and dealers (the "Selling Group") to purchase Bonds at 8.77 per cent. of their principal amount, for the selling commission of 0.15 per cent. of such principal amount.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (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. GSIL and each member of the Selling Group has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, 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 Bonds during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds 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 United States person, except in certain transactions permitted by U.S. tax regulations. Certification, in a form to be provided, that the Bonds are not beneficially owned by United States persons or by persons who have purchased the Bonds for resale to United States persons will be required prior to delivery of the definitive Bonds. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

GSIL and each member of the Selling Group has represented and agreed that (1) prior to 25th October, 1991 it did not offer or sell any Bonds in the United Kingdom, by means of any document, other than to persons whose ordinary business it is to buy or sell shares or debentures whether as principal or agent (except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act 1985), (2) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom and (3) it has only issued or passed on and will only issue or pass on to any person in the United Kingdom any document received by it in connection with the issue of the Bonds, other than this Offering Circular or any other document which consists of or of 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 Financial Services Act 1986, if that person is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988.

GSIL and each member of the Selling Group has represented and agreed that (1) prior to 25th October, 1991 it did not offer or sell any Bonds in or from The Netherlands other than to individuals and legal persons who trade or invest in securities in the conduct of a profession or trade (except (i) within a limited group, or (ii) if an exemption applies or a dispensation has been granted to GSIL or, as the case may be, the Selling Group member or (iii) in circumstances which do not constitute an offer within the meaning of The Netherlands Securities Trading Act 1985) and (2) GSIL and each member of the Selling Group has represented and agreed that, pursuant to the provisions of The Netherlands Savings Certificates Act ("*Wet inzake de spaarbewijzen*") (the "Act"), it will not offer or sell any Bonds within the Netherlands except to the Issuer or to a member of the Netherlands Stock Exchange Association ("*Vereniging voor de effectenhandel*"), acting as intermediary in accordance with the provisions of the Act and the regulations and agreements promulgated thereunder, unless such transactions take place between non-professional individuals (as defined in the Act), and that it will procure that all such transactions made with the Issuer or such a member are recorded in a transaction note, including the name and address of each party to the transaction, the nature of the transaction and the details and serial numbers of the Bonds which are transferred.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through CEDEL S.A. and Euroclear. The common code number is 3439470.

2. The listing of the Bonds on the London Stock Exchange will be expressed as a percentage of their principal amount. It is expected that listing of the Bonds on the London Stock Exchange will be granted on or before 1st November, 1991, subject only to the issue of the Temporary Global Bond.

3. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in The Netherlands and the United Kingdom in connection with the issue and performance of the Bonds and the Guarantee. The issue of the Bonds was authorised by resolution of the Board of Directors of the Issuer passed on 15th October, 1991 and the giving of the Guarantee by the Guarantor was authorised by resolution of a duly appointed committee of the Group Executive, which is a duly appointed committee of the Board of Directors, of the Guarantor passed on 14th October, 1991.

4. Save as disclosed on pages 11 and 15 in this Offering Circular, there has been no significant change in the financial or trading position either of the Issuer or of the Group taken as a whole since 31st March, 1991 and no material adverse change in the financial position or prospects of the Issuer or of the Group taken as a whole since 31st March, 1991.

5. No member of the Group is involved in any litigation or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position of the Group nor are the Issuer or the Guarantor aware of any such proceedings pending or threatened.

6. The Bonds 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 United States Internal Revenue Code".

7. Copies of the latest annual report and accounts of the Issuer and the Guarantor may be obtained, and copies of the Principal Trust Deed and the Supplemental Trust Deed (including the Guarantee) will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Bonds is outstanding.

8. Price Waterhouse, Chartered Accountants, have audited the accounts of the Group for the four years ended 31st March, 1991. Price Waterhouse Nederland have audited the accounts of the Issuer for the two years ended 31st March, 1991. No audited accounts of the Issuer were made up for the two years ended 31st March, 1989 as the same were not required as a matter of Netherlands law.

9. Copies (and certified English translations where the documents in question are not in English) of the following documents may be inspected at the offices of Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA during usual business hours on any weekday (Saturdays and public holidays excepted) for 14 days from the date of this document:

- (i) the Articles of Association of the Issuer and Memorandum and Articles of Association of the Guarantor;
- (ii) the audited consolidated annual accounts of the Guarantor and the audited accounts of the Issuer for the two years ended 31st March, 1991;
- (iii) the Subscription Agreement referred to above;
- (iv) a draft (subject to modification) of the Supplemental Trust Deed to constitute the Bonds (which includes the Guarantee and the form of Temporary Global Bond and the definitive Bonds); a draft (subject to modification) of the Paying Agency Agreement; and a copy of the Principal Trust Deed.

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REGISTERED OFFICE OF THE GUARANTOR

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London EC2V 7LY

PRINCIPAL PAYING AGENT

Royal Bank of Canada
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London EC4V 4DE

PAYING AGENTS

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Belgium

NMB Bank (Luxembourg) S.A.
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