Transco

Transco plc
Regulatory Accounting Statements 2001/2002
for the Transco business

Contents

Important information

Transco is the regulated gas transportation, metering and storage business of Transco plc, which is a part of Lattice Group plc. Transco operates Britain's gas transportation infrastructure, including liquefied natural gas (LNG) storage assets.

The financial information contained in these statements does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for Transco plc for the 15 months ended 31 March 2002, to which the financial information relates, have been delivered to the Registrar of Companies. The Auditors have made a report under Section 235 of the Companies Act 1985 on those statutory accounts which was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The statutory accounts can be obtained from The Head of Investor Relations, Lattice Group plc, 130 Jermyn Street, London SW1Y 4UR.

The full Chairman's statement, the Business review, the statement of How we do business and the Directors' report, incorporating the Operating and financial review for Transco plc, can be found in that company's annual report and accounts. Certain extracts from these reports, necessary to enable these Regulatory Accounting Statements to comply with the Condition, are included below, on pages 2 and 3.

The obligation to produce regulatory accounting statements

The obligation to prepare and publish regulatory accounting statements for Transco is placed on Transco plc by Amended Standard Condition 30 (the Condition) of its Gas Transporter's Licence (the Licence) granted under the Utilities Act 2000 (the Utilities Act). The principal requirements of the Condition are that for each of the Transco, Transportation, Metering, Meter Reading and Liquefied Natural Gas (LNG) Storage businesses, the regulatory accounting statements must:

- show a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, that business;
- have the same content and format as the statutory accounts of Transco plc and conform to UK generally accepted accounting practice, in so far as reasonably practicable;
- separately show in appropriate detail the amounts of any revenues, costs, assets, liabilities, reserves or provisions which have been charged from or to any non-Transco business of Lattice Group, or which have been determined by apportionment ('charges and apportionments');
- be subject to audit by Transco plc's statutory auditors; and
- be published, except for the information on charges and apportionments.

Developments

Separation of the Metering and Meter Reading businesses

At 1 April 2000 and with Transco's consent, the price control for Transco's Transportation business was disaggregated into separate controls for the Transportation, Metering and Meter Reading businesses. As a consequence of this disaggregation, the Licence was amended to require Transco to separately report the revenues, costs, assets, liabilities, reserves and provisions of the Metering and Meter Reading businesses, commencing with the regulatory accounting period beginning on 1 January 2001.

Prior year information has not been restated to reflect this separation, as such a restatement is not required by the Licence and is not reasonably practicable. In 2000, the income from the Metering and Meter Reading businesses is included within Transportation.

New licensing scheme

Following consultations, the Secretary of State for Trade and Industry issued revised standard licence conditions with effect from 1 October 2001 to give effect to the provisions of the Utilities Act and to achieve greater alignment between the gas and electricity industries. The condition under which regulatory accounts were previously produced, amended standard condition 2 of the old licensing scheme, was replaced by amended standard condition 30 under the new scheme.

The requirements in respect of regulatory accounts are substantially unchanged, except that the new condition includes a requirement to produce supplementary current cost regulatory accounts, where the principal regulatory accounts are prepared on some other accounting basis. Ofgem has consented to this requirement being waived and the regulatory accounting statements in this document are produced on a historical cost basis, consistent with Transco's statutory accounts for the 15 months to 31 March 2002.

Connections

During 2001, Transco established First Connect as a wholly-owned subsidiary of Transco. First Connect provides connection services to Transco on an arm's length contractual basis in order for Transco to fulfil its obligations to connect premises to its gas transportation system. With effect from 31 March 2002 Transco transferred First Connect to Lattice Enterprises in return for intra-group debt of £10 million and First Connect ceased to form part of the regulated Transco business. First Connect is not shown as a discontinued operation as the amounts included in the profit and loss account and balance sheet in respect of First Connect are not material.

LNG storage unbundling

On 28 February 2002, Transco, in accordance with the terms of the Licence, gave the Gas and Electricity Markets Authority (the Authority) notice of its intention to dispose of its LNG storage assets to an affiliate. On 12 April 2002, the Authority formally rejected Transco's notice and confirmed its intention to Transco to seek industry views on Transco's proposal to dispose of the LNG storage assets.

Regulatory ring-fence

Transco's Licence contains special 'ring-fence conditions', which were introduced into the Licence with Transco's consent in December 1999. These ring-fence conditions include requirements on Transco:

- only to carry on certain activities;
- to ensure that it has sufficient management and financial resources to carry out its business;
- to use reasonable endeavours to maintain an investment grade credit rating as the issuer of corporate debt; and
- to deal on an arm's length basis and on normal commercial terms with other companies in the Lattice Group and not to give new guarantees for them.

If Transco is in material default of any of the ring-fence conditions it can be prohibited from declaring and paying a dividend.

Treasury policy

Lattice Group's Treasury department raises all of the funding for Transco and manages interest rate and foreign exchange rate risk.

All funding is approved by the Finance Committee of the Board of Transco, which receives recommendations on funding from the Finance Committee of the Lattice Group Board. The use of derivative financial instruments is controlled by policy guidelines set by that Board.

Details of the maturity, currency and interest rate profile of Transco's borrowings as at 31 March 2002 are shown in notes 13 to 16 of the regulatory accounting statements.

Transco's financial position enables it to borrow on the wholesale capital and money markets and most of its borrowings are through public bonds and commercial paper. The borrowings of Transco contain no restrictive covenants.

Transco places surplus funds on the money markets usually in the form of short-term fixed deposits, which are invested with approved banks and counterparties. Details of Transco's short-term investments as at 31 March 2002 are shown in note 12 of the regulatory accounting statements.

Transco has a credit rating of A2/A. It is a condition of the regulatory ring-fence around Transco that it uses reasonable endeavours to maintain an investment grade credit rating.

The main risks arising from Transco's financing activities are set out below. The Board of Lattice Group reviews and agrees policies for managing each risk and the Board of Transco agrees to act within the remit of such policies.

Refinancing risk management

The Board of Lattice Group principally controls refinancing risk by limiting the amount of financing obligations (both principal and interest) arising on borrowings in any 12-month period, and by specifying a minimum average duration for borrowings. This policy restricts Transco from having an excessively large amount of debt to refinance in a given time frame. During the period a mixture of short-term debt and long-term debt was issued.

Interest rate risk management

The interest rate exposure of Transco arising from its borrowings and deposits is managed by the use of fixed and floating rate debt, interest rate swaps, swaptions and forward rate agreements. Transco's interest rate risk management policy is to seek to minimise total financing costs (i.e. interest costs and changes in the market value of debt) subject to constraints so that even with large movements in the interest rates, neither the interest cost nor the total financing cost can exceed pre-set limits.

The performance of the Treasury department in interest rate risk management is measured by comparing the actual total financing cost of its debt with those of a passively-managed benchmark portfolio.

Foreign exchange risk management

Transco has a policy of hedging certain contractually committed foreign exchange transactions over a prescribed minimum size. It covers 75% of such transactions expected to occur up to six months in advance and 50% of transactions in the 6 to 12 month period in advance. Cover generally takes the form of forward sale or purchase of foreign currencies and must always relate to underlying operational cash flows.

Counterparty risk management

Counterparty risk arises from the investment of surplus funds and from the use of derivative instruments. The Board of Lattice Group has agreed a policy for managing such risk, which is controlled through credit limits, approvals and monitoring procedures.

Derivative financial instruments held for purposes other than trading

As part of its business operations, Transco is exposed to risks arising from fluctuations in interest rates and exchange rates. Transco uses off-balance sheet derivative financial instruments (derivatives) to manage exposures of this type and as such they are a useful tool in reducing risk. Transco's policy is not to use derivatives for trading purposes. Derivative transactions can, to varying degrees, carry both counterparty and market risk.

Transco enters into interest rate swaps in order to manage the composition of floating and fixed rate debt, and so hedge the exposure of borrowings to interest rate movements. Transco enters into foreign currency swaps in order to manage the currency composition of borrowings and so hedge the exposure to exchange rate movements. Certain agreements are combined foreign currency and interest rate swap transactions. Such agreements are known as cross-currency swaps.

Transco enters into forward rate agreements in order to hedge interest rate risk on short-term debt and money market investments. Forward rate agreements are commitments to fix an interest rate that is to be paid or received on a notional deposit of specified maturity, commencing at a future specified date.

Valuation and sensitivity analysis

Transco calculates the fair value of debt and derivative instruments by discounting all future cash flows by the market yield curve at the balance sheet date. In the case of instruments with optionality, the Black's variation of the Black-Scholes model is used to calculate fair value.

For debt and derivative instruments held, Transco utilises a sensitivity analysis technique to evaluate the effect that changes in relevant rates or prices will have on the market value of such instruments.

As at 31 March 2002 the potential change in the fair value of the aggregation of long-term debt and derivative instruments was £66 million (31 December 2000 £57 million) assuming a 10% change in the level of interest rates.

Directors’ responsibilities for preparing separate regulatory accounting statements

The Directors of Transco plc are required by the Condition to prepare regulatory accounting statements for each financial period. These regulatory accounting statements must give a true and fair view of the revenues, costs, assets, liabilities, reserves, provisions and cash flows of, or reasonably attributable to, the Transco business, the Transportation business the Metering business, the Meter Reading business and the LNG Storage business.

The Directors consider that, in preparing the regulatory accounting statements, the Transco business has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and all applicable accounting standards have been followed.

The Directors have responsibility for ensuring that Transco plc and its related undertakings keep accounting records in such a form that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each of the businesses are separately identifiable in the books of Transco and its related undertakings from those of any other business.

The Directors have responsibility for ensuring that the regulatory accounting statements fairly present the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each business.

The Directors have responsibility to ensure that, so far as is reasonably practicable, the regulatory accounting statements have the same content and format in respect of the businesses to which they relate as the annual accounts of Transco plc; that they conform to best commercial accounting practices including all relevant accounting standards issued or adopted by the Accounting Standards Board currently in force and that the accounting policies used are stated.

The Directors have responsibility to ensure that the regulatory accounting statements show separately and in appropriate detail the amounts of any revenues, costs, assets, liabilities, reserves or provisions that have been charged from or to any non-Transco business of Lattice, or that have been determined by apportionment, where they relate to goods or services received or supplied for the purposes of the Transportation, Metering, Meter Reading or LNG Storage businesses.

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

The Directors are responsible for ensuring that the regulatory accounting statements are published and where they are published on the Internet, for the maintenance and integrity of the website. Uncertainty regarding legal requirements is compounded as information published on the Internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

1) We have audited the regulatory accounting statements for the fifteen months ended 31 March 2002 on pages 9 to 49 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

2) These regulatory accounting statements have been prepared by Transco plc for submission to the Gas and Electricity Markets Authority as required by Amended Standard Condition 30 of Transco plc's Gas Transporter's Licence granted under the Utilities Act 2000 ('the Condition').

3) Pages 44 to 49 include disclosure of amounts charged to or from other businesses of Lattice Group plc or amounts determined by apportionment. The Condition requires this disclosure to be made to the Gas and Electricity Markets Authority but allows the Company to remove this disclosure from the information made available to the public as per paragraph 5(c) of the Condition.

4) The regulatory accounting statements are separate from the statutory financial statements of Transco plc.

Respective responsibilities of the Gas and Electricity Markets Authority, the Directors and the Auditors

5) The nature, form and content of regulatory accounting statements are determined by the Gas and Electricity Markets Authority. It is not appropriate for the auditors or the directors to assess whether the nature of the information being reported upon is suitable or appropriate for the Gas and Electricity Markets Authority purposes. Accordingly we make no such assessment.

6) The Directors of Transco plc are responsible for preparing the regulatory accounting statements and for compliance with the Condition, as described on page 4. Our responsibilities, as independent auditors, are established by the Condition, the Auditing Practices Board and our profession's ethical guidance.

7) Our responsibilities are to Transco plc. We do not accept any duty of care or other responsibility to third parties in respect of these regulatory accounting statements, and deny all liability whether in contract, tort (including negligence), statutory duty or otherwise to any other person who chooses to rely on this report.

8) We report to you our opinion as to whether the regulatory accounting statements give a true and fair view and have been properly prepared in accordance with the Condition. We also report to you if, in our opinion, the other information (as defined in paragraph 9) presented is not consistent with the regulatory accounting statements, if Transco plc has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

9) We read the other information contained in the regulatory accounting statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the regulatory accounting statements. The other information comprises the sections on the obligation to produce regulatory accounting statements, developments, regulatory ring-fence and treasury policy on pages 1 to 3.

Basis of opinion

10) We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the regulatory accounting statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the regulatory accounting statements and of whether the accounting policies are appropriate to Transco plc's circumstances, consistently applied and adequately disclosed.

11) We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the regulatory accounting statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the regulatory accounting statements as required by the Condition.

12) Our opinion on the regulatory accounting statements is separate from our opinion on the statutory financial statements of Transco plc, which are prepared for a different purpose. We do not and will not, by virtue of this report assume any responsibility, whether in contract, negligence or otherwise, in relation to our audits of Transco plc's statutory financial statements required by the Companies Act 1985.

13) The Condition requires for the regulatory accounting statements to be drawn up on the basis set out therein including the separate disclosure of amounts charged to or from other businesses of Lattice Group plc or determined by apportionment. The Directors of Transco plc are responsible for determining the bases of charges and apportionments which require a number of judgements and assumptions to be made.

14) The Metering business and Meter Reading business were not wholly separate business units for the 15 months ended 31 March 2002. As such, a high proportion of the cost base represents costs that have been determined by apportionment rather than costs that have been directly charged to these businesses. Details of costs determined by apportionment to the Metering business and Meter Reading business are shown in notes 29 and 30. This is not the case for the Transco business, Transportation business and LNG business which were either wholly separate business units or the level of cost determined by apportionment was not significant.

Opinion

15) In our opinion, on the basis set out in paragraphs 5 to 14 above, the regulatory accounting statements have been prepared in accordance with the Condition, for the various businesses as defined for that purpose in the Condition, and in respect of the:

- Transco business give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of this business for the 15 months ended 31 March 2002;
- Transportation business give a true and fair view of the revenues, costs, assets, liabilities and provisions of this business for the 15 months ended 31 March 2002;
- Metering business and Meter Reading business, the revenues, costs, assets and liabilities are reasonably attributable to those businesses for the 15 months ended 31 March 2002;
- LNG Storage business give a true and fair view of the revenues, costs, assets and liabilities of that business for the 15 months ended 31 March 2002.

PricewaterhouseCoopers
Chartered Accountants
Temple Court
35 Bull Street
Birmingham
B4 6JT

9 August 2002

Basis of preparation and accounting principles

In order to improve the transparency of Transco's performance, the financial year-end has been changed from 31 December to 31 March. This will align Transco's reported results with its regulatory year. Accordingly the financial information in this report presents the regulatory accounting statements for the 15 months ended 31 March 2002. Comparative information has been prepared for the year ended 31 December 2000.

Transco has also changed the basis of preparation of its accounts (see note 1, page 16). These regulatory accounting statements have been prepared in accordance with applicable accounting standards, under historical cost principles. Comparative figures have been restated accordingly. The 2000 regulatory accounting statements were prepared on a modified historical cost basis.

The preparation of regulatory accounting statements in conformity with generally accepted accounting principles requires management to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the regulatory accounting statements and the reported revenues during the reporting period. Actual results could differ from these estimates.

Basis of consolidation

The regulatory accounting statements comprise a consolidation of the accounts of the Transportation, Metering, Meter Reading, LNG Storage and Transco businesses of Transco plc and its subsidiary undertakings.

The results of undertakings covered by the accounting requirements of the Condition are consolidated from the date when control passes to Transco plc. The results of undertakings that cease to be covered by the accounting requirements of the Condition are consolidated to the date when those requirements cease to apply.

Income, costs, assets and liabilities of Transco, which are not directly attributable to specific businesses, are apportioned to those businesses in accordance with the activities giving rise to the income, costs, assets or liabilities. Interest, taxation, borrowings and capital liabilities that are not directly attributable to specific businesses are not apportioned. Further details are set out in note 29, page 43.

Transco plc has been ring-fenced for regulatory purposes. The ring-fence requires Transco to meet a number of regulatory conditions (set out in detail on page 2) which include restrictions on business activities, fund raising, granting of guarantees and dividend payments.

Earnings per share information has not been presented in these regulatory accounting statements as Transco, being an indirectly held wholly owned subsidiary undertaking of Lattice Group plc, does not have publicly traded equity.

Amendments to licence conditions

Where the licence conditions, under which the regulatory accounting statements are produced, are amended, prior year information is only restated to the new basis when either specifically required by the licence, or when it is reasonably practicable to do so.

Tangible fixed assets

All categories of tangible fixed assets are carried at depreciated historical cost.

a) Historical cost

Additions represent extensions to, or significant increases in, the capacity of tangible fixed assets and are stated at actual cost.

Major assets in the course of construction are included in tangible fixed assets, in the categories to which they relate, on the basis of costs incurred at the balance sheet date. In the case of assets constructed by Transco, this includes all relevant directly attributable costs and commissioning costs.

Contributions received towards the cost of tangible fixed assets are included in creditors as deferred income and credited to the profit and loss account over the life of the assets.

b) Depreciation

Freehold land is not depreciated as expected residual values are not materially different from the carrying values. Other tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the historical cost of individual assets to their residual values over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

Freehold and leasehold buildings	up to 50 years
Mains and services	55 to 65 years
Gas storage	40 years
Plant and machinery	10 to 50 years
Meters	10 to 15 years
Motor vehicles and office equipment	3 to 10 years

Asset lives are kept under review and complete asset life reviews are regularly carried out. Following a review this year of meter lives, the maximum depreciation period for meters was reduced from 20 years to 15 years. The impact of this change is detailed in note 1, page 16. Where asset lives are revised, the carrying amount is depreciated over the remaining revised life.

Assets held under finance leases are depreciated over the shorter of the lease term or their useful economic life. Assets in the course of construction are not depreciated until they enter service.

Impairment of fixed assets

Impairment is calculated as the difference between the carrying values of the net assets of income generating units and their recoverable amount, being the higher of net realisable value and estimated value in use at the date the impairment review is undertaken. Net realisable value represents the amount that can be generated through the sale of assets. Value in use represents the present value of expected future cash flows discounted on a pre-tax basis, using the estimated cost of capital of the income generating unit. Future cash flows are based on a five-year business plan, projected out to either perpetuity or a more relevant term. Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried above their estimated recoverable amounts. Impairment is recognised in the profit and loss account. For further details of the impairment reviews carried out in the period see note 3, page 17.

Stocks
Stocks are stated at weighted average historical cost less provision for deterioration and obsolescence.

Environmental costs
Provision is made, on a discounted basis, for statutory decontamination costs of old gas manufacturing sites, retained by Transco. The unwinding of discount is included in the profit and loss account as a financial item and is added to the net interest charge.

Deferred tax
FRS 19 'Deferred Tax' has been implemented during the 15 months ended 31 March 2002. Comparative figures have been restated accordingly. In accordance with FRS 19 a full provision for deferred tax is recognised, on a discounted basis, on all timing differences that have originated, but not reversed by the balance sheet date. Previously the provision for deferred tax was accounted for on the partial provisioning basis required by Statement of Standard Accounting Practice (SSAP) 15. The effect of this change in accounting policy on the results and net assets of Transco are detailed in note 1, page 16.

Leases
Assets for use in Transco's businesses which are held under finance leases are capitalised, included in tangible fixed assets at historical cost and depreciated accordingly. The obligations related to finance leases, net of finance charges in respect of future periods, are included within borrowings. The interest element of the rental obligation is allocated to accounting periods during the lease term, to reflect the constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to the profit and loss account as incurred.

Financial instruments
Derivative instruments utilised by Transco are interest rate swaps, foreign currency swaps, forward rate agreements, interest rate swaptions and forward exchange contracts.

A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an existing underlying exposure of Transco in line with its risk management policies. Derivatives used for hedging are accounted for on an accruals basis. During the period there were no derivatives used for trading purposes.

Termination payments made or received in respect of derivatives are spread over the shorter of the life of the original instrument or the life of the underlying exposure in cases where the underlying exposure continues to exist. Where the underlying exposure ceases to exist, any termination payments are taken to the profit and loss account.

Interest differentials on derivative instruments are recognised by adjusting the net interest charge. Premiums or discounts on derivative instruments are amortised over the shorter of the life of the instrument or the underlying exposure.

Currency swap agreements and forward exchange contracts are retranslated at the rates ruling in the agreements and contracts. Resulting gains or losses are offset against foreign exchange gains or losses on the related borrowings or, where the instrument is used to hedge a committed future transaction, are deferred until the transaction occurs.

Turnover
Turnover, which excludes value added tax and other sales taxes, comprises the value of goods and services provided by Transco Group undertakings, excluding those between them.

Turnover generated under contracts pertaining to a period of time is recognised on a proportional basis to match the timing of the service delivery.

Transportation turnover includes an assessment of transportation services supplied to customers between the date of the last meter reading and the year end. LNG storage turnover includes sales of storage services to the transportation business. Provision is not made for any future price reductions where revenues exceed the regulated maximum allowable amount.

Interest
Interest payable is written off as incurred. Discounts or premiums and expenses on the issue of debt securities and premiums payable on early redemption of debt securities, in lieu of future interest costs, are amortised over the term of the related security and included within interest payable.

Replacement expenditure
Replacement expenditure represents the cost of planned maintenance of Transco's mains and services assets by replacing or lining sections of pipe. This expenditure is principally undertaken to repair and to maintain the safety of the network and is written off as incurred. Expenditure that enhances the performance of mains and services assets is treated as an addition to tangible fixed assets.

Restructuring costs
Costs arising from the current Transco restructuring primarily relate to redundancy costs. Redundancy costs are charged against profit in the period in which Transco becomes irrevocably committed to incurring the costs and the main features of the restructuring plan have been announced to affected employees. For further details relating to restructuring costs in the period see note 3, page 17.

Pensions
SSAP 24 'Accounting for Pension Costs' requires that the cost of providing retirement pensions and related benefits be charged to the profit and loss account over the periods benefiting from the employees' services. The regular pension costs, variations from the regular pensions cost and interest are all charged within employee costs. Transco is charged by its ultimate parent company, Lattice plc, for the full cost of its pension benefits, inclusive of the effect of any surplus or deficit deemed attributable to Transco. Hence, there are no resulting balance sheet provisions or prepayments reported in these regulatory accounting statements.

FRS 17, 'Retirement Benefits' which was issued on 30 November 2000, comes into effect on a progressive basis commencing in 2001, with full implementation required by 31 March 2004. The required disclosures are given in note 24, page 38.

Research and development and advertising expenditure
All research and development and advertising expenditure is written off as incurred.

Consolidated historical cost profit and loss accounts

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)		Notes	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading (a) 2002 £m	LNG Storage 2002 £m	Other (b) 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading (a) 2000 as restated (c) £m	LNG Storage 2000 as restated (c) £m	Other (b) 2000 as restated (c) £m	Transco 2000 as restated (c) £m
Turnover	- continuing operations	2	**3,354**	**505**	**32**	**3,891**	**42**	**(11)**	**3,922**	2,949	33	(7)	2,975
Operating costs	- continuing operations		**(2,139)**	**(334)**	**(30)**	**(2,503)**	**(33)**	**12**	**(2,524)**	(1,834)	(29)	12	(1,851)
	- exceptional items	3	**(50)**	**-**	**-**	**(50)**	**(50)**		**(100)**	(41)			(41)
Total operating costs		4	**(2,189)**	**(334)**	**(30)**	**(2,553)**	**(83)**	**12**	**(2,624)**	(1,875)	(29)	12	(1,892)
Total operating profit	- continuing operations		**1,165**	**171**	**2**	**1,338**	**(41)**	**1**	**1,298**	1,074	4	5	1,083
Profit/(loss) on disposal of fixed assets	- continuing operations	3	**26**	**(16)**	**-**	**10**	**-**	**-**	**10**	(20)	1	-	(19)
Profit on ordinary activities			**1,191**	**155**	**2**	**1,348**	**(41)**	**1**	**1,308**	1,054	5	5	1,064
Net interest		6	**(34)**	**(3)**	**-**	**(37)**	**-**	**(388)**	**(425)**	(20)	-	(350)	(370)
Profit/(loss) on ordinary activities before taxation			**1,157**	**152**	**2**	**1,311**	**(41)**	**(387)**	**883**	1,034	5	(345)	694
Tax on profit on ordinary activities		7	**-**	**-**	**-**			**(228)**	**(228)**		-	(173)	(173)
Profit/(loss) for the financial period			**1,157**	**152**	**2**	**1,311**	**(41)**	**(615)**	**655**	1,034	5	(518)	521
Dividends		8	**-**	**-**	**-**			**(454)**	**(454)**		-	(352)	(352)
Transfer to/(from) reserves		20	**1,157**	**152**	**2**	**1,311**	**(41)**	**(1,069)**	**201**	1,034	5	(870)	169

a) The results of the Metering and Meter Reading businesses are not separable from thos e of the Transportation business for 2000.
b) 'Other' comprises: (i) those income and costs which relate to the Transco business as a whole; and (ii) the elimination of income and costs arising from trading between the Transportation and LNG Storage businesse s.
c) The 2000 figures have been restated to show comparative information using the historical cost accounting convention and in accordance with FRS 19. For further information see note 1, page 16.

The accounting policies on pages 7 and 8 together with the notes on pages 16 to 49 form part of these regulatory accounting statements

Consolidated statement of total historical cost recognised gains and losses

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation	Metering	Meter Reading	Transportation, Metering and Meter Reading	LNG Storage	Other	Transco	Transportation, Metering and Meter Reading	LNG Storage	Other	Transco
	2002	**2002**	**2002**	**2002**	**2002**	**2002**	**2002**	2000 as restated (a)	2000 as restated (a)	2000 as restated (a)	2000 as restated (a)
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Profit/(loss) for the financial period	**1,157**	**152**	**2**	**1,311**	**(41)**	**(615)**	**655**	1,034	5	(518)	521
Total recognised gains and losses for the financial period	**1,157**	**152**	**2**	**1,311**	**(41)**	**(615)**	**655**	1,034	5	(518)	521
Prior year adjustment (b)	**(6,696)**	**102**	**-**	**(6,594)**	**(15)**	**(651)**	**(7,260)**				
Total recognised gains and losses	**(5,539)**	**254**	**2**	**(5,283)**	**(56)**	**(1,266)**	**(6,605)**				

a) The 2000 and 1999 figures have been restated to show comparative information using the historical cost accounting convention and in accordance with FRS 19. If the accounts had been prepared on a modified historical cost basis, the modified historical cost profit for the 15 months would have been £426m (2000 £377m). FRS 19 has increased profit for the 15 months ended 31 March 2002 by £28m (2000 £22m).

b) The change from modified historical cost accounting convention has reduced net assets as at 31 March 2002 by £6,018m (31 December 2000 £6,609m) and the implementation of FRS 19 has reduced net assets by £623m as at 31 March 2002 (31 December 2000 £651m) giving a cumulative impact of change in accounting policies of reducing net assets by £6,641m (31 December 2000 £7,260m).

The accounting policies on pages 7 and 8 together with the notes on pages 16 to 49 form part of these regulatory accounting statements

Historical cost balance sheets

as at 31 March 2002 (2000: 31 December)	Notes	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 as restated (a) £m	LNG Storage 2000 as restated (a) £m	Other 2000 as restated (a) £m	Transco 2000 as restated (a) £m
Fixed assets												
Tangible assets	9	**6,396**	**1,074**	**-**	**7,470**	**70**	**-**	**7,540**	6,999	122	-	7,121
Current assets												
Stocks	10	**28**	**3**	**-**	**31**	**3**	**-**	**34**	33	5	-	38
Debtors: amounts falling due within one year	11	**174**	**17**	**4**	**195**	**5**	**265**	**465**	450	3	65	518
Debtors: amounts falling due after more than one year	11	**-**	**-**	**-**		**-**	**2,076**	**2,076**	-	-	2,066	2,066
		174	**17**	**4**	**195**	**5**	**2,341**	**2,541**	450	3	2,131	2,584
Investments	12						**3**	**3**	-	-	58	58
Cash at bank and in hand		**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	1	1
		202	**20**	**4**	**226**	**8**	**2,344**	**2,578**	483	8	2,190	2,681
Creditors: amounts falling due within one year												
Borrowings	13-16	**(52)**	**-**	**-**	**(52)**	**-**	**(900)**	**(952)**	(26)	(1)	(1,993)	(2,020)
Other creditors	17	**(635)**	**(60)**	**(3)**	**(698)**	**(4)**	**(321)**	**(1,023)**	(504)	(6)	(228)	(738)
		(687)	**(60)**	**(3)**	**(750)**	**(4)**	**(1,221)**	**(1,975)**	(530)	(7)	(2,221)	(2,758)
Net current (liabilities)/assets		**(485)**	**(40)**	**1**	**(524)**	**4**	**1,123**	**603**	(47)	1	(31)	(77)
Total assets less current liabilities		**5,911**	**1,034**	**1**	**6,946**	**74**	**1,123**	**8,143**	6,952	123	(31)	7,044
Creditors: amounts falling due after more than one year												
Borrowings	13-16	**(51)**	**-**	**-**	**(51)**	**-**	**(4,177)**	**(4,228)**	(26)	-	(3,344)	(3,370)
Other creditors	17	**(909)**	**(19)**	**-**	**(928)**	**-**	**-**	**(928)**	(869)	-	(1)	(870)
		(960)	**(19)**	**-**	**(979)**	**-**	**(4,177)**	**(5,156)**	(895)	-	(3,345)	(4,240)
Provisions for liabilities and charges	18	**(149)**	**-**	**-**	**(149)**	**-**	**(635)**	**(784)**	(103)	-	(699)	(802)
		4,802	**1,015**	**1**	**5,818**	**74**	**(3,689)**	**2,203**	5,954	123	(4,075)	2,002
Capital and reserves												
Called up equity share capital	19							**45**				45
Share premium account	20							**204**				204
Capital redemption reserve	20							**1,332**				1,332
Profit and loss account	20							**622**				421
								2,203				2,002

a) The 31 December 2000 figures have been restated to show comparative information using the historical cost accounting convention and in accordance with FRS 19. For further information see note 1, page 16.

b) The change from modified historical cost accounting convention has reduced net assets by £6,018m as at 31 March 2002 (31 December 2000 £6,609m) the implementation of FRS 19 has reduced net assets by £623m as at 31 March 2002 (31 December 2000 £651m) giving a cumulative impact of change in accounting policies of reducing net assets by £6,641m (31 December 2000 £7,260m). For further information see note 1, page 16.

Commitments and contingencies are shown in note 21, page 36.

The regulatory accounting statements on pages 7 to 48 were approved by the Board on 14 May 2002 and were signed on its behalf by:

Colin Matthews, Chairman and Group Managing Director

David Rees, Finance Director

The accounting policies on pages 7 and 8 together with the notes on pages 16 to 49 form part of these regulatory accounting statements

Reconciliation of change in historical cost net assets

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transco **2002** **£m**	Transco 2000 as restated (a) £m
Net assets as at the beginning of the period	**2,002**	1,833
Profit for the period	**655**	521
Dividends	**(454)**	(352)
Net assets as at the end of the period	**2,203**	2,002

a) The 31 December 2000 figures have been restated to show comparative information using the historical cost accounting convention and in accordance with FRS 19. For further information see note 1, page 16.
b) The change from modified historical cost accounting convention has reduced net assets by £6,018m as at 31 March 2002 (31 December 2000 £6,609m) the implementation of FRS 19 has reduced net assets by £623m as at 31 March 2002 (31 December 2000 £651m) giving a cumulative impact of change in accounting policies of reducing net assets by £6,641m (31 December 2000 £7,260m). For further information see note 1, page 16.

Reconciliation of Transco and Transco Group historical cost net assets

as at 31 March 2002 (2000: 31 December)	Transco **2002** **£m**	Transco 2000 as restated (a) £m
Transco historical cost net assets as reported in these regulatory accounting statements	**2,203**	2,002
Transco Group net assets not consolidated in the regulatory accounting statements (a)	**6**	6
Transco Group historical cost net assets as reported in the Transco plc annual report and accounts	**2,209**	2,008

a) The 31 December 2000 figures have been restated to show comparative information using the historical cost accounting convention and in accordance with FRS 19. For further information see note 1 , page 16.
b) Represents the carrying value of net assets arising from an associated undertaking of BG plc retained by Transco plc following the 1999 Restructuring and Refinancing. This associated undertaking had a carrying value of £2m at 31 December 1999 and was sold for £6m during 2000 and prior to Demerger. As this associated undertaking was not part of the Transco business the funds realised on disposal have not been consolidated within these regulatory accounting statements.

The accounting policies on pages 7 and 8 together with the notes on pages 16 to 49 form part of these regulatory accounting statements

Cash flow statement

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Notes	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Operating activities:												
Cash inflow from operating activities	25(a)	**1,940**	**426**	**4**	**2,370**	**14**	**(24)**	**2,360**	1,476	13	(11)	1,478
Expenditure relating to exceptional items	25(a)	**(12)**	**-**	**-**	**(12)**	**-**		**(12)**	(4)	-	-	(4)
Net cash inflow/(outflow) from operating activities	25(a)	**1,928**	**426**	**4**	**2,358**	**14**	**(24)**	**2,348**	1,472	13	(11)	1,474
Net cash outflow from returns on investments and servicing of finance	25(b)	**(20)**	**(3)**	**-**	**(23)**	**-**	**(348)**	**(371)**	(15)	-	(378)	(393)
Net cash outflow from taxation		**-**	**-**	**-**	**-**	**-**	**(240)**	**(240)**	-	-	(191)	(191)
Net cash outflow from capital expenditure	25(c)	**(732)**	**(172)**	**-**	**(904)**	**(5)**	**-**	**(909)**	(604)	(2)	-	(606)
Net cash inflow from acquisitions and disposals	25(d)	**13**	**-**	**-**	**13**	**-**	**-**	**13**	-	-	-	-
Equity dividends paid		**-**	**-**	**-**	**-**	**-**	**(432)**	**(432)**	-	-	(400)	(400)
Net cash inflow/(outflow) before financing activities		**1,189**	**251**	**4**	**1,444**	**9**	**(1,044)**	**409**	853	11	(980)	(116)
Net cash inflow from management of liquid resources	25(e)	**-**	**-**	**-**	**-**	**-**	**55**	**55**	-	-	210	210
Net cash inflow/(outflow) before financing activities		**1,189**	**251**	**4**	**1,444**	**9**	**(989)**	**464**	853	11	(770)	94
Net cash (outflow)/inflow from financing activities	25(f)	**(1,218)**	**(251)**	**(4)**	**(1,473)**	**(8)**	**988**	**(493)**	(845)	(12)	769	(88)
Net (decrease)/increase in cash in the period		**(29)**	**-**	**-**	**(29)**	**1**	**(1)**	**(29)**	8	(1)	(1)	6

The accounting policies on pages 7 and 8 together with the notes on pages 16 to 49 form part of these regulatory accounting statements

Reconciliation of net borrowings

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Notes	Transportation 2002 £m	LNG Storage 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Net borrowings at the beginning of the period		**(52)**	**(1)**	**(5,278)**	**(5,331)**	(63)	-	(5,203)	(5,266)
Net (decrease)/increase in cash in the period		**(29)**	**1**	**(1)**	**(29)**	8	(1)	(1)	6
Net cash inflow from the management of liquid resources	25(e)	**-**	**-**	**(55)**	**(55)**	-	-	(210)	(210)
Net cash outflow from change in borrowings and lease financing	25(f)	**29**	**-**	**271**	**300**	19	-	154	173
Other movements:									
Accretion of interest		**-**	**-**	**(7)**	**(7)**	-	-	(18)	(18)
Inception of finance leases		**(52)**	**-**	**-**	**(52)**	(16)	-	-	(16)
Debt issue expenses		**-**	**-**	**(3)**	**(3)**	-	-	-	-
Other adjustments		**1**	**-**	**(1)**	**-**	-	-	-	-
		(51)	**-**	**(11)**	**(62)**	(16)	-	(18)	(34)
Net borrowings at the end of the period		**(103)**	**-**	**(5,074)**	**(5,177)**	(52)	(1)	(5,278)	(5,331)
Represented by:									
Cash at bank and in hand		**-**	**-**	**-**	**-**	-	-	1	1
Current asset investments	12	**-**	**-**	**3**	**3**	-	-	58	58
Gross borrowings:									
Short-term borrowings	13	**(52)**	**-**	**(900)**	**(952)**	(26)	(1)	(1,993)	(2,020)
Long-term borrowings	13	**(51)**	**-**	**(4,177)**	**(4,228)**	(26)	-	(3,344)	(3,370)
		(103)	**-**	**(5,077)**	**(5,180)**	(52)	(1)	(5,337)	(5,390)
		(103)	**-**	**(5,074)**	**(5,177)**	(52)	(1)	(5,278)	(5,331)

Transco had no gross or net borrowings at 31 March 2002 (31 December 2000 £nil) that were attributable to the Metering or Meter Reading businesses.

The accounting policies on pages 7 and 8 together with the notes on pages 16 to 49 form part of these regulatory accounting statements

Analysis of changes in financing during the period

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)		**Transco**	Transco
		2002	2002
Share capital and share premium	Notes	**£m**	£m
Opening and closing balance	20	**249**	249

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Notes	Transportation **2002** **£m**	LNG Storage **2002** **£m**	Other **2002** **£m**	Transco **2002** **£m**	Transportation 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Gross borrowings (a)									
Gross borrowings at the beginning of the period		**(52)**	**(1)**	**(5,337)**	**(5,390)**	(63)	-	(5,471)	(5,534)
(Increase)/decrease in bank overdraft		**(29)**	**1**	**-**	**(28)**	8	(1)	(1)	6
Cash outflow from change in borrowings and lease financing	25(f)	**29**	**-**	**271**	**300**	19	-	154	173
Other movements:									
Accretion of interest		**-**	**-**	**(7)**	**(7)**	-	-	(19)	(19)
Inception of finance leases		**(52)**	**-**		**(52)**	(16)	-	-	(16)
Debt issue expenses		**-**	**-**	**(3)**	**(3)**	-	-	-	-
Other adjustments		**1**	**-**	**(1)**	**-**	-	-	-	-
		(51)	**-**	**(11)**	**(62)**	(16)	-	(19)	(35)
Gross borrowings at the end of the period	13	**(103)**	**-**	**(5,077)**	**(5,180)**	(52)	(1)	(5,337)	(5,390)

a) Gross borrowings exclude cash at bank and in hand and current asset investments.

Transco had no gross borrowings at 31 March 2002 (31 December 2000 £nil) that were attributable to the Metering or Meter Reading businesses.

Analysis of cash movement

	Transportation **2002** **£m**	LNG Storage **2002** **£m**	Other **2002** **£m**	Transco **2002** **£m**	Transportation 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Net cash at beginning of the period	**(6)**	**(1)**	**-**	**(7)**	(14)	-	1	(13)
Net (decrease)/increase in cash in the period	**(29)**	**1**	**(1)**	**(29)**	8	(1)	(1)	6
Net cash at the end of period (a)	**(35)**	**-**	**(1)**	**(36)**	(6)	(1)	-	(7)

a) Cash represents cash at bank and in hand of £nil (2000 £1m) offset by bank overdrafts of £36m (2000 £8m).

Transco had no cash or cash equivalents at 31 March 2002 (31 December 2000 £nil) that were attributable to the Metering or Meter Reading businesses.

The accounting policies on pages 7 and 8 together with the notes on pages 16 to 49 form part of these regulatory accounting statements

1 Accounting convention, change in accounting for meters and new accounting standards

Accounting convention

In accordance with FRS 18 ' Accounting Policies' and following the Price Control Review, the Directors have reviewed Transco's accounting principles and decided that Transco should change its accounting convention from modified historical cost to historical cost. Prior period comparative information has been restated accordingly. Under modified historical cost accounting the assets are held on the balance sheet at the lower of replacement cost or value in use. The historical cost convention holds the assets on the balance sheet at the original cost. Adoption of the historical cost convention is considered to aid understandability and comparability of the financial information with that of other utilities. If the accounts had been prepared on a modified historical cost basis the profit for the 15 months ended 31 March would have been reduced by £229m to £426m (2000 reduced by £144m to £377m) and the modified historical cost net assets at 31 March 2002 would have been increased by £6,018m to £8,221m (31 December 2000 increased by £6,609m to £8,611m). For further information regarding modified historical cost results and net assets see note 27, page 42.

Change in accounting for meters

In response to the opening of the market to competition, the asset lives for meters were reviewed during the period. Following this review, the maximum depreciation period for meters was reduced from 20 years to 15 years. This has increased depreciation, reducing operating profit by £32m for the 15 months ended 31 March 2002. In addition, profit on sale of fixed assets for the 15 months ended 31 March 2002 has been reduced by £16m, leading to a reduction in profit on ordinary activities of £48m.

New Accounting Standards

FRS 17 Retirement Benefits

FRS 17 was issued on 30 November 2000. It requires certain disclosures to be made for 2002 and 2003 and full implementation by 2004 and will require a prior year adjustment.

The majority of Transco employees are members of the Lattice Group Pension Scheme (the Scheme), sponsored by Lattice Group plc, Transco's ultimate parent company. The Scheme is a group scheme and Transco is unable to identify its share of underlying assets and liabilities of the Scheme. Transco will therefore account for the Scheme as a defined contribution scheme, as required by FRS 17. Reported pension costs will be equal to the amounts payable by Transco. The disclosures required by FRS 17 in respect of Scheme assets and liabilities are reported in the accounts of Lattice Group plc.

FRS 18 Accounting Policies

FRS 18 has been implemented during the 15 months ended 31 March 2002. This standard sets out the principles to be followed in selecting accounting policies and disclosures needed to help users understand the accounting policies adopted and how they have been applied. FRS 18 has had no impact on the financial results or position of Transco except as described under 'Accounting convention' above.

FRS 19 Deferred Tax

FRS 19 was issued on 7 December 2000 and has been implemented during the 15 months ended 31 March 2002. Comparative figures have been restated accordingly. In accordance with FRS 19, a full provision for deferred tax is recognised, on a discounted basis, on all timing differences that have originated but not reversed at the balance sheet date. The implementation of FRS 19 has increased the profits in the 15 months ended 31 March 2002 by £28m (2000 £22m) and reduced net assets as at 31 March 2002 by £623m (31 December 2000 £651m).

2 Turnover

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation	Metering	Meter Reading	Transportation, Metering and Meter Reading	LNG Storage	Other	Transco	Transportation, Metering and Meter reading	LNG Storage	Other	Transco
	2002	**2002**	**2002**	**2002**	**2002**	**2002**	**2002**	2000	2000	2000	2000
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Transportation, Metering, Meter Reading and LNG Storage Services:											
Shippers	**3,345**	**505**	**32**	**3,882**	**17**	**-**	**3,899**	2,943	13	-	2,956
Inter-business (a)	**-**	**-**	**-**	**-**	**25**	**(25)**	**-**	-	20	(20)	-
Other income	**9**	**-**	**-**	**9**	**-**	**14**	**23**	6	-	13	19
Total turnover	**3,354**	**505**	**32**	**3,891**	**42**	**(11)**	**3,922**	2,949	33	(7)	2,975

a) Charge from LNG Storage to Transportation for gas storage services.

3 Exceptional items

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation	Metering	Meter Reading	Transportation, Metering and Meter Reading	LNG Storage	Other	Transco	Transportation, Metering and Meter Reading	LNG Storage	Other	Transco
	2002	**2002**	**2002**	**2002**	**2002**	**2002**	**2002**	2000 as restated (a)	2000 as restated (a)	2000 as restated (a)	2000 as restated (a)
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Exceptional operating items											
Restructuring costs	**(50)**	**-**	**-**	**(50)**	**-**	**-**	**(50)**	-	-	-	-
Impairment of fixed assets	**-**	**-**	**-**	**-**	**(50)**	**-**	**(50)**	-	-	-	-
Demerger costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(41)	-	-	(41)
	(50)	**-**	**-**	**(50)**	**(50)**		**(100)**	(41)	-	-	(41)
Exceptional non-operating items											
Profit/(loss) on disposal of fixed assets	**27**	**(17)**	**-**	**10**	**-**	**-**	**10**	(20)	1	-	(19)
	27	**(17)**	**-**	**10**	**-**	**-**	**10**	(20)	1	-	(19)

a) The 2000 figures have been restated to show comparative information using the historical cost accounting convention. For further information see note 1, page 16.

Restructuring costs
Transco has embarked on an extensive restructuring programme in order to get its operating expenditure down to the new regulatory target. Over the next two years, the restructuring programme is expected to cost £230m, covering both redundancy and system development costs and will result in a net reduction in employee numbers of around 2,400 on a comparable base of 13,700. Around three quarters of the job losses are expected to be in staff and management grades, with smaller reductions in the operational workforce. To date, the restructuring programme has resulted in around 220 fewer senior and middle management positions. The £50m restructuring charge primarily reflects the redundancy and pension costs associated with these management reductions.

Impairment of fixed assets
During the 15 months ended 31 March 2002, a review of the carrying value of LNG storage assets resulted in a charge to the operating profit amounting to £50m (2000 £nil). In the LNG review, future cash flows comprised a five-year business plan projected out to twenty years. The impairment has been arrived at after applying a discount rate of 6.25%.

Demerger costs
These charges arose in 2000 as a direct result of the demerger of Lattice from BG Group. No such costs arose during the 15 months ended 31 March 2002.

4 Operating costs

Transco's operating costs charged to the profit and loss account included:

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation 2002 £m	Metering (a) 2002 £m	Meter Reading (a) 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 as restated (b) £m	LNG Storage 2000 as restated (b) £m	Other 2000 as restated (b) £m	Transco 2000 as restated (b) £m
Change in stock of finished goods and work in progress	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(1)	-	-	(1)
Raw materials and consumables	**260**	**-**	**-**	**260**	**4**	**1**	**265**	157	5	2	164
Employee costs (see note 5(b), page 19)	**648**	**8**	**3**	**659**	**8**	**3**	**670**	496	5	2	503
Less:											
Own work capitalised	**(48)**	**-**	**-**	**(48)**	**-**	**-**	**(48)**	(43)	-	-	(43)
Employee costs included within replacement expenditure below	**(27)**	**-**	**-**	**(27)**	**-**	**-**	**(27)**	(18)	-	-	(18)
Sharesave Scheme costs included in Demerger costs below	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(19)	-	-	(19)
	573	**8**	**3**	**584**	**8**	**3**	**595**	416	5	2	423
Amounts written off tangible fixed assets:											
Historical cost depreciation (see note 9, page 23)	**278**	**155**	**-**	**433**	**7**	**-**	**440**	310	6	-	316
Depreciation on assets held under finance leases	**24**	**-**	**-**	**24**	**-**	**-**	**24**	16	-	-	16
Impairment (see note 3, page 17)	**-**	**-**	**-**	**-**	**50**	**-**	**50**	-	-	-	
	302	**155**	**-**	**457**	**57**	**-**	**514**	326	6	-	332
Other operating charges:											
Replacement expenditure	**432**	**-**	**-**	**432**	**-**	**-**	**432**	249	-	-	249
Lease rentals:											
Plant, machinery and equipment	**22**	**-**	**-**	**22**	**-**	**-**	**22**	16	-	-	16
Other assets	**20**	**-**	**-**	**20**	**-**	**-**	**20**	18	-	-	18
Deferred income release	**(35)**	**(1)**	**-**	**(36)**	**-**	**-**	**(36)**	(26)	-	-	(26)
Rates	**252**	**32**	**-**	**284**	**3**	**-**	**287**	209	4	-	213
Research and development	**17**	**-**	**-**	**17**	**-**	**-**	**17**	19	-	-	19
Advertising expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	1	-	-	1
Restructuring costs (see note 3, page 17)	**50**	**-**	**-**	**50**	**-**	**-**	**50**	-	-	-	-
Demerger costs (see note 3, page 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	41	-	-	41

a) Amounts disclosed for the Metering and Meter Reading businesses only include those costs that are direct costs of those businesses. Amounts incurred by the Transportation business in prov iding services to the Metering or Meter Reading businesses are disclosed within the Transportation column.

b) The 2000 figures have been restated to show comparative information using the historical cost accounting convention. For further information see not e 1, page 16.

Details of operating costs apportioned between the different businesses of Transco are provided in note 29, page 43.

4 Operating costs *continued*

The remuneration of Transco's Auditors comprises:

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	**2002**	2000
	£m	£m
Statutory audit fees	**0.7**	0.7
Other audit-related work	**0.2**	0.3
Audit-related fees	**0.9**	1.0
Non-audit fees	**3.9**	0.7
	4.8	1.7

Transco Group policy is to employ the Group's auditors on assignments additional to their statutory audit duties where their expertise and experience within the Group are important, principally taxation and regulatory advice and due diligence reporting on acquisitions, or where they are awarded assignments on a competitive basis.

5 Directors and employees

a) Directors' remuneration

The aggregate amount of emoluments paid to Directors in respect of qualifying services for the 15 months ended 31 March 2002 was £3,311,042 (2000 £3,111,741). The amount paid in respect of compensation for loss of office in the 15 months ended 31 March 2002 was £164,769 (2000 £nil). A number of the current Directors are also directors and employees of Lattice Group plc, or a subsidiary undertaking of that company and are paid by these companies. Prior to Demerger a number of the Directors were also directors and employees of BG Group plc or a subsidiary undertaking of that company and were paid by those companies. The amount disclosed includes an amount recharged by Lattice Group plc or Lattice Group Holdings Limited for these directors from the date of Demerger and an amount recharged by BG Group plc or BG Energy Holdings Limited prior to demerger. As at 31 March 2001, retirement benefits were accruing to 7 Directors under a defined benefit scheme.

The aggregate emoluments for the highest paid director were £525,490 for the 15 months ended 31 March 2002 (2000 £372,746) and total accrued annual pension at 31 March 2001 for the highest paid director was £87,800 (2000 £266,600).

b) Employee costs

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation	Metering (a)	Meter Reading (a)	Transportation, Metering and Meter Reading	LNG Storage	Other	Transco	Transportation, Metering and Meter Reading	LNG Storage	Other	Transco
	2002	**2002**	**2002**	**2002**	**2002**	**2002**	**2002**	2000	2000	2000	2000
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Wages and salaries	**506**	**7**	**3**	**516**	**6**	**3**	**525**	387	5	2	394
Social security costs	**45**	**-**	**-**	**45**	**1**	**-**	**46**	35	-	-	35
Pension costs	**70**	**1**	**-**	**71**	**1**	**-**	**72**	19	-	-	19
Long-term Incentive Scheme (see note 5(d) below)	**9**	**-**	**-**	**9**	**-**	**-**	**9**	4	-	-	4
Short-term Incentive Scheme (see note 5(e) below)	**1**	**-**	**-**	**1**	**-**	**-**	**1**	-	-	-	-
Sharesave Scheme (see note 5(f) below)	**10**	**-**	**-**	**10**	**-**	**-**	**10**	19	-	-	19
All Employee Share Ownership Plan (see note 5(g) below)	**7**	**-**	**-**	**7**	**-**	**-**	**7**	-	-	-	-
Employee Profit Sharing Scheme (see note 5 (h) below)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	32	-	-	32
	648	**8**	**3**	**659**	**8**	**3**	**670**	496	5	2	503

a) Amounts disclosed for the Metering and Meter Reading businesses only include those costs that are direct costs of those businesses. Amounts incurred by the Transportation business in providing services to the Metering or Meter Reading businesses are disclosed within the Transportation column.

For the 15 months ended 31 March 2002, employee costs of £622m (2000 £460m) were charged to the profit and loss account and £48m (2000 £43m) were capitalised.

5 Directors and employees *continued*

c) Average number of employees during the year

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation **2002** Number	Metering **2002** Number	Meter Reading **2002** Number	Transportation, Metering and Meter Reading **2002** Number	LNG Storage **2002** Number	Transco **2002** Number	Transportation, Metering and Meter Reading 2000 Number	LNG Storage 2000 Number	Transco 2000 Number
Employed in the United Kingdom:									
Continuing operations	**14,119**	**190**	**81**	**14,390**	**142**	**14,532**	14,127	134	14,261

Average employee numbers are based on average monthly headcount. Manpower numbers have been apportioned between the Transportation, Metering and Meter Reading businesses based on salaries and wages.

Information on share schemes set out under sections (d) to (i) below is in respect of all participants in the schemes unless stated otherwise. Figures relating to Transco employees alone are not available unless so stated.

d) Long Term Incentive Scheme

Details of the Lattice Group Long Term Incentive Scheme can be found in that company's Annual Report and Accounts. Notional alloca tions made to Transco employees in the 15 months ended 31 March 2002 were 8m shares (2000 4m shares). Subject to performance, a proportion of the allocation will be transferred to the ownership of the participants following a three year performance period and a further year in trust. Costs of the Scheme are charged to the profit and loss account over the life of the allocation, based upon the likelihood of allocations under the Schemes. Charges up to the date of the Demerger are in respect of the BG Grou p Scheme. In respect of Transco, a sum of £9m was charged for the 15 months ended 31 March 2002 (2000 £4m).

e) Lattice Group Short Term Incentive Scheme

Details of the Lattice Group Short Term Incentive Scheme, which has been activated with effect from 1 January 2001, are given in that company's Annual Report and Accounts. The first awards of shares under this Scheme were made in February 2002. An amount of £1 million was charged for the 15 months ended 31 March 2002 (2000 £nil).

f) Sharesave Schemes

Transco employees participate in the Lattice Group Sharesave Scheme. Under the Lattice Group Sharesave Scheme, options over 9m shares were granted to Transco employees during the 15 months ended 31 March 2002 (2000 65m). An amount of £10 million was char ged during the 15 months ended 31 March 2002 (2000 £19m). The charge in the 12 months ended 31 December 2000 relates to the BG Share Scheme and represents a payment made as part of the Demerger arrangements.

g) All Employee Share Ownership Plan

Transco employees participate in the Lattice Group All Employee Share Ownership Plan (AESOP), details of which can be found in that company's Annual Report and Accounts. Invitations to subscribe to the AESOP were issued to employees in January 2001. The first awa rds under the Partnership element were made in October 2001. The first awards under the Free Shares element were made in March 2002. As at 31 March 2002, the AESOP held, on behalf of Transco employees, 10.4m ordinary shares in Lattice Group plc, of which 8.8m were held under the Free Shares element of the Plan and 1.6m were held under the Partnership Shares element of the Plan. In the 15 months ended 31 March 2002 an amount of £7m has been charged to the profit and loss account (2000 £nil).

h) Employee Profit Sharing Scheme

The charge of £32 million in 2000 relates to the BG Group plc Employee Profit Sharing Scheme. Neither Transco nor Lattice operate an employee profit sharing scheme and there is, therefore, no charge during the 15 months ended 31 Mar ch 2002.

i) Executive Share option Scheme

No options were held by Directors under the Executive Share Option Scheme as at 31 March 2002.

No grants of options have been made to the Directors or senior employees under the Executive Share Option Scheme si nce 1994 (when the scheme was replaced by the Long Term Incentive Scheme). Options of approximately 0.1m shares of Lattice Group plc were outstanding as at 31 March 2002 (2000 0.1 million shares) and are exercisable up to October 2004, at £0.74 per share.

6 Net Interest

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 £m	Other 2000 £m	Transco 2000 £m
Interest payable:	-	-	-	-	-		-	-	-
On loans wholly repayable within five years	-	-	-	-	168	168	-	240	240
On loans any part repayable after five years	-	-	-	-	226	226	-	115	115
Interest payable on transportation prepayment	21	3	-	24	-	24	11	-	11
Finance lease charges	5	-	-	5	-	5	3	-	3
Interest receivable	-	-	-	-	(6)	(6)	-	(5)	(5)
	26	3	-	29	388	417	14	350	364
Add: unwinding of discount on provisions (see note 18 page 33) (a)	8	-	-	8	-	8	6	-	6
	34	3	-	37	388	425	20	350	370

a) Relates to the interest charge arising on the discounted provision for environmental costs.

There was no interest payable or receivable in respect of the LNG Storage business (2000 £nil).

7 Taxation

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transco 2002 £m	Transco 2000 as restated (a) £m
Current tax		
UK – current corporation tax at 30% (2000 30%)	234	191
Deferred tax		
Origination and reversal of timing differences	34	29
Discounting of deferred tax provision	(40)	(47)
Tax on profit on ordinary activities	228	173

a) The 2000 figures have been restated to show comparative information in accordance with FRS 19. For further information see note 1, page 16.

Based on historical cost results, excluding exceptional items, the effective tax rate for the 15 months ended 31 March 2002 is 26.6% (2000 24.1%).

Taxation attributable to exceptional items in the 15 months ended 31 March 2002 was a credit of £32m (2000 £8m) including a credit of £6m (2000 £nil) in respect of non-operating exceptional items. Before exceptional items the tax charge was £260m (2000 £181m) and, before exceptional items, the historical cost profit on ordinary activities before taxation was £973m (2000 £754m).

7 Taxation *continued*

The tax charge reconciles with the charge calculated using the standard rate of UK corporation tax as follows:

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	**Transco 2002 £m**	Transco 2000 as restated (a) £m
Corporation tax at UK statutory rates on historical cost profit	**265**	209
Effect on tax charge of:		
Origination and reversal of timing differences	**(34)**	(29)
Permanent differences	**3**	11
Current tax charge	**234**	191
Origination and reversal of timing differences	**34**	29
Discounting of deferred tax provision	**(40)**	(47)
Tax charge	**228**	173

a) The 2000 figures have been restated to show comparative information in accordance with FRS 19. For further information see note 1, page 16.

The following table reconciles the UK corporation tax rate and the historical cost effective rate computed by taking the various elements of the tax reconciliation as a percentage of historical cost profit before taxation:

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	**Transco 2002 %**	Transco 2000 as restated (a) %
UK corporation tax rate	**30.0**	30.0
Effect on tax charge of:		
Origination and reversal of timing differences	**(3.9)**	(4.2)
Permanent differences	**0.3**	1.6
Historical cost effective current tax rate	**26.4**	27.4
Origination and reversal of timing differences	**3.9**	4.2
Discounting of deferred tax provision	**(4.5)**	(6.8)
Historical cost effective tax rate	**25.8**	24.8

a) The 2000 figures have been restated to show comparative information in accordance with FRS 19. For further information see note 1, page 16.

Factors that may affect future tax charges

Based on current capital investment plans, Transco expects to continue to be able to claim capital allowances in excess of depreciation in future years. Transco has brought forward non-trading debits of £75m which will reduce tax payments in future years.

No provision has been made for deferred tax on gains recognised on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £46m. At present, it is not envisaged that any tax will become payable in the foreseeable future.

8 Dividends

for the15 months ended 31 March 2002 (2000: 12 months ended 31 December)	**Transco 2002 £m**	Transco 2000 £m
Ordinary shares:		
Interim dividend	**361**	281
Proposed final dividend	**93**	71
	454	352

a) The 15 month's ended 31 March 2002 and the 2000 dividends represent quarterly payments to Transco plc's parent company, Transco Holdings plc.

Transco plc is prohibited from declaring a dividend or other distribution unless it has certified that it is in compliance in all material respects with certain regulatory obligations, including a requirement to ensure it has sufficient financial resources and facilities to enable it to carry on its business and a requirement to use all reasonable endeavours to maintain an investment grade rating (see Regulatory ring-fence, page 2).

9 Tangible fixed assets

Transportation

	Historical cost				
	As at 1 Jan 2001 as restated (a) £m	Transfer to Metering	Additions £m	Disposals and transfers £m	**As at 31 Mar 2002** (b) **£m**
Land and buildings	63	-	10	(1)	**72**
Mains and services	6,388	-	547	2	**6,937**
Gas storage	61	-	-	-	**61**
Plant and machinery	1,301	-	98	3	**1,402**
Meters	1,414	(1,414)	-	-	**-**
Motor vehicles and office equipment	656	-	133	(55)	**734**
Gross historical cost	9,883	(1,414)	788	(51)	**9,206**

	Depreciation					Net book value	
	As at 1 Jan 2001 as restated (a) £m	Transfer to Metering £m	Provision for the period £m	Disposals and transfers £m	**As at 31 Mar 2002 (b) £m**	**As at 31 Mar 2002 £m**	As at 31 Dec 2000 as restated (a) £m
Land and buildings	13	-	3	-	**16**	**56**	50 (c)
Mains and services	1,536	-	144	(2)	**1,678**	**5,259**	4,852
Gas storage	44	-	1	1	**46**	**15**	17
Plant and machinery	535	-	56	(1)	**590**	**812**	766
Meters	341	(341)	-	-	**-**	**-**	1,073
Motor vehicles and office equipment	415	-	98	(33)	**480**	**254**	241
	2,884	(341)	302	(35)	**2,810**	**6,396**	6,999

9 Tangible fixed assets *continued*

Metering

	Historical cost				
	As at 1 Jan 2001 as restated (a) £m	Transfer from Transportation £m	Additions £m	Disposals and transfers £m	**As at 31 Mar 2002** (b) **£m**
Meters	-	1,414	172	(59)	**1,527**
Motor vehicles and office equipment	-	-	-	-	**-**
Gross historical cost	-	1,414	172	(59)	**1,527**

	Depreciation					Net book value	
	As at 1 Jan 2001 as restated (a) £m	Transfer from Transportation £m	Provision for the period £m	Disposals and transfers £m	**As at 31 Mar 2002 (b) £m**	**As at 31 Mar 2002 £m**	As at 31 Dec 2000 as restated (a) £m
Meters	-	341	155	(43)	**453**	**1,074**	-
Motor vehicles and office equipment	-	-	-	-	-	-	-
	-	341	155	(43)	**453**	**1,074**	-

Meter Reading

The value of tangible fixed assets attributable to the meter reading business is less than £1 million.

9 Tangible fixed assets *continued*

LNG Storage

	Historical cost As at 1 Jan 2001 as restated (a) £m	Additions £m	Disposals and transfers £m	**As at 31 Mar 2002** (b) **£m**
Land and buildings	1	-	-	**1**
Gas storage	70	-	-	**70**
Plant and machinery	142	4	-	**146**
Motor vehicles and office equipment	2	1	-	**3**
Gross historical cost	215	5	-	**220**

	Depreciation					Net historical cost	
	As at 1 Jan 2001 as restated (a) £m	Provision for the period £m	Impairment	Disposals and transfers £m	**As at 31 Mar 2002 (b) £m**	**As at 31 Mar 2002 £m**	As at 31 Dec 2000 as restated (a) £m
Land and buildings	-	-	-	-	**-**	**1**	1 (c)
Gas storage	25	2	18	-	**45**	**25**	45
Plant and machinery	67	4	32	-	**103**	**43**	75
Motor vehicles and office equipment	1	1	-	-	**2**	**1**	1
	93	7	50	-	**150**	**70**	122

9 Tangible fixed assets *continued*

Transco

	Historical cost			
	As at 1 Jan 2001 as restated (a) £m	Additions £m	Disposals and transfers £m	**As at 31 Mar 2002 (b) £m**
Land and buildings	64	10	(1)	**73**
Mains and services	6,388	547	2	**6,937**
Gas storage	131	-	-	**131**
Plant and machinery	1,443	102	3	**1,548**
Meters	1,414	172	(59)	**1,527**
Motor vehicles and office equipment	658	134	(55)	**737**
Gross historical cost	10,098	965	(110)	**10,953**

	Depreciation					Net historical cost	
	As at 1 Jan 2001 as restated (a) £m	Provision for the period £m	Impairment	Disposals and transfers £m	**As at 31 Mar 2002 (b) £m**	**As at 31 Mar 2002 £m**	As at 31 Dec 2000 as restated (a) £m
Land and buildings	13	3	-	-	**16**	**57**	51 (c)
Mains and services	1,536	144	-	(2)	**1,678**	**5,259**	4,852
Gas storage	69	3	18	1	**91**	**40**	62
Plant and machinery	602	60	32	(1)	**693**	**855**	841
Meters	341	155	-	(43)	**453**	**1,074**	1,073
Motor vehicles and office equipment	416	99	-	(33)	**482**	**255**	242
	2,977	464	50	(78)	**3,413**	**7,540**	7,121

a) The 2000 figures have been restated to show comparative information using the historical cost accounting convention. For further information see note 1, page 16.
b) The historical cost of assets held under finance leases included above at 31 March 2002 was £130m (2000 £106m). The related accumulated depreciation as at 31 March 2002 was £53m (2000 £56m).
c) The net historical cost of land and buildings as at 31 March 2002 comprises freehold of £53m (2000 £49m), long leasehold of £2m (2000 £nil) and short leasehold of £2m (2000 £2m).
d) The range of depreciation periods disclosed in the principal accounting policies note for mains and services (the network) of 55 to 65 years results in a total depreciation charge consistent with ensuring that the carrying value of the network, treated as a single asset, is depreciated over an appropriate remaining economic life. This life takes into account the latest forecasts of supply and demand for gas and other developments in the energy market.

The assets of the LNG Storage business have been impaired by £50m in the 15 months ended 31 March 2002. For further information see note 3, page 17.

10 Stocks

as at 31 March 2002 (2000: 31 December)	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 £m	LNG Storage 2000 £m	Transco 2000 £m
Raw materials and consumables	**28**	**2**	**-**	**30**	**3**	**33**	32	5	37
Finished goods and goods for resale	**-**	**1**	**-**	**1**	**-**	**1**	1	-	1
	28	**3**	**-**	**31**	**3**	**34**	33	5	38

Stocks are stated at cost less provision for deterioration and obsolescence of £1m (2000 £1m).

11 Debtors

as at 31 March 2002 (2000: 31 December) **amounts falling due within one year**	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Trade debtors	**134**	**15**	**4**	**153**	**1**	**-**	**154**	383	1	-	384
Amounts owed by fellow subsidiary undertakings	**19**	**-**	**-**	**19**	**-**	**181**	**200**	22	-	-	22
Amounts owed by Transportation to LNG Storage (a)	**-**	**-**	**-**	**-**	**2**	**(2)**	**-**	-	2	(2)	-
Other debtors	**5**	**-**	**-**	**5**	**-**	**19**	**24**	4	-	-	4
Prepayments and accrued income	**16**	**2**	**-**	**18**	**2**	**67**	**87**	41	-	67	108
	174	**17**	**4**	**195**	**5**	**265**	**465**	450	3	65	518

as at 31 March 2002 (2000: 31 December) **amounts falling due after more than one year**	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Amounts owed by parent undertaking (b)	**-**	**-**	**-**	**-**	**-**	**2,076**	**2,076**	-	-	2,066	2,066
Total debtors	**174**	**17**	**4**	**195**	**5**	**2,341**	**2,541**	450	3	2,131	2,584

Debtors are stated net of provisions for doubtful debts of £9m (2000 £11m). Amounts credited for doubtful debts against profit were £2m (2000 £1m).

a) Amounts owed by Transportation to the LNG Storage business relating to the provision of gas storage services.
b) Net amounts owed by Transco Holdings plc to Transco plc in respect of the consideration for assets and liabilities transferred by Transco to Transco Holdings, which were either unr egulated or have ceased to be regulated. Ofgem have consented to Transco maintaining this debtor, subject to Transco not being permitted to earn a return on this asset through the price control formula. The composition of this debtor is analysed below:

as at 31 March 2002 (2000: 31 December)	2002 £m	2000 £m
Group restructuring and refinancing in 1999	**1,880**	1,880
Demerger in 2000	**186**	186
Transfer of First Connect Limited in 15 months ended 31 March 2002 (see page 2)	**10**	-
	2,076	2,066

Details of debtors apportioned between the different businesses of Transco are provided in note 29, page 43.

12 Current asset investments

as at 31 March 2002 (2000: 31 December)	**Transco 2002 £m**	Transco 2000 £m
Money market investments	**3**	58

The effective interest rates of Transco's investments at 31 March 2002 were between 1.8% and 3.9% (2000 2.0% and 6.4%).

The currency and interest rate composition of Transco's investment portfolio, after taking account of currency and interest rate swaps, is:

	Fixed rate weighted average interest rate %	Fixed investments £m	Floating investments £m	**As at 31 Mar 2002 Total £m**	As at 31 Dec 2000 Total £m
Currency:					
Sterling	3.4	2	-	**2**	54
US dollars	1.8	1	-	**1**	4
		3	-	**3**	58

All the current asset investments have a maturity within twelve months.

13 Borrowings

Transco's treasury policy disclosed on page 3 forms part of this note.

as at 31 March 2002 (2000: 31 December) **Amounts falling due within one year**	Transportation **2002 £m**	LNG Storage **2002 £m**	Other **2002 £m**	Transco **2002 £m**	Transportation 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Bank loans and overdrafts	**35**	**-**	**96**	**131**	6	1	1	8
Bills of exchange payable	**-**	**-**	**-**	**-**	-	-	40	40
Commercial paper	**-**	**-**	**8**	**8**	-	-	824	824
Bonds	**-**	**-**	**443**	**443**	-	-	490	490
Funding from parent company and fellow subsidiary undertakings	-	**-**	**353**	**353**	-	-	638	638
Obligations under finance leases	**17**	**-**	**-**	**17**	20	-	-	20
Total borrowings due after more than one year	**52**	**-**	**900**	**952**	26	1	1,993	2,020

as at 31 March 2002 (2000: 31 December) **Amounts falling due after more than one year**	Transportation **2002 £m**	LNG Storage **2002 £m**	Other **2002 £m**	Transco **2002 £m**	Transportation 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Bonds (a)	**-**	**-**	**4,177**	**4,177**	-	-	3,344	3,344
Obligations under finance leases	**51**	**-**	**-**	**51**	26	-	-	26
Total borrowings due after more than one year	**51**	**-**	**4,177**	**4,228**	26	-	3,344	3,370
Gross borrowings	**103**	**-**	**5,077**	**5,180**	52	1	5,337	5,390

a) Bonds falling due after more than one year also include the amount of £57m (2000 £50m), including accretion of interest to 31 March 2002, in respect of a zero coupon bond due 2021, that had a market value of £243m (2000 £223m).

13 Borrowings *continued*

The notional amount at maturity of Transco's debt portfolio is £6,299m (2000 £6,473m). Foreign currency denominated debt has been translated into sterling at closing rates of exchange. The significant difference between maturity value and book value as stated above relates principally to the issuance of long-term zero coupon bonds.

Transco's undrawn committed borrowing facilities are as follows:

as at 31 March 2002 (2000: 31 December)	**2002**	2000
	£m	£m
Within one year	**623**	656
Between one and two years	**24**	23
Between two and three years	**-**	24
Between three and four years	**600**	-
Between four and five years	**-**	600
Between six and seven years (a)	**39**	
	1,286	1,303

a) Transco Plc has sold a call option on the equity of its subsidiaries British Transco Finance (No. 4) Ltd. This option will be exercised on the 10 September 2002. Transco Plc will make a net gain of £1m on the sale of the equity in British Transco Finance (No. 4) Ltd. When this option is exercised an inter-company loan of £39m from British Transco Finance (No. 4) Ltd to Transco Plc will become a floating rate external loan due 2008.

Maturity profile of Transco's financial liabilities

The following table analyses Transco's financial liabilities, comprising gross borrowings, after taking account of currency and interest rate swaps. These are repayable as follows:

	Gross borrowings		Net borrowings	
	2002	2000	**2002**	2000
	£m	£m	**£m**	£m
Within one year	**952**	2,020	**949**	1,961
Between one and two years	**508**	312	**508**	312
Between two and three years	**531**	707	**531**	707
Between three and four years	**80**	443	**80**	443
Between four and five years	**936**	147	**936**	147
After five years	**2,173**	1,761	**2,173**	1,761
	5,180	5,390	**5,177**	5,331

Further information on total financial liabilities is given in note 14 on page 30.

Net borrowings comprise gross borrowings less current asset investments and cash at bank and in hand.

Transco's obligations under finance leases, included above, are repayable as follows:

	2002	2000
	£m	£m
Within one year	**17**	20
Between one and two years	**16**	10
Between two and three years	**14**	8
Between three and four years	**12**	5
Between four and five years	**9**	3
	68	46

14 Currency and interest rate composition of Transco's financial liabilities and borrowings

The following tables analyse the currency and interest rate composition of Transco's gross borrowings of £5,180m (2000 £5,390m) and net borrowing of £5,177m (2000 £5,331m), before and after taking swaps into account.

Currency composition of Transco's borrowings

	Gross borrowings				Net borrowings			
	% after taking swaps into account		% before taking swaps into account		% after taking swaps into account		% before taking swaps into account	
as at 31 March 2002 (2000: 31 December)	**2002**	2000	**2002**	2000	**2002**	2000	**2002**	2000
Currency:								
Sterling	**100**	100	**47**	43	**100**	100	**47**	42
US dollars	**-**	-	**25**	40	**-**	-	**25**	41
Other	**-**	-	**28**	17	**-**	-	**28**	17

Transco has sold an option to a counterparty, which gives that party the right, but not an obligation, to receive an amount of yen from Transco in December 2002 in return for paying Transco an amount in US dollars, Swiss francs or euros. The option was put in place to hedge a ¥55,000m (£263m) denominated bond issued by Transco under which Transco has the right to re-denominate the principal in US dollars, Swiss francs or euros. There is, therefore, no underlying foreign currency exposure on this transaction. This is excluded from the above table as a result of the option to re-denominate in the currencies stated.

Interest rate composition of Transco's borrowings

	Gross borrowings				Net borrowings			
	% after taking swaps into account		% before taking swaps into account		% after taking swaps into account		% before taking swaps into account	
as at 31 March 2002 (2000: 31 December)	**2002**	2000	**2002**	2000	**2002**	2000	**2002**	2000
Basis:								
Fixed rate	**64**	57	**94**	94	**64**	56	**94**	94
Floating rate	**36**	43	**6**	6	**36**	44	**6**	6

The effective interest rates after taking swaps into account during the period were between 2.7% and 9.1% (2000 4.5% and 11.0%).

The interest rates on those Transco borrowings which are at floating rates are determined by the prevailing LIBOR (London Interbank Offered Rate) for the relevant currency and maturity at the time of determination plus or minus an agreed margin.

14 Currency and interest rate composition of Transco's financial liabilities and borrowings *continued*

Currency and interest rate composition of Transco's financial liabilities

The following table analyses the currency and interest rate composition of Transco's financial liabilities, comprising gross borrowings, after taking account of currency and interest rate swaps:

as at 31 March 2002	Fixed rate weighted average period years	Fixed rate weighted average interest rate %	Fixed borrowings £m	Floating borrowings £m	**Total £m**
Currency:					
Sterling	5	5.6	3,302	1,878	**5,180**

as at 31 December 2000	Fixed rate weighted average period years	Fixed rate weighted average interest rate %	Fixed borrowings £m	Floating borrowings £m	**Total £m**
Currency:					
Sterling	4	7.0	3,086	2,304	**5,390**

For the purposes of the above tables, debt with a maturity within one year, such as commercial paper, bills of exchange and other money market borrowings, has been treated as fixed. Borrowings falling due after more than one year of £4,228m (2000 £3,370m) can be analysed after currency and interest rate swaps as fixed interest rate 56% (2000 41%) and floating interest rate 44% (2000 59%).

15 Currency analysis of Transco's net assets

There are no material net assets before gross borrowings or gross borrowings after swaps denominated in a currency other than the operating (or 'functional') currency of the operating unit involved.

Currency exposure of Transco's monetary net assets/(liabilities)

There are no material net monetary assets or liabilities of Transco which are denominated in a currency other than the operating (or "functional") currency of the operating unit involved.

16 Financial instruments

Derivatives

For an explanation of policy on derivatives see Transco's Treasury policy on page 3.

The notional principal amounts of Transco's derivatives are:

as at 31 March 2002 (2000: 31 December)	**2002 £m**	2000 £m
Foreign currency swap agreements and foreign exchange contracts	**3,654**	3,719
Interest rate swap agreements	**2,875**	2,297
Forward rate agreements (a)	**3,678**	-

a) Forward rate agreements have been entered into to manage the exposure of short -term interest rate movements.

The notional amounts included above do not necessarily represent the amounts to be exchanged by the parties and therefore are not a measure of the exposure of Transco through the use of derivatives. The amounts exchanged are based upon the notional amounts and the other terms of the derivatives, including interest rates and exchange rates. The value of the derivatives is based upon these underlying parameters and changes in the relevant rates or prices.

16 Financial instruments *continued*

Counterparty risk

Transco's counterparty exposure under foreign currency swaps and foreign exchange contracts was £297m (2000 £165m) and i nterest rate swaps £32m (2000 £48m). Transco has no significant exposure to either individual counterparties or geographical groups of counterparties.

Fair values of Transco's financial instruments

as at 31 March 2002 (2000: 31 December)	**2002**		2000	
	Book value	**Fair value**	Book value	Fair value
	£m	**£m**	£m	£m
Primary financial instruments held or issued to finance Transco's operations:				
Short-term borrowings	**(952)**	**(952)**	(2,020)	(2,020)
Long-term borrowings	**(4,403)**	**(4,805)**	(3,370)	(3,646)
Current assets investments	**3**	**3**	58	58
Cash at bank and in hand	**-**	**-**	1	1
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate-related derivatives	**-**	**25**	-	41
Currency rate-related derivatives	**175**	**248**	166	132
Unrecognised total net gains (see Gains and losses on hedges below)	**175**	**273**	166	173

For the purpose of the above table, the fair value of short-term borrowings, related derivative instruments, current asset investments and cash at bank and in hand approximate to book value due to the short maturity of these instruments. Short-term debtors and creditors have been excluded from the disclosures in the table above.

No adjustments have been made in the above table for accrued interest on pri mary financial instruments or the related derivative financial instruments.

Gains and losses on hedges

The table below shows the extent to which Transco has off-balance sheet (unrecognised) and on-balance sheet (deferred) gains and losses in respect of hedges at the beginning and end of the period.

	Unrecognised			Deferred		
	Gains	Losses	Net total	Gains	Losses	Net total
	£m	£m	£m	£m	£m	£m
Gains/(losses) on hedges as at 1 January 2001	168	(161)	7	27	(85)	(58)
Transfer from losses to gains	(10)	10	-	-	-	-
(Gains)/losses arising in previous years that were recognised in the period to 31 March 2002	(31)	12	(19)	(7)	15	8
Gains /(losses) not recognised in the period to 31 March 2002:						
Arising before 1 January 2001	127	(139)	(12)	20	(70)	(50)
Arising in the period to 31 March 2002	30	80	110	9	(15)	(6)
Gains/(losses) on hedges as at 31 March 2002	**157**	**(59)**	**98**	**29**	**(85)**	**(56)**
Of which:						
Gains/(losses) expected to be included in 2003 income	7	-	7	8	(14)	(6)
Gains/(losses) expected to be included in 2004 income or later	150	(59)	91	21	(71)	(50)

Hedges of future transactions

As at 31 March 2001 the value of future transactions hedged was £24m (2000 £nil).

17 Other creditors

as at 31 March 2002 (2000: 31 December)	Transportation 2002	Metering 2002	Meter Reading 2002	Transportation, Metering and Meter Reading 2002	LNG Storage 2002	Other 2002	Transco 2002	Transportation, Metering and Meter Reading 2000	LNG Storage 2000	Other 2000	Transco 2000
Amounts falling due within one year	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Trade creditors	**340**	**36**	**3**	**379**	**4**	**-**	**383**	283	6	-	289
Amounts owed to fellow subsidiary undertakings	**38**	**-**	**-**	**38**	**-**	**150**	**188**	55	-	82	137
Amounts owed by Transportation to Storage (a)	**2**	**-**	**-**	**2**	**-**	**(2)**	**-**	2	-	(2)	-
Taxation and social security (b)	**21**	**-**	**-**	**21**	**-**	**50**	**71**	15	-	58	73
Other creditors	**53**	**2**	**-**	**55**	**-**	**7**	**62**	48	-	5	53
Accruals and deferred income	**181**	**22**	**-**	**203**	**-**	**116**	**319**	101	-	85	186
	635	**60**	**3**	**698**	**4**	**321**	**1,023**	504	6	228	738

as at 31 March 2002 (2000: 31 December)	Transportation 2002	Metering 2002	Meter Reading 2002	Transportation, Metering and Meter Reading 2002	LNG Storage 2002	Other 2002	Transco 2002	Transportation, Metering and Meter Reading 2000	LNG Storage 2000	Other 2000	Transco 2000
Amounts falling due after more than one year	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Other creditors	**-**	**12**	**-**	**12**	**-**	**-**	**12**	-	-	-	-
Accruals and deferred income (c)	**909**	**7**	**-**	**916**	**-**	**-**	**916**	869	-	1	870
	909	**19**	**-**	**928**	**-**	**-**	**928**	869	-	1	870
Total other creditors	**1,544**	**79**	**3**	**1,626**	**4**	**321**	**1,951**	1,373	6	229	1,608

a) Amounts owed by Transportation to the regulated LNG Storage business relating to the provision of gas storage services.
b) 2002 balance includes £50m corporation tax payable (2000 £58m).
c) Accruals and deferred income falling due after more than one year relate principally to contribution to capital projects.

Details of other creditors apportioned between the different businesses of Transco are provided in note 29, page 43.

18 Provisions for liabilities and charges

	As at 1 Jan 2001 as restated (a) £m	Profit and loss charge/(credit) £m	Discount £m	Paid £m	Transfer and other adjustments £m	**As at 31 Mar 2002 £m**
Transportation						
Environmental costs	103	-	8	(9)	-	**102**
Restructuring costs	-	50	-	(3)	-	**47**
	103	50	8	(12)	-	**149**
Transco						
Environmental costs	103	-	8	(9)	-	**102**
Deferred tax	699	(32)	26	-	(58)	**635**
Restructuring costs	-	50	-	(3)	-	**47**
	802	18	34	(12)	(58)	**784**

a) Figures as at 1 January 2001 have been restated to show comparative information in accordance with FRS 19. For further information see below and also note 1, page 16.

18 Provisions for liabilities and charges *continued*

A brief description of each provision, together with estimates of the timing of expenditure, is given below:

Environmental costs
The undiscounted provision of £135m at 31 March 2002 (2000 £122m) for statutory decontamination costs of old gas manufacturing sites is determined by periodic assessments undertaken by environmental specialists. The provision has been discounted at 6%, a discount rate which reflects the specific risks associated with environmental property issues. The expected payment dates for statutory decontamination remain uncertain. Transco does not provide for non -statutory decontamination costs.

Deferred corporation tax
FRS 19, requiring full provision for deferred tax, has been adopted by Transco in the 15 months ended 31 March 2002. As a result of implementing FRS 19 there has been an increase in the deferred tax liability of £623m as at 31 March 2002 (31 December 2000 £651m). The provision is discounted as permitted by FRS 19. Discount rates used are the post -tax yields to maturity on government bonds with maturity dates similar to those of the deferred tax assets/liabilities. The average discount rate used is 3.61% (2000 3.20%). This is in addition to the deferred tax liability which was previously recorded within provisions for liabilities and charges of £12m as at 31 March 2002 (31 December 2000 £48m). The effect on the tax charge is shown in the table below:

for the15 months ended 31 March 2002 (2000: 12 months ended 31 December)	**2002** £m	2000 £m
Origination and reversal of timing differences	**(5)**	(23)
Change in discount rate	**(49)**	(19)
Unwinding of discount	**26**	20
Impact of implementing FRS 19	**(28)**	(22)
Origination and reversal of swap termination (a)	**3**	4
Timing differences relating to special pension contribution	**19**	-
Total deferred tax credit (b)	**(6)**	(18)

a) Amounts provided prior to the implementation of FRS 19.
b) For further information see note 7, page 21.

The provision for deferred tax can be analysed as follows:

as at 31 March 2002 (2000: 31 December)	**2002** £m	2000 £m
Accelerated capital allowances	**1,269**	1,264
Swap termination	**51**	48
Special pension contribution	**(39)**	-
Other	**(23)**	(30)
Undiscounted provision for deferred tax	**1,258**	1,282
Discount	**(623)**	(583)
Discounted provision for deferred tax	**635**	699
Provision at start of period	**699**	717
Transfer and other adjustments	**(58)**	-
Deferred tax credit (above)	**(6)**	(18)
Provision at end of period	**635**	699

Restructuring costs
The profit and loss charge for the 15 months ended 31 March 2002 comprises staff redundancy costs of £50m (2000 £nil) in respect of a restructuring review.

19 Share capital

as at 31 March 2002 (2000: 31 December)	Number of shares 2002	Number of shares 2000	2002	2000
Authorised	**m**	m	**£m**	£m
Equity				
Ordinary shares of $1^{2}/_{15}$p each	**6,052**	6,052	**69**	69

	Number of shares 2002	Number of shares 2000	2002	2000
Allotted and fully paid	**m**	m	**£m**	£m
Equity				
Ordinary shares of $1^{2}/_{15}$p each	**3,944**	3,944	**45**	45

Transco plc is a wholly owned subsidiary undertaking of Transco Holdings plc.

20 Capital and reserves

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Profit and loss account reserve £m	Total £m
As at 1 January 2001(as previously stated)	45	204	1,332	6,609	1,072	9,262
Restatement of opening balances: (a)						
Historical cost accounting	-	-	-	(6,609)	-	(6,609)
Accounting for deferred tax	-	-	-	-	(651)	(651)
As at 1 January 2001 (as restated)	45	204	1,332	-	421	2,002
Transfer from profit and loss account	-	-	-	-	201	201
As at 31 March 2002	**45**	**204**	**1,332**	**-**	**622**	**2,203**

a) The 31 December 2000 figures have been restated to show comparative information using the historical cost accounting convention and in accordance with FRS 19. For further information see note 1, page 16.

As the Condition does not require the attribution of taxation, interest or borrowings to the separate businesses of Transco, unless they relate principally to an individual business, capital and reserves cannot be attributed to the separate businesses, but can only be determined for Transco in total.

Transco is prohibited from declaring a dividend or other distribution unless it has certified that it is in compliance in all material respects with certain regulatory obligations, including a requirement to ensure it has sufficient financial resources and facilities to enable it to carry on its business and a requirement to use all reasonable endeavours to maintain an investment grade credit rating (see Regulatory ring-fence, page 2).

21 Commitments and contingencies

As commitments and contingencies relate to the individual companies within the Transco Group and not to the businesses of the Transco Group, they have not been attributed to the separate businesses of Transco, as such an attribution would be misleading.

Following the demerger of Centrica in 1997, the Restructuring and Refinancing of BG Group plc in 1999 and the Demerger of Lattice itself in 2000, Transco has been left with a number of indemnities and guarantees. Some of these indemnities and guarantees are on behalf of third parties and do not relate to the ongoing businesses of the Lattice Group as shown in the table below:

as at 31 March 2002 (2000: 31 December)	**Transco 2002 £m**	Transco 2000 £m
In respect of Lattice Group activities (a)	**2,241**	3,139
On behalf of third parties (b)	**441**	1,166
Total commitments and guarantees	**2,682**	4,305

a) Commitments in respect of Lattice Group activities

as at 31 March 2002 (2000: 31 December)	**Transco 2002 £m**	Transco 2000 £m
Loan guarantees on behalf of subsidiaries (i)	**1,868**	2,773
Committed contracts for capital expenditure (ii)	**170**	137
Operating leases (iii)	**133**	149
Other (iv)	**70**	80
Total commitments for Lattice Group activities	**2,241**	3,139

i) Loan guarantees on behalf of subsidiaries
Transco plc has guaranteed the repayment of principal, any associated premium and interest on loans due from its financial subsidiary undertakings. As at 31 March 2001, the sterling equivalent amounted to £1,868m, (2000 £2,773m).

ii) Committed contracts for capital expenditure
As at 31 March 2001, Transco had placed contracts for capital expenditure (tangible fixed assets and investments) amounting to £170m (2000 £137m).

iii) Operating leases
Transco had commitments for the following year under operating leases expiring as follows:

	Land and buildings		Other	
as at 31 March 2002 (2000: 31 December)	**2002 £m**	2000 £m	**2002 £m**	2000 £m
Expiring:				
Within one year	**-**	2	**2**	4
Between one and five years	**3**	2	**8**	4
Thereafter	**9**	9	**-**	-
	12	13	**10**	8

21 Commitments and contingencies *continued*

Transco commitments under operating leases were payable as follows:

	Land and buildings		Other	
as at 31 March 2002 (2000: 31 December)	**2002**	2000	**2002**	2000
	£m	£m	**£m**	£m
Amounts due within:				
One year	**12**	13	**10**	8
Two years	**12**	11	**6**	3
Three years	**10**	11	**1**	1
Four years	**10**	10	**-**	-
Five years	**9**	10	**-**	-
Thereafter	**63**	82	**-**	-
As at end of period	**116**	137	**17**	12

Transco commitments under finance leases entered into before, but which commence after, 31 March 2002 were £nil (2000 £nil).

iv) Other commitments

The value of other commitments and contingencies as at 31 March 2002 amounted to £70m (2000 £80m).

v) Legal proceedings

As a result of a fatal accident in Larkhall in December 1999 in which four people died, the Scottish Crown Office announced on 28 February 2002 its decision to prosecute Transco plc for culpable homicide, or, in the alternative, breach of the Health and Safety at Work Act. A trial date is awaited. Various group undertakings are parties to other legal actions and claims which arise in the ordinary course of business. While the outcome of some of these matters cannot readily be foreseen, the Directors believe that they will be disposed of without significant effect on the net asset position as shown in these financial statements.

b) Commitments on behalf of third parties

ii) BG Group

In 2001, Transco plc was released from the guarantee it provided of BG Group's obligations relating to its interests in the Karachaganak gas condensate field. The value of outstanding BG Group commitments and contingencies (mainly the provision of guarantees and indemnities to third parties in respect of cross-default obligations) was £441m (2000 £1,166m) of which £93m (2000 £95m) related to joint ventures and associated undertakings which were transferred to BG Energy Holdings as part of the Restructuring and Refinancing.

ii) Centrica

In 1997 Transco, as part of the arrangements for the Centrica demerger, gave financial guarantees to particular industrial and commercial customers (principally UK power generators) of Centrica as to the performance by Centrica of certain long-term interruptible gas supply contracts over periods of up to 15 years. As at 31 March 2002, the aggregate minimum volume of gas that customers are obliged to take under their contracts, during their remaining supply periods, was approximately 6bn therms (2000 approximately 7bn therms). Centrica and its subsidiary undertaking, British Gas Trading Limited, have agreed to indemnify Transco against any liabilities incurred by it under such guarantees and in certain circumstances, to provide Transco with secured cash collateral, such obligations being guaranteed by further subsidiary undertakings of Centrica.

c) Cross indemnity and cross guarantees

A significant proportion of Transco's total indemnities and guarantees are backed by further cross guarantees from third parties as shown below.

Following the 1999 Restructuring and Refinancing, Transco procured an indemnity from BG Energy Holdings Limited dated 10 March 2000 (the 'BGEH Indemnity') which operates to indemnify it in respect of its liabilities and potential liabilities under certain obligations which fall within the definition of cross-default obligations. These obligations include financial or performance guarantees given by Transco in respect of BG Energy Holdings Limited which amount (see (b) above) to approximately £441m (2000 £1,166m) of Transco's total commitments and contingencies of £2,682m (2000 £4,305m).

21 Commitments and contingencies *continued*

BG Group has been working with Transco since early 1999 to remove all of the relevant guarantees or to replace Transco with an alternative guarantor which is not part of the Lattice Group. This process continues following the Demerger. For any guarantees that have not been replaced, Transco will continue to provide such guarantees on an arm's length basis until they are removed or replaced. As at 31 March 2002, the contingent liabilities of Transco under the majority of these guarantees are not significant on an individual basis, although Transco's aggregate liability under these guarantees could be significant.

Upon Demerger, due to the requirement in the Licence that a 'related person' indemnifies Transco, the BGEH Indemnity was replaced by an indemnity from Transco Holdings to Transco. Upon Demerger, BG Energy Holdings Limited indemnified Transco Holdings in relation to cross-default obligations which relate to its businesses. The amounts shown above in (b) include those sums covered by cross-indemnities.

22 Related party transactions

On 23 October 2000 the Lattice Group was demerged from BG Group. Previously, BG Group exercised control over all of the businesses within the Lattice Group, including Transco, and provided a number of services to those businesses, including corporate centre services, and, in some cases, also received services from them. All transactions between the groups since 23 October 2000 have been on an arm's length basis on normal commercial terms.

During 2000, until BG Group ceased to be a related party, income receivable from BG Group companies was £12m and charges payable to BG Group companies were £82m. The balance owed to BG Group at 31 December 2000 was £14m.

Transco has on-going, arm's length, commercial trading arrangements for the provision of services to BG Gas Services Ltd, a BG Group company. As explained in note 21(c), page 37, Transco plc has also provided financial and performance guarantees to BG Group companies on an arm's length basis.

During the 15 months to 31 March 2002 there were a number of transactions between Transco and its subsidiary undertakings and other subsidiary undertakings, joint ventures and associated undertakings of Lattice Group plc. During the period, Transco paid approximately £325m (2000 £254m) to other Lattice Group companies. This includes amounts in respect of vehicle leasing and maintenance £94m, (2000 £55m), property rentals and management £30m, (2000 £36m), insurance premiums £11m, (2000 £12m), both research and development and other consultancy services £57m, (2000 £37m) and other corporate services and recharges £133m, (2000 £114m). These charges are calculated on an arm's length basis or by direct recharge.

23 Ultimate parent company

Transco plc's immediate parent company is Transco Holdings plc. The ultimate parent company, and controlling party, is Lattice Group plc, which is registered in England. Both Transco Holdings plc and Lattice Group plc consolidate the accounts of Transco plc. Copies of the consolidated accounts of Transco Holdings plc and copies of the consolidated accounts of Lattice Group plc may be obtained from the Company Secretary, Lattice Group plc, 130 Jermyn Street, London SW1Y 4UR.

24 Pensions and post-retirement benefits

Transco participates in the Lattice Group Pension Scheme (the Scheme). Lattice Group plc charges its subsidiary undertakings with an allocation of the total Scheme cost. Transco's share of the underlying assets and liabilities of the Scheme cannot be identified separately.

Pension costs for the 15 months to 31 March 2002 are £72m (2000 £19m). Pension costs have been based on the 31 March 2001 actuarial valuation with effect from 1 April 2001. Prior to that date the pension costs were based on the 31 March 1998 actuarial valuation, with an adjustment to allow for the effect, as calculated by the actuary, of the benefit improvements granted on the merger of the BG Staff Pension Scheme and the BG Corporation Pension Scheme on 1 April 2000. In addition to the above pension cost, Transco made a £193m special contribution to the Scheme in March 2002. Lattice Group plc will pay Transco an equivalent sum from the Lattice Group plc SSAP 24 provision. All of the following information is essentially in respect of the Lattice Group Pension Scheme.

Pension scheme

Substantially all of the Group's employees are members of the Scheme. The Scheme provides final salary defined benefits for employees joining up to 31 March 2002. A defined contribution section has been added from 1 April 2002 for employees joining from that date. The Scheme is self-administered and funded to cover pension liabilities in respect of service up to the balance sheet date. It is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of employers' contributions which, together with the specified contributions payable by the employees and proceeds from the Scheme's assets, are expected to be sufficient to fund the benefits payable under the Scheme.

24 Pensions and post-retirement benefits *continued*

Following Demerger, employees of companies in the Lattice Group have continuing Scheme membership. Employees of BG Group continued to participate in the Scheme until 4 July 2001. Thereafter a share of the assets and liabilities of the Scheme was transferred to a new pension scheme set up by BG Group, reflecting the share of the total accrued liabilities that is attributable to BG Group employees, or former employees, electing to transfer to the new BG Group pension scheme. The value of assets transferred to the BG Group pension scheme was approximately 2% of the Scheme assets.

An independent actuarial valuation of the Pension Scheme was last undertaken at 31 March 2001. The long-term assumptions used in the actuarial valuation were as follows:

	31 Mar 2001 valuation %	31 Mar 1998 valuation %
Rate of price inflation and pensions increases	2.3	3.0
Future increases in pensionable earnings	4.3	5.0
Annual rate of return on existing investments	5.3	5.7
Annual rate of return on future contributions	6.1	7.0

Excluding assets and liabilities attributable to BG Group members who left the Scheme on 4 July 2001, the independent actuarial valuation as at 31 March 2001 showed that the aggregate market value of the Scheme's assets was £11,963m (31 March 1998 £11,820m). The value of those assets was 104% (31 March 1998 109%) of the benefits due to members calculated on the basis of pensionable earnings and service as at 31 March 2001 on an ongoing basis (using the projected unit method) and allowing for projected increases in pensionable earnings and pensions.

The results of the actuarial valuation carried out as at 31 March 2001 showed that based on long-term financial assumptions the contribution rate required to meet future benefit accrual is 26.6% of pensionable earnings (23.6% employers and 3% employees) though employers' contributions could be maintained at the level of 3% until March 2004. Employers' contributions were however increased from 3% to 8.5% with effect from 1 January 2002. This contribution rate will be reviewed when the next independent actuarial valuation is carried out, which must be no later than as at 31 March 2004.

Post-retirement benefits

The Group has no material post-retirement benefits other than pensions.

FRS 17 – Retirement benefits

FRS 17 was issued on 30 November 2000. FRS 17 allows for a long implementation period up to 2004. Transco continues to account for pension arrangements in accordance with SSAP 24, 'Accounting for Pension Costs'. Transco is unable to identify its share of the underlying assets and liabilities of the Scheme and therefore, on implementation of FRS 17, will account for the Scheme as a defined contribution scheme as required by FRS 17. Reported pension costs will be equal to the amounts payable by Transco. The disclosures required by FRS 17 in respect of the Scheme are reported in the annual report and accounts of Lattice Group plc. The surplus in the Scheme amounted to £373m, £261m net of deferred tax, as at 31 March 2002.

Unfunded unapproved pension arrangements in respect of Transco employees are provided from the Lattice Group Supplementary Benefit Scheme. Accordingly, Lattice Group plc accounts for these arrangements.

25 Notes to the cash flow statement

a) Cash flow from operating activities

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation (a) 2002 £m	Metering (a) 2002 £m	Meter Reading (a) 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 as restated (b) £m	LNG Storage 2000 as restated (b) £m	Other 2000 £m	Transco 2000 as restated (b) £m
Historical cost operating profit	1,165	171	2	1,338	(41)	1	1,298	1,074	4	5	1,083
Exceptional operating items	50	-	-	50	50	-	100	-	-	-	-
Historical cost depreciation	302	155	-	457	7	-	464	326	6	-	332
Movements in working capital:											
Stocks – decrease/(increase)	(16)	3	-	13	2	-	(11)	7	-	-	7
Trade and sundry debtors – decrease/(increase)	204	48	1	253	(2)	(18)	233	4	1	38	43
Trade and sundry creditors – increase/(decrease)	150	37	1	188	(2)	(7)	179	17	2	(55)	(36)
Long term creditors – increase	85	12	-	97	-	-	97	48	-	1	49
	423	100	2	525	(2)	(25)	498	76	3	(16)	63
Cash inflow from operating activities	1,940	426	4	2,370	14	(24)	2,360	1,476	13	(11)	1,478
Expenditure relating to exceptional items (c)											
Restructuring cost (see note 18, page 32)	(3)	-	-	(3)	-	-	(3)	-	-	-	-
Environmental cost (see note 18, page 32)	(9)	-	-	(9)	-	-	(9)	(4)	-	-	(4)
	(12)	-	-	(12)	-	-	(12)	(4)	-	-	(4)
Net cash inflow from operating activities	1,928	426	4	2,358	14	(24)	2,348	1,472	13	(11)	1,474

a) Cash flows of the Transportation, Metering and Meter Reading businesses have been attributed between those businesses on a pro-forma basis, by allocating the working capital balances at 1 January 2001 between those businesses.
b) The 2000 figures have been restated to show comparative information using the historical cost accounting convention. For further information see note 1, page 16.
c) Expenditure relating to exceptional items is all in respect of continuing operations

b) Returns on investments and servicing of finance

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 £m	Other 2000 £m	Transco 2000 £m
Interest received					5	5		2	2
Interest paid	(15)	(3)	-	(18)	(353)	(371)	(12)	(380)	(392)
Interest element of finance lease rentals	(5)	-	-	(5)	-	(5)	(3)	-	(3)
Net cash outflow from returns on investments and servicing of finance	(20)	(3)	-	(23)	(348)	(371)	(15)	(378)	(393)

25 Notes to the cash flow statement *continued*

c) Capital expenditure

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 £m	LNG Storage 2000 £m	Transco 2000 £m
Payments to acquire tangible fixed assets	**(768)**	**(172)**	**-**	**(940)**	**(5)**	**(945)**	(608)	(2)	(610)
Receipts from disposal of tangible fixed assets	**36**	**-**	**-**	**36**	**-**	**36**	4	-	4
Net cash outflow from capital expenditure	**(732)**	**(172)**	**-**	**(904)**	**(5)**	**(909)**	(604)	(2)	(606)

d) Acquisitions and disposals

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation 2002 £m	Transco 2002 £m	Transportation 2000 £m	Transco 2000 £m
Receipts from disposal of subsidiary undertakings	**10**	**10**	-	-
Net overdrafts disposed with subsidiary undertaking	**3**	**3**	-	-
Net cash inflow from acquisitions and disposals	**13**	**13**	-	-

e) Management of liquid resources (a)

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Other 2002 £m	Transco 2002 £m	Other 2000 £m	Transco 2000 £m
Payments to acquire investments with an original maturity date of less than one year	**(589)**	**(589)**	(2,825)	(2,825)
Receipts from disposal of investments with an original maturity date of less than one year	**644**	**644**	3,035	3,035
Net cash inflow from management of liquid resources	**55**	**55**	210	210

a) Includes money market, listed and unlisted investments.

f) Financing activities

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	LNG Storage 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2000 £m	LNG Storage 2000 £m	Other 2000 £m	Transco 2000 £m
Net decrease in short-term borrowings	**-**	**-**	**-**	**-**	**-**	**(1,547)**	**(1,547)**	-	-	(342)	(342)
Net increase in long-term borrowings	**-**	**-**	**-**	**-**	**-**	**1,276**	**1,276**	-	-	188	188
Capital element of finance lease rentals	**(29)**	**-**	**-**	**(29)**	**-**	**-**	**(29)**	(19)	-		
	(29)			**(29)**		**(271)**	**(300)**	(19)	-	(154)	(173)
Pooling of funding within the Transco business	**(1,189)**	**(251)**	**(4)**	**(1,444)**	**(8)**	**1,452**	**-**	(826)	(12)	838	-
Funding movement (a)	**-**	**-**	**-**	**-**	**-**	**(193)**	**(193)**	-	-	85	85
Net cash (outflow)/inflow from financing activities	**(1,218)**	**(251)**	**(4)**	**(1,473)**	**(8)**	**988**	**(493)**	(845)	(12)	769	(88)

a) Funding movement in 15 months ended 31 March 2002 of £193m represents special contributions made to the Lattice Group pension scheme. Funding inflows of £85m in 2000 represents funding on Demerger.

25 Notes to the cash flow statement *continued*

g) Significant non-cash transactions

In the 15 months ended 31 March 2002 and in the 12 months ended 31 December 2000 there were no significant non -cash transactions.

26 Principal subsidiary undertakings

The companies listed below, which are all subsidiary undertakings, are those in which Transco's principal operating and financing activities are undertaken. A full list of subsidiary undertakings will be included in the next Annual Return filed with the Registrar of Companies. All principal subsidiary undertakings are owned by Transco plc. Each of the companies listed is included in the consolidation of Transco's results.

All the principal subsidiary undertakings have changed their year-end to 31 March, and are preparing accounts to 31 March 2002 with the exception of British Transco International Finance B.V. which will change its year-end to 31 March 2003, as prospective notice is required under Dutch law.

as at 31 March 2002	Country of operation and incorporation	Activity	Holding % (a)	Share of net assets % (b)
British Transco International Finance B.V.	The Netherlands	Financing	100	100
British Transco Finance Inc.	USA	Financing	100	100
British Transco Capital Inc.	USA	Financing	100	100

a) Ordinary shares.
b) Net assets attributable to equity shareholders.

27 Modified historical cost information

In accordance with FRS 18 'Accounting Policies' and following the Price Control Review, the Directors have reviewed Transco's accounting policies and Transco has changed its accounting convention from modified historical cost to historical cost. The financial statements have been prepared on a historical cost basis and prior year comparative information has been restated accordingly. The following shows the position of Transco had it maintained the modified historical cost convention accounting policy.

Under modified historical cost principles, regulatory assets are valued at depreciated replacement cost or, where lower, the estimated value in use. Regulatory assets are those assets owned by Transco that are included in that part of the asset base which is subject to a regulatory regime. These include operational land and buildings, mains and services, gas storage, plant and machinery and meters in Great Britain.

Differences between modified historical cost and historical cost profit comprise:

i) depreciation adjustment – the additional sum necessary to bring historical cost depreciation up to a full modified historical cost depreciation charge, which is based on the modified historical cost of fixed assets; and

ii) profit on the disposal of fixed assets adjustment – the difference between the modified historical cost and historical cost profit or loss on disposal.

Consolidated modified historical cost information

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	**2002** £m	2000 as restated (a) £m
Operating profit	**1,124**	958
Profit for the financial period	**426**	377

as at 31 March (2000: 31 December)	**2002** £m	2000 as restated (a) £m
Net assets (b)	**8,221**	8,611

a) The 2000 figures have been restated to show comparative information in accordance with FRS 19. For further information see note 1, page 16.
b) During the 15 months ended 31 March 2002, a review in the carrying value of Transco assets resulted in a reduction in net assets amounting to £715m (£50m on an historical cost basis).

28 Subsequent events

On 22 April 2002, the Group's ultimate parent company, Lattice Group plc, and National Grid Group plc announced their intention to merge. Providing the Proposed Merger is approved by both sets of shareholders, Lattice Group shareholders will receive 0.375 new National Grid shares which will be named National Grid Transco shares for each Lattice Group share. Subject to regulatory approval in the UK and USA, the Proposed Merger is expected to be completed in the third quarter 2002.

29 Amounts determined by apportionment

The following table provide an analysis of those amounts included in the regulatory accounting statements that are not directly attributable to specific businesses and which have been determined by apportionment.

for the 15 months ended 31 March 2002 (2000: 12 months ended 31 December)	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2001 £m	Other 2001 £m	Transco 2001 £m
Turnover									
Metering services to shippers (a)	**(18)**	**18**	**-**	**-**	**-**	**-**	-	-	-
Operating costs									
Metering and Meter Reading operating costs (b)	**(173)**	**168**	**5**	**-**	**-**	**-**	-	-	-
Other activities operating costs	**(7)**	**-**	**-**	**(7)**	**7**	**-**	(4)	4	-
Total apportioned operating costs	**(180)**	**168**	**5**	**(7)**	**7**	**-**	(4)	4	-

as at 31 March 2002 (2000: 31 December)	Transportation 2002 £m	Metering 2002 £m	Meter Reading 2002 £m	Transportation, Metering and Meter Reading 2002 £m	Other 2002 £m	Transco 2002 £m	Transportation, Metering and Meter Reading 2001 £m	Other 2001 £m	Transco 2001 £m
Debtors – amounts due within one year (c)									
Trade debtors	**(1)**	**1**	**-**	**-**	**-**	**-**	-	-	-
Prepayments and accrued income	**(2)**	**2**	**-**	**-**	**-**	**-**	-	-	-
	(3)	**3**	**-**	**-**	**-**	**-**	-	-	-
Other creditors – amounts due within one year (c)									
Trade creditors	**39**	**(36)**	**(3)**	**-**	**-**	**-**	-	-	-
Other creditors	**2**	**(2)**	**-**	**-**	**-**	**-**	-	-	-
Accruals and deferred income	**19**	**(19)**	**-**	**-**	**-**	**-**	-	-	-
	60	**(57)**	**(3)**	**-**	**-**	**-**	-	-	-

a) Transportation turnover for the 3 months to 31 March 2001 deemed as Metering turnover.
b) Operating costs apportioned from the Transportation to the Metering and Meter Reading businesses using an activity based costing methodology. The costs of £168m apportioned to the Metering business include the £32m of rates shown in note 4, page 18.
c) Debtors and other creditors apportioned from the Transportation to the Metering and Meter Reading businesses. The apportionments are based on the attribution of the income or costs that gave rise to the balances.

30 Charges and apportionments

Note 30 includes disclosure of amounts charged to or from other businesses of Lattice Group plc or amounts determined by apportionment. The Condition requires this disclosure to be made to the Gas and Electricity Markets Authority but allows the Company to remove this disclosure from the information made available to the public as per paragraph 5(c) of the Condition.

30 Charges and apportionments *continued*

Note 30 includes disclosure of amounts charged to or from other businesses of Lattice Group plc or amounts determined by apportionment. The Condition requires this disclosure to be made to the Gas and Electricity Markets Authority but allows the Company to remove this disclosure from the information made available to the public as per paragraph 5(c) of the Condition.

30 Charges and apportionments *continued*

Note 30 includes disclosure of amounts charged to or from other businesses of Lattice Group plc or amounts determined by apportionment. The Condition requ ires this disclosure to be made to the Gas and Electricity Markets Authority but allows the Company to remove this disclosure from the information made available to the public as per paragraph 5(c) of the Condition.

30 Charges and apportionments *continued*

Note 30 includes disclosure of amounts charged to or from other businesses of Lattice Group plc or amounts determined by apportionment. The Condition requires this disclosure to be made to the Gas and Electricity Markets Authority but allows the Company to remove this disclosure from the information made available to the public as per paragraph 5(c) of the Condition.

30 Charges and apportionments *continued*

Note 30 includes disclosure of amounts charged to or from other businesses of Lattice Group plc or amounts determined by apportionment. The Condition requires this disclosure to be made to the Gas and Electricity Markets Authority but allows the Company to remove this disclosure from the information made available to the public as per paragraph 5(c) of the Condition.

30 Charges and apportionments *continued*

Note 30 includes disclosure of amounts charged to or from other businesses of Lattice Group plc or amounts determined by apportionment. The Condition requires this disclosure to be made to the Gas and Electricity Markets Authority but allows the Company to remove this disclosure from the information made available to the public as per paragraph 5(c) of the Condition.

Corporate history

Transco plc is a company incorporated in England and Wales on 1 April 1986 under the Companies Act of 1985. It is of infinite duration.

The UK gas industry was nationalised in 1948 and the British Gas Corporation was established in 1973. In April 1986 British Gas was incorporated as a public limited company and in December 1986 the UK Government sold substantially all its shareholdings in British Gas to the public.

With effect from 17 February 1997, Centrica plc demerged from British Gas plc which changed its name to BG plc. Following the Centrica demerger, BG plc retained the gas transportation and storage businesses, the majority of the exploration and production business, the international downstream business, the research and technology business and the property division of British Gas plc. In connection with the Centrica demerger, British Gas plc's gas sales, services and retail businesses, together with the gas production business of the North and South Morecambe gas fields and its direct interest in Accord Energy Limited were transferred to Centrica plc.

With effect from 1 May 1999, BG plc combined its exploration and production and international downstream businesses, which are principally engaged in gas and oil exploration and production and the integrated development and supply of gas markets.

With effect from 13 December 1999, BG was restructured so that a newly incorporated company, BG Group plc, became the new parent company of BG plc indirectly holding the Transco business in a separate sub-group, with BG Transco plc being ring-fenced for regulatory purposes from the sub-group containing the other BG businesses. The restructuring was accompanied by a refinancing under which BG Transco Holdings plc (now Transco Holdings plc) issued approximately £1.5 billion of bonds which were transferred together with new shares in BG Group plc to BG plc shareholders in exchange for their existing shares in BG plc. The UK Secretary of State for Trade and Industry held a special rights redeemable preference share in BG Group plc. BG plc was then renamed BG Transco plc.

On 16 October 2000, BG Group's Shareholders approved the demerger of certain businesses (principally Transco) to Lattice plc effective on 23 October 2000. This demerger created a new listed company, Lattice plc, whose principal business, Transco plc, owns, operates and develops the substantial majority of the gas transportation system and all of the LNG storage facilities in Great Britain. Following the demerger, BG Group plc continued to hold BG Energy Holdings, comprising the integrated gas business involved in the development, management and supply of existing and newly emerging gas markets around the world. The special rights redeemable preference share in BG Group plc held by the UK Secretary of State for Trade and Industry was redeemed, and a new special share was issued by Lattice to the Secretary of State on substantially the same terms.

Definitions

For the purposes of this document the following definitions apply:

'£m'	Million pounds sterling.
'affiliate'	Lattice Group plc or any subsidiary undertaking of Lattice Group plc other than Transco plc.
'Authority, the'	The Gas and Electricity Markets Authority, a role undertaken by Ofgem.
'BG'	BG Group plc and its subsidiary undertakings consolidated with its share of joint ventures and associated undertakings.
'BG Energy Holdings'	BG Energy Holdings limited and its subsidiary undertakings consolidated with its share of joint ventures and associated undertakings.
'BG Group plc' or 'BG Group'	The ultimate parent company of BG Energy Holdings ltd. Former ultimate parent company of Transco plc.
'Condition, the'	Amended Standard Condition 2 of Transco plc's Public Gas Transporter's Licence.
'Demerger'	The demerger of Lattice Group plc from BG Group plc which became effective on 23 October 2000.
'de-minimis businesses'	Those businesses, other than the regulated Transportation and Storage businesses, which Transco is permitted to undertake by the Licence.
'Gas Act'	The Gas Act 1986, as amended by the Gas Act 1995.
'Group'	Transco plc and its subsidiary undertakings.
'Lattice'	Lattice Group plc.
'Lattice Group'	Lattice Group plc and its subsidiary undertakings consolidated with its share of joint ventures and associated undertakings.
'Lattice Group Holdings'	Lattice Group Holdings Limited and its subsidiary undertakings consolidated with its share of joint ventures and associated undertakings.
'Licence, the'	Transco plc's Gas Transporter's Licence issued under the Utilities Act 2000.
'LNG'	Liquefied natural gas.
'Metering'	The regulated gas metering business of Transco plc.
'Meter Reading'	The regulated gas meter reading business of Transco plc.
'non-Transco business'	Any business of Lattice Group that is not being undertaken by Transco or a subsidiary undertaking of Transco.
'Ofgem'	The Office of Gas and Electricity Markets.
'Restructuring and Refinancing'	The corporate restructuring and refinancing of BG plc which became effective on 13 December 1999.
'Storage', 'LNG Storage'	The regulated gas storage business of Transco plc. From 1 April 1999, this comprises only the LNG storage business.
'Transco'	The consolidated regulated gas transportation business, regulated storage business and de-minimis businesses of Transco plc (formerly known as BG Transco plc).
'Transco Holdings'	Transco Holdings plc and its subsidiary undertakings consolidated with its share of joint ventures and associated undertakings (formerly known as BG Transco Holdings plc).
'Transportation'	The regulated gas transportation business of Transco plc.
'Utilities Act'	The Utilities Act 2000.

Transco

31 Homer Road
Solihull
West Midlands
B91 3LT

Transco plc is part of Lattice Group www.transco.uk.com
Registered in England No 2006000 Registered Office 130 Jermyn Street, London SW1Y 4UR
Incorporated in England and Wales