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The prospectus has been delivered to you on the basis that you are a person into whose possession the prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the prospectus by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia, (d) you have treated the contents of the prospectus confidentially and you have not duplicated, distributed, forwarded, transferred or otherwise transmitted the prospectus or any other presentational or other materials concerning this offering (including electronic copies thereof) to any persons within the United States and agree that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by you, (e) you have made your own assessment concerning the relevant tax, legal and other economic considerations relevant to an investment in the securities of Tesco Property Finance 5 Plc, and (f) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 or a certified high net worth individual within Article 48 of the Financial Services and Markets Act (Financial Promotion) Order 2005.

The prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Tesco Property Finance 5 Plc nor HSBC Bank plc nor Goldman Sachs International nor Lloyds TSB Bank plc nor The Royal Bank of Scotland plc nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from HSBC Bank plc or Goldman Sachs International or Lloyds TSB Bank plc or The Royal Bank of Scotland plc.

Tesco Property Finance 5 Plc
(incorporated in England and Wales with limited liability under registration number 07848593)
£450,500,000 Secured 5.6611 per cent. Bonds due 13 October 2041
(Issue Price: 100 per cent.)

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the £450,500,000 secured 5.6611 per cent. bonds due 13 October 2041 (the "**Bonds**") of Tesco Property Finance 5 Plc (the "**Issuer**") to be admitted to the Official List and trading on its regulated market. The Bonds will be issued on 31 January 2012 or such later date as may be agreed by HSBC Bank plc, Goldman Sachs International, Lloyds TSB Bank plc and The Royal Bank of Scotland plc (together, the "**Joint Lead Arrangers**"), the Issuer and HSBC Corporate Trustee Company (UK) Limited (the "**Bond Trustee**", which expression shall include its successors and assignees) (the "**Closing Date**"). The primary source of funds for the payment of principal and interest on the Bonds will be the right of the Issuer to receive interest and principal repayments and (in respect of the first Loan Interest Payment Date) a one-off fee payable under the intercompany loan (the "**Partnership Loan**") made by the Issuer to The Tesco Sarum Limited Partnership (the "**Partnership**"), payments from the Partnership under the swap agreement between the Issuer and the Partnership (the "**Partnership Swap Agreement**") and payments from Tesco Plc (the "**Issuer Swap Provider**") under the swap agreement between the Issuer and the Issuer Swap Provider (the "**Issuer Swap Agreement**"). The Partnership's primary source of funds will be its right to receive payments from the Issuer under the Partnership Swap Agreement and to receive rental payments, in respect of a portfolio of retail stores from Tesco Stores Limited or Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited as tenants (the "**Occupational Tenants**"), which rental payments are guaranteed by Tesco Plc (the "**Occupational Tenant Guarantor**") and to borrow funds on a subordinated basis from Tesco Stores Limited (in this capacity, the "**Subordinated Loan Facility Provider**"). The Subordinated Loan Facility Provider's obligation to advance such money will be indemnified by Tesco Plc.

The Bonds will be represented by a global bond in registered form (the "**Global Bond**"), which will be deposited with a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), on the Closing Date. Save in certain limited circumstances, bonds in definitive form will not be issued in exchange for the Global Bond.

Interest on the Bonds is payable by reference to successive interest periods (each a "**Bond Interest Period**"). Interest will be payable quarterly in arrear on 13 January, 13 April, 13 July and 13 October in each year commencing on the Bond Interest Payment Date occurring on 13 April 2012 provided that (i) the first Bond Interest Period will commence on (and include) the Closing Date and end on (but exclude) the Bond Interest Payment Date occurring on 13 April 2012; (ii) the final Bond Interest Payment Date will occur on 13 October 2041 (the "**Final Maturity Date**"); and (iii) the final Bond Interest Period will commence on (and include) the Bond Interest Payment Date falling on 13 July 2041 and end on (but exclude) the Final Maturity Date. Interest on the Bonds will accrue at an annual rate of 5.6611 per cent. Payments of interest in respect of the Bonds are further described herein and, in particular, in Condition 4 (Interest) of the terms and conditions of the Bonds reproduced herein in the section entitled "**Terms and Conditions of the Bonds**" (the "**Conditions**").

The Bonds will mature on the Final Maturity Date unless previously redeemed in accordance with the Conditions. Prior to the service of a Bond Acceleration Notice, the Bonds will be repaid in instalments on each Bond Interest Payment Date in accordance with the amortisation schedule in Condition 5.2 (Redemption, Purchase and Cancellation – **Scheduled mandatory redemption in part**). In addition to repayment of the Bonds on the Final Maturity Date, the Bonds will be subject to mandatory redemption and/or optional redemption in whole or in part before the Final Maturity Date in certain circumstances, and subject to the conditions, described in the Conditions.

If any withholding or deduction for or on account of tax is applicable to the Bonds, payments of interest on, and principal and premium (if any) of, the Bonds will be made subject to any such withholding or deduction, without the Issuer, the Partnership, the Occupational Tenants, the Occupational Tenant Guarantor or the Subordinated Loan Facility Provider being obliged to pay any additional or further amounts as a consequence thereof.

The Bonds will be limited recourse obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person or entity. It should be noted, in particular, that the Bonds will not be obligations of, and will not be guaranteed by, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, HSBC Bank plc (the "**Lead Structuring Agent**"), the Joint Lead Arrangers, the Partnership Operator, the Property Pool Manager, the Property Advisor, the Issuer Swap Provider, the Cash Manager, the Woolwich Cash Manager, the Paying Agents, the Registrar, the Account Bank, the Nominees Holdco Corporate Services Provider, the Issuer/Issuer Holdco Corporate Services Provider, Tesco or any other member of the Tesco Group (each as defined under the section entitled "**The Parties**"). The proceeds of the issue of the Bonds will be, *inter alia*, on-lent to the Partnership. The resulting indebtedness of the Partnership will be secured over all of the assets and undertaking of each of the Partnership, the General Partner, the Nominees and Nominees Holdco, all as more particularly described below. The Bonds will be secured over all of the assets and undertaking of the Issuer.

The Bonds are expected on issue to be assigned an "A3, on review for possible downgrade" rating by Moody's Investors Service Ltd ("**Moody's**") and an "A-" rating by Standard & Poor's Credit Market Services Europe Limited ("**S&P**" and, together with Moody's, the "**Rating Agencies**"). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, each of the Rating Agencies is established in the European Union and is registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). As such each Rating Agency is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation. Particular attention is drawn to the section herein entitled "**Risk Factors**".

HSBC			
LEAD STRUCTURING AGENT			
GOLDMAN SACHS INTERNATIONAL	HSBC	LLOYDS BANK	THE ROYAL BANK OF SCOTLAND
JOINT LEAD ARRANGER	JOINT LEAD ARRANGER	JOINT LEAD ARRANGER	JOINT LEAD ARRANGER

Prospectus dated 30 January 2012

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

Each of the Partnership, the General Partner, the Tesco Limited Partner, Nominees Holdco, Nominee No. 1, Nominee No. 2 and Tesco accepts responsibility for the information concerning itself contained in the sections entitled, "*The Tesco Sarum Limited Partnership (The Partnership)*", "*Tesco Sarum (GP) Limited (The General Partner)*", "*Tesco Sarum (1LP) Limited (The Tesco Limited Partner)*", "*Tesco Sarum (Nominee Holdco) Limited (Nominees Holdco)*", "*Tesco Sarum (Nominee 1) Limited (Nominee No. 1)*", "*Tesco Sarum (Nominee 2) Limited (Nominee No. 2)*" and "*Tesco Plc (Tesco)*", respectively. To the best of each such party's knowledge and belief (having taken all reasonable care to ensure that such is the case) the information concerning itself in the relevant section is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

The auditor's report and audited annual financial statements for the financial years ended 27 February 2010 and 26 February 2011 and the interim financial statements for the 26 weeks ended 27 August 2011 in respect of Tesco Plc (which have been filed with the UK Financial Services Authority under the Listing, Prospectus, Disclosure and Transparency Rules) shall be incorporated in, and form part of, this Prospectus. This Prospectus is to be read in conjunction with such auditor's report and audited annual financial statements and construed on the basis that they are incorporated in, and form part of, this Prospectus.

Cushman & Wakefield LLP accepts responsibility for the Valuation Report contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the Valuation Report is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

No person is or has been authorised in connection with the issue and sale of the Bonds to give any information or to make any representation not contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, Tesco, any other member of the Tesco Group, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Lead Structuring Agent, the Joint Lead Arrangers, the Partnership Operator, the Property Pool Manager, the Property Advisor, the Issuer Swap Provider, the Cash Manager, the Woolwich Cash Manager, the Paying Agents, the Registrar, the Account Bank, the Nominees Holdco Corporate Services Provider or the Issuer/Issuer Holdco Corporate Services Provider. Neither the delivery of this document nor any sale or allotment made in connection with the offering of any of the Bonds shall under any circumstances constitute a representation or create any implication that there has been no change in the affairs of the Issuer, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, Tesco, any other member of the Tesco Group, the Issuer Swap Provider, the Cash Manager, the Woolwich Cash Manager, the Paying Agents, the Registrar, the Account Bank, the Nominees Holdco Corporate Services Provider or the Issuer/Issuer Holdco Corporate Services Provider or in the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof.

The Issuer is of the opinion that the requirements of article 122A of the Capital Requirements Directive do not apply to the Bonds.

The Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities laws, and are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered, directly or indirectly, in the United States or to any U.S. persons (as defined in "*Subscription and Sale*") except pursuant to an exemption from, or in a transaction not

subject to, the registration requirements of the Securities Act. The Bonds are being offered for sale outside the United States in accordance with Regulation S under the Securities Act. See "*Subscription and Sale*".

Other than the approval of this document as a prospectus by the Central Bank, no action has been or will be taken to permit a public offering of the Bonds or the distribution of this document in any jurisdiction where action for that purpose is required. The distribution of this document and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document (or any part hereof) comes are required by the Issuer and the Joint Lead Arrangers to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sales of Bonds and distribution of this document, see "*Subscription and Sale*". Neither this document nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the Issuer or the Joint Lead Arrangers to subscribe for or purchase any of the Bonds. Neither this document, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this document nor any part hereof nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

References in this document to "£", "**pounds**" or "**sterling**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

*In connection with the issue of the Bonds, HSBC Bank plc (the "**Stabilisation Manager**") or any person acting for it may over-allot the Bonds (provided that the aggregate principal amount of the Bonds allotted does not exceed 105 per cent. of the aggregate principal amount of the Bonds) or effect transactions with a view to supporting the market price of the Bonds at a higher level than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilisation Manager (or any agent of the Stabilisation Manager) to do this. Such stabilising may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue of the Bonds and 60 days after the date of allotment of the Bonds and must be brought to an end after a limited period in compliance with applicable laws, regulations and rules.*

Capitalised terms used in this document, unless otherwise indicated, have the meanings set out in this document. An index of defined terms used herein appears at the back of this document.

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TRANSACTION OVERVIEW

Indebtedness

On the Closing Date, the proceeds of the issue of the Bonds will be applied by the Issuer, *inter alia*, in making an advance to the Partnership of £450,500,000 (the "**Partnership Loan**") pursuant to a loan agreement to be entered into by, *inter alios*, the Issuer as lender and the Partnership as borrower (the "**Partnership Loan Agreement**").

The Partnership will apply the proceeds of the Partnership Loan (together with other available funds) as follows:

(i) it will acquire long leases (the "**Head Leases**" and each of them a "**Head Lease**") of the retail stores known as Arbroath, Bathgate Blackburn Road, Bradford Extra, Doncaster Extra, Great Yarmouth Extra, Haverfordwest Extra, Inverurie Extra, Kidsgrove, Wath-Upon-Dearne Extra and Wick and it will acquire a long lease of the retail store, the ancillary retail units, the customer car park and the service yard servicing the Tesco store to be constructed on the property known as Woolwich (the "**Woolwich Mortgaged Property**") (together the "**Property Portfolio**"); (ii) it will retain an amount equal to 103 per cent. of (a) the expected remaining cost of completion of the development of the Woolwich Mortgaged Property (excluding VAT), (b) the Developer's fee (excluding VAT), and (c) the fees of the professional team (excluding VAT) (the "**Woolwich Development Reserve Amount**") all of which will be deposited in the Woolwich Development Reserve Account and used to fund: (A) the remaining cost of completion of the development of the Woolwich Mortgaged Property (excluding VAT), (B) the Developer's fee (excluding VAT) and (C) the fees of the professional team (excluding VAT); (iii) it will make a deposit of £6,250 to the Partnership Transaction Account (and credited to the Partnership Expenses Reserve Ledger); (iv) it will make a deposit to the Partnership Transaction Account in an amount equal to the difference (if any) between the amount of the Partnership Fixed Leg for the first payment date under the Partnership Swap and the amount, in aggregate, of interest and principal due to the Issuer on the first Loan Interest Payment Date pursuant to the Partnership Loan Agreement; and (v) it will meet certain fees and expenses associated with the transactions described in this Prospectus.

The Property Portfolio has been valued at the Market Value (as defined in the valuation report reproduced in the section of this document entitled "*Valuation Report*" (the "**Valuation Report**"), as at 25 January 2012 (the "**Valuation Date**"), of £440,460,000.

For further details as to the use of proceeds, see the section of this document entitled "*Use of Proceeds*".

Property Portfolio and Occupational Leases

On the Closing Date, the Property Portfolio will consist of 11 retail stores, as further described in the section entitled "*The Property Portfolio*".

As at the Closing Date, the tenant of each of the properties within the Property Portfolio will be either Tesco Stores Limited ("**TSL**") or Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited (who will hold the relevant Occupational Leases (as defined below) on trust for TSL) (together the "**Occupational Nominees**" and, together with TSL, the "**Occupational Tenants**" and each of them, an "**Occupational Tenant**", which expression includes any tenant under an Occupational Lease in respect of an Incoming Property as referred to in "*Substitution, Alteration and Disposal of Mortgaged Properties - The Substitution Agreement*" below). The Woolwich Mortgaged Property is under construction and comprises a Tesco retail store (the "**Woolwich Tesco Store**"), ancillary retail units, the customer car park and the service

yard servicing the Woolwich Tesco Store. As at the Closing Date, the tenant of the Woolwich Mortgaged Property will be TSL with rental payments to commence from 25 December 2012. The Occupational Tenants will occupy each relevant property within the Property Portfolio in accordance with the terms of a lease (the "**Occupational Leases**" and each of them, an "**Occupational Lease**", which expression includes any occupational leases on identical terms in respect of an Incoming Property as referred to in "*Substitution, Alteration and Disposal of Mortgaged Properties - The Substitution Agreement*" below).

Under the Subordinated Loan Agreement, Tesco Plc (and the Highest Rated Entity if (a) such entity exists and (b) the long-term unsecured debt obligations of Tesco are not or cease to be rated at least A3 by Moody's and A- by S&P) will undertake to indemnify (the "**Plc Indemnity**") the Partnership in an amount equal to any relevant subordinated loan advance if and to the extent that TSL fails to make such advance in accordance with its obligations under the Subordinated Loan Agreement.

On the Closing Date, the landlord's interest in the Occupational Leases will be held by Tesco Sarum (Nominee 1) Limited ("**Nominee No. 1**") and Tesco Sarum (Nominee 2) Limited ("**Nominee No. 2**") and together with Nominee No. 1, the "**Nominees**" and each a "**Nominee**") on trust for and on behalf of the Partnership.

The obligations of each Occupational Tenant under each Occupational Lease will be guaranteed by Tesco (and will be co-guaranteed by the Highest Rated Entity if (a) such entity exists and (b) the long-term unsecured debt obligations of Tesco are not or cease to be rated at least A3 by Moody's and A- by S&P) (the "**Occupational Tenant Guarantor**"). The Occupational Leases do not permit any assignment or assignation by an Occupational Tenant. Each Occupational Lease granted in respect of the properties within the Property Portfolio will be for a term expiring on 24 December 2041 (the "**Occupational Lease Maturity Date**").

Source of funds for payments on the Bonds

The Issuer's primary sources of funds for the payment of principal and interest on the Bonds will be the interest and principal repayments and (in respect of the first Loan Interest Payment Date) a one-off fee payable under the Partnership Loan, any amounts payable to the Issuer by the Issuer Swap Provider under the Issuer Swap Agreement and any amounts payable to the Issuer by the Partnership under the Partnership Swap Agreement.

The Partnership's primary sources of funds for the payment of the Partnership Loan and any amounts payable to the Issuer under the Partnership Swap Agreement will be rental payments payable by the Occupational Tenants pursuant to the Occupational Leases (rental payments in respect of the Woolwich Mortgaged Property commencing on 25 December 2012), any amounts payable to the Partnership by the Issuer under the Partnership Swap Agreement and (in respect of the first Loan Interest Payment Date) the deposit made to the Partnership Transaction Account on the Closing Date in an amount equal to the difference between the amount of the Partnership Fixed Leg for the first payment date under the Partnership Swap and the amount of, in aggregate, interest and principal due to the Issuer on the first Loan Interest Payment Date pursuant to the Partnership Loan Agreement.

Principal rent under the Occupational Leases (and any amounts in lieu thereof pursuant to the Substitution Agreement and without double counting any amounts in lieu thereof under the Occupational Leases) ("**Principal Rent**") and all other rental amounts payable to the landlord directly (including (i) sums payable under the Occupational Tenant's covenants, such as outgoings, default interest and service charges; (ii) sums to cover any superior lease rental; (iii) sums in respect of value added tax ("**VAT**"); (iv) sums to cover any insurance premiums; and (v) amounts by way of indemnity by each Occupational Tenant (failing which, by the Occupational Tenant

Guarantor) pursuant to each Occupational Lease (such rental and/or guaranteed amounts being the "**Rental Income**") will be paid to the account (the "**Partnership Rent Account**") held by the Nominees.

All amounts standing to the credit of the Partnership Rent Account (other than the proceeds of the subordinated loans of £1,000 each made by the Issuer and deposited to the Partnership Rent Account on the Closing Date to be held by the Nominees on behalf of themselves and each of the General Partner and Nominees Holdco (the "**Junior Loans**" and each a "**Junior Loan**") and the amounts recorded on the Partnership Account VAT Ledger) two Business Days prior to each Loan Interest Payment Date (each a "**Calculation Date**") will be transferred on the immediately following Loan Interest Payment Date to the Partnership Transaction Account.

On each Loan Interest Payment Date:

- (a) amounts standing to the credit of the Partnership Transaction Account (other than sums credited to the Partnership Expenses Reserve Ledger and the Subordinated Loan Reserve Ledger) and available to the Partnership will be applied in or towards satisfaction of the payment obligations of the Partnership, including obligations to make payments of principal, interest and any other amounts due in respect of the Partnership Loan and any amounts payable to the Issuer under the Partnership Swap Agreement; and
- (b) amounts standing to the credit of the Issuer Transaction Account and available to the Issuer will be applied by the Issuer in or towards satisfaction of the payment obligations of the Issuer, including under the Issuer Swap Agreement and the Partnership Swap Agreement.

On each Bond Interest Payment Date amounts standing to the credit of the Issuer Transaction Account and available to the Issuer will be applied to satisfy the Issuer's payment obligations, including in respect of the principal, interest and premium due on the Bonds and amounts due to the other Issuer Secured Creditors.

For further details, see "*Resources Available to the Partnership and the Issuer*".

The Partnership Loan will bear interest at a rate of 5.6611 per cent. per annum and interest will be payable quarterly on 10 January, 10 April, 10 July and 10 October (each a "**Loan Interest Payment Date**"). There will be scheduled payments of principal in respect of the Partnership Loan on each Loan Interest Payment Date.

The Partnership Loan will be guaranteed (on a limited recourse basis) (the "**Partnership Loan Guarantee**") by the Obligors other than the Partnership.

The Bonds and the Partnership Loan will bear interest at a fixed rate, whereas the Rental Income will be linked to a Retail Prices Index ("**RPI**"). Accordingly, prior to or on the Closing Date, in order to hedge the exposure which would otherwise exist:

- (a) the Partnership and the Issuer (in its capacity as "**Partnership Swap Provider**") will enter into a swap (the "**Partnership Swap**") governed by the Partnership Swap Agreement under which:
 - (i) the Partnership will pay to the Issuer on each Loan Interest Payment Date amounts (in aggregate) equal to the sum of the Principal Rent receivable by it under the Occupational Leases in the previous Calculation Period (after deducting a fixed indexed amount in respect of, *inter alia*, the amounts payable by the Partnership

under items (a) to (e) and (i) of the Partnership Pre-Enforcement Priority of Payments) (the "**Partnership Index Linked Leg**"); and

(ii) the Issuer will pay to the Partnership fixed amounts which will be equal to the scheduled interest (plus, in respect of the first Loan Interest Payment Date, an amount equal to the Partnership First Loan Interest Payment Date Fee) and principal due to the Issuer under the Partnership Loan on such Loan Interest Payment Date (the "**Partnership Fixed Leg**"); and

(b) the Issuer and the Issuer Swap Provider will enter into a swap (the "**Issuer Swap**") which will be governed by the Issuer Swap Agreement whereby the Issuer shall pay amounts equal to amounts due to the Issuer under the Partnership Index Linked Leg (the "**Issuer Index Linked Leg**") to the Issuer Swap Provider and the Issuer Swap Provider shall pay the Issuer fixed amounts which will be equal to the scheduled interest and principal due to the Bondholders under the Bonds on the immediately following Bond Interest Payment Date (the "**Issuer Fixed Leg**").

Security

The obligations of the Partnership, the General Partner, the Nominees and Nominees Holdco (the "**Obligors**") under the Partnership Loan Agreement and the other Transaction Documents to which the Partnership or any other Obligor is a party (the "**Partnership Transaction Documents**") will be secured in favour of the Partnership Security Trustee for the benefit of the Partnership Security Trustee, the Issuer, the Cash Manager, the Woolwich Cash Manager, the Account Bank, the Partnership Operator, the Property Pool Manager and the Nominees/Nominees Holdco Corporate Services Provider (the "**Partnership Secured Creditors**") by fixed and floating security created by, and pursuant to, the Partnership Security Documents (as to which, see further "*Summary of Transaction Documents – The Partnership Security Documents*").

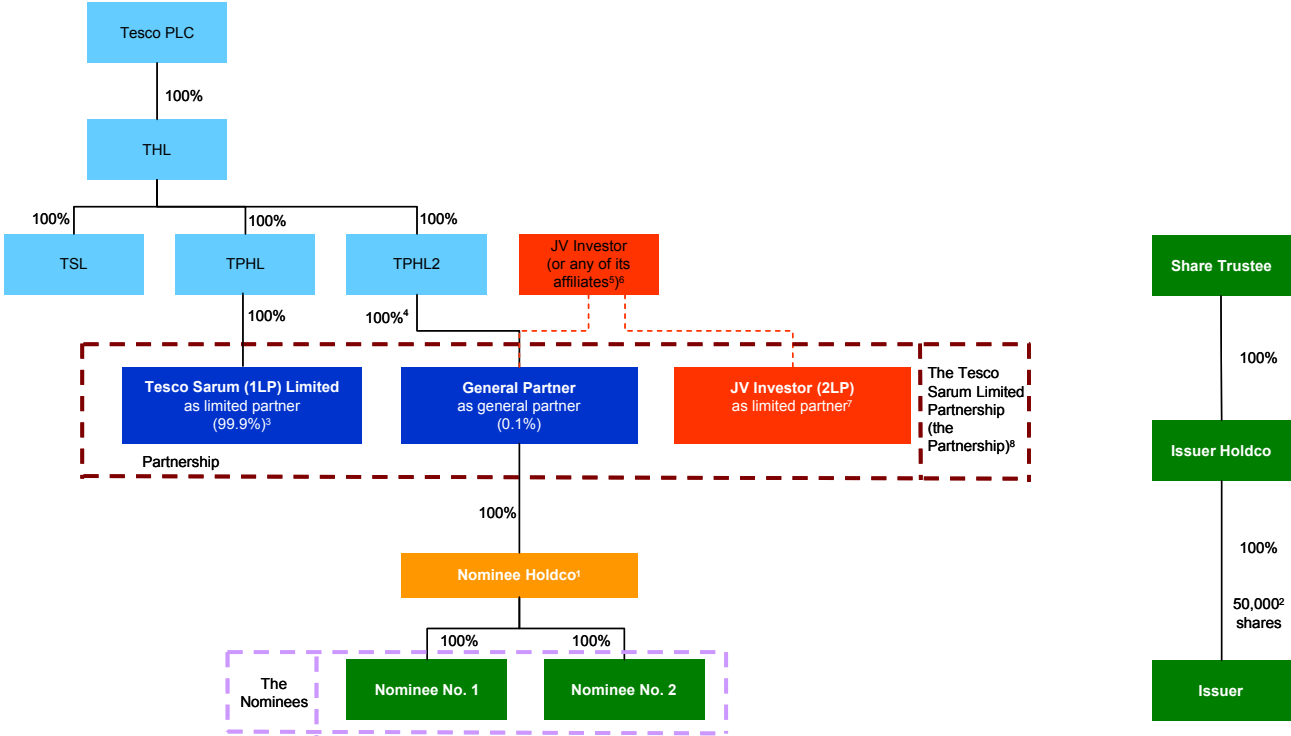
The Issuer will assign, by way of first fixed security, all of its right, title, interest and benefit in, to and under the Partnership Security Documents, the Partnership Loan Agreement, the Partnership Swap Agreement, the Issuer Swap Agreement and the other Transaction Documents to which the Issuer is a party (the "**Issuer Transaction Documents**"), charge its rights to the Issuer Transaction Account and create fixed and floating security over all of its other assets in favour of the Issuer Security Trustee for the benefit of itself, the Bond Trustee, the Bondholders and the other Issuer Secured Creditors pursuant to the Issuer Deed of Charge.

Transaction Documents

The following documents, *inter alia*, will constitute "**Transaction Documents**" for the purposes of this Prospectus: the Trust Deed; the Agency Agreement; the Issuer Deed of Charge; the Issuer Master Definitions and Construction Schedule; the Account Bank Agreement; the Cash Management Agreement; the Issuer Swap Agreement; any Eligible Guarantee (as defined in the Issuer Swap Agreement); the Partnership Swap Agreement; the Woolwich Development Agreement; the Partnership Loan Agreement; the Partnership Deed of Charge; the Subscription Agreement; the Nominees Deed of Charge; the Nominees Holdco Deed of Charge; the Common Terms and Definitions Deed; the Tax Deed of Covenant; the SDLT Deed of Covenant; the Subordinated Loan Agreement; the Junior Loan Letters; the Highest Rated Entity Deed; the Declarations of Trust; the Beneficiary Undertakings; the Superior Leases, the Head Leases; the Occupational Leases; the Substitution Agreement; the Property Pool Management Agreement; the Property Option Agreement; the Partnership Operating Agreement; the Issuer/Issuer Holdco Corporate Services Agreement; the Nominees/Nominees Holdco Corporate Services Agreement and any other document designated as such by the Partnership and the Partnership Security Trustee.

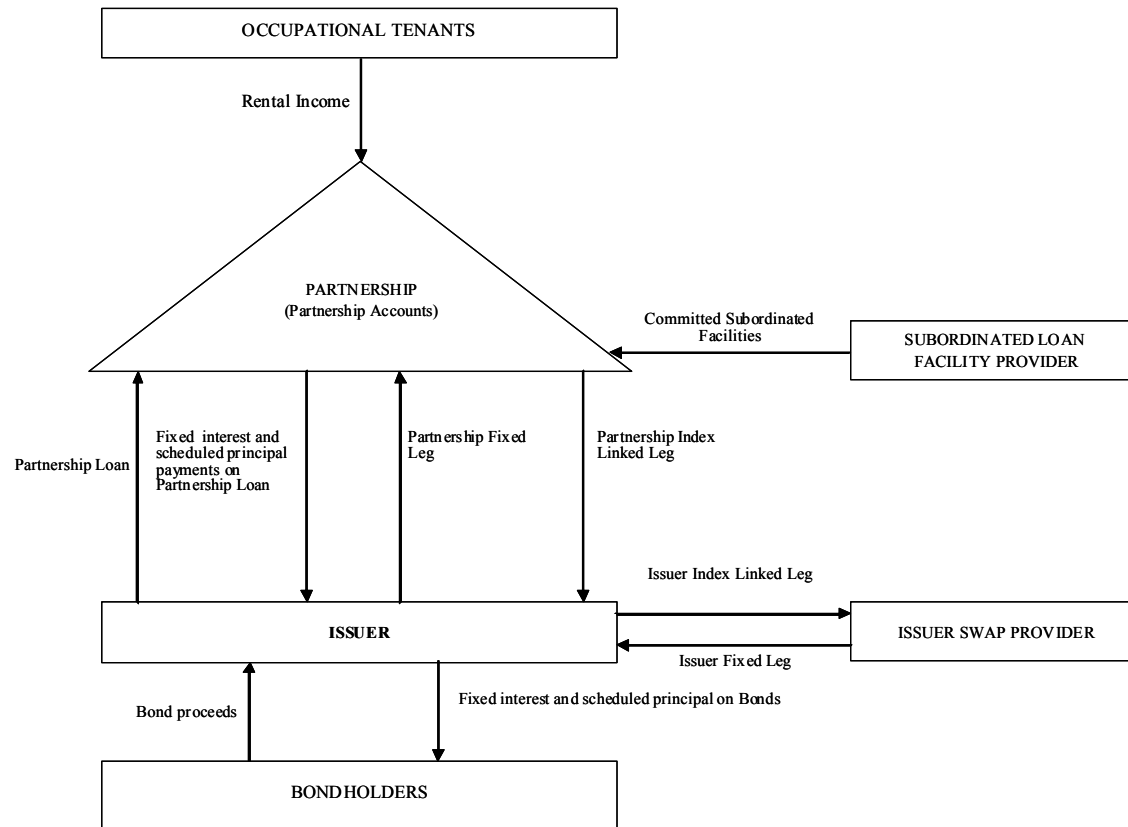
DIAGRAMMATIC OVERVIEW OF PARTIES AND TRANSACTION

FIGURE 1: OWNERSHIP STRUCTURE



¹ Nominee Holdco will be owned by the General Partner acting for and on behalf of the Partnership.
² One fully-paid up share and 49,999 partly paid up shares in Tesco Property Finance 5 Plc are held by Sarum Issuer Holdco Limited.
³ After the sale of the Bonds on the Closing Date, it is anticipated that Tesco Sarum (1LP) Limited will sell half of its partnership interest to a JV investor.
⁴ After the sale of the Bonds on the Closing Date, it is anticipated that TPHL2 will sell half of its interest in the General Partner to a third party.
⁵ A purchaser of the interest in the General Partner may be a JV Investor (or any of its affiliates or an orphan vehicle).
⁶ Upon the occurrence of a sale detailed in footnote 4 above, the JV Investor (or any of its affiliates or an orphan vehicle) and TPHL2 will each hold 50% of the interest in the General Partner.
⁷ Upon the occurrence of a sale detailed in footnote 3 above, 2LP and Tesco Sarum (1LP) Limited will each hold 49.95% of the partnership interest.
⁸ As at the time of the issue of the Bonds there will be no JV Investor in the ownership structure.

FIGURE 2: TRANSACTION STRUCTURE



KEY CHARACTERISTICS OF THE BONDS

The following information is a description of the principal features of the issue of the Bonds. This description should be read in conjunction with, and is qualified in its entirety by reference to, the detailed information presented elsewhere in this document.

	The Bonds
Initial principal amount:	£450,500,000
Issue price	100%
Credit enhancement:	None
Interest rate:	5.6611% p.a.
Interest accrual method:	Actual/Actual (ICMA)
Bond Interest Payment Dates:	Quarterly in arrear on 13 January, 13 April, 13 July and 13 October in each year
Amortisation:	On Bond Interest Payment Dates as provided in the Conditions
Scheduled average life:	22.5 years
First Bond Interest Payment Date:	13 April 2012
Final Maturity Date:	13 October 2041
Application for listing:	Irish Stock Exchange
ISIN:	XS0735866583
Common code:	073586658
Expected ratings (Moody's/S&P):	A3, on review for possible downgrade/A-

THE PARTIES

The Issuer

Tesco Property Finance 5 Plc (the "**Issuer**") is a public company incorporated in England and Wales with limited liability under registration number 07848593. The Issuer is not affiliated to Tesco. The Issuer was incorporated as a public limited company on 15 November 2011. The Issuer was established for the principal purpose of issuing the Bonds and entering into the transactions and matters contemplated by this Prospectus. All of the shares in the Issuer are held by Issuer Holdco.

Issuer Holdco

Sarum Issuer Holdco Limited ("**Issuer Holdco**") is a limited liability company incorporated in England and Wales. It is not affiliated to Tesco. The issued share capital of Issuer Holdco is held by SFM Corporate Services Limited as trustee (the "**Share Trustee**") under the terms of a discretionary trust for the benefit of one or more discretionary objects. Neither Tesco nor any company connected with Tesco can direct the Share Trustee and none of such companies has any control, direct or indirect, over Issuer Holdco or the Issuer.

The Partnership

The Tesco Sarum Limited Partnership (the "**Partnership**") was established as an English limited partnership to act as a special purpose vehicle under the terms of a partnership agreement dated 1 December 2011 (the "**Partnership Agreement**"). As at the Closing Date, the partners of the Partnership will be the Tesco Limited Partner and the General Partner, the Tesco Limited Partner will have a 99.9% interest in the Partnership and the General Partner will have a 0.1% interest in the Partnership. It is anticipated that at some point following the sale of the Bonds on the Closing Date, the Tesco Limited Partner will sell (although it is not required to) half of its interest in the Partnership to a third party investor (such investor, or any of its affiliates, the "**JV Investor**") and the Partnership Agreement will be amended and restated as a result. Any JV Investor which itself becomes a Limited Partner, or the entity nominated by it to become such, is referred to as "**2LP**". The Tesco Limited Partner will not be restricted from selling more than half of its interest in the Partnership, subject to the requirement that Tesco maintain a minimum indirect economic interest in the Partnership as referred to below, see "*The Limited Partners*".

The Tesco Limited Partner and, following any sale of half of its interest in the Partnership, 2LP or any other purchasers of interests in the Partnership are together referred to as the "**Limited Partners**" and the Limited Partners together with the General Partner are referred to as the "**Partners**".

The Partnership will on the Closing Date own the landlord's interest in the Occupational Leases relating to each of the properties within the Property Portfolio (and references in this Prospectus to the Partnership owning or holding title to such interests in respect of the properties within the Property Portfolio shall be read as references to the interest of the Partnership in its capacity as the

beneficiary of the Partnership Declarations of Trust). The Partnership will grant a charge over, *inter alia*, such beneficial interests in favour of the Partnership Security Trustee as security for the aggregate of all present and future monies, obligations and liabilities (actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) which from time to time are or may become due, owing or payable by an Obligor to each, some or any of the Partnership Secured Creditors under the Partnership Transaction Documents (the "**Partnership Secured Obligations**").

The General Partner

Tesco Sarum (GP) Limited (the "**General Partner**") is a limited liability company incorporated in England and Wales and was established for the principal purpose of acting as the general partner of the Partnership. As at the Closing Date, the General Partner will be wholly-owned by Tesco Property Holdings (No. 2) Limited (a wholly-owned indirect subsidiary of Tesco). It is anticipated that at some point following the sale of the Bonds on the Closing Date, Tesco Property Holdings (No. 2) Limited will sell (although it is not required to) half of its interest in the General Partner to the JV Investor (or an orphan vehicle). Tesco Property Holdings (No. 2) Limited will not be restricted from selling more than half of its interest in the General Partner, subject to the requirement that Tesco maintain a minimum indirect economic interest in the Partnership as referred to below, see "*Tesco Sarum Limited Partnership (The Partnership)*".

The Limited Partners

Tesco Sarum (1LP) Limited (the "**Tesco Limited Partner**") is a limited liability company incorporated in England and Wales and was established for the principal purpose of acting as a limited partner of the Partnership. The Tesco Limited Partner is a wholly-owned indirect subsidiary of Tesco. Tesco has agreed to maintain a minimum indirect economic interest in the Partnership while any Bonds remain outstanding.

It is anticipated that at some point following the sale of the Bonds on the Closing Date, the Tesco Limited Partner will sell (although it is not required to) half of its interest in the Partnership to the JV Investor, being 2LP. The Tesco Limited Partner will not be restricted from selling more than half of its interest in the Partnership, subject to the requirement that Tesco maintain a minimum indirect economic interest in the Partnership as referred to below, see "*The Tesco Sarum Limited Partnership (The Partnership)*".

The Nominees

Each of the Nominees is a limited liability company incorporated in England and Wales, which was established for the principal purpose of holding the legal title to the Headleases of the Mortgaged Properties (as defined in the section "*The Property Portfolio*") on trust for the Partnership. Each of the Nominees is wholly-owned by Nominees Holdco and will, on the Closing Date, acquire the legal titles to the properties within the Property Portfolio which it will hold on trust for the Partnership.

Nominees Holdco	Tesco Sarum (Nominee Holdco) Limited (" Nominees Holdco ") is a limited liability company incorporated in England and Wales, which was established for the principal purpose of acting as the holding company of the Nominees. Nominees Holdco is a wholly-owned subsidiary of the General Partner acting for and on behalf of the Partnership.
The Tesco Group	For the purposes of this document, the " Tesco Group " means Tesco Plc (" Tesco ") and all or any of its direct or indirect subsidiaries (as defined in the Companies Act 2006).
The Highest Rated Entity	An undertaking which is affiliated to or a subsidiary or parent of (as such terms are defined in the Companies Act 2006) Tesco whose long-term, unsecured, unsubordinated debt obligations are rated higher than those of Tesco, provided that such entity is not a financial institution or a special purpose entity established for the purpose of one or more particular financing transactions or types of transactions or financial business (the " Highest Rated Entity ") will guarantee certain obligations of Tesco and agree to become co-guarantor with Tesco if such entity exists and the long-term, unsecured, unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's and A- by S&P pursuant to a deed to be entered into by, amongst others, the Issuer, the Obligors, the Issuer Security Trustee, the Partnership Security Trustee and Tesco on or about the Closing Date (the " Highest Rated Entity Deed ") and acceded to by the Highest Rated Entity at any time.
The Bond Trustee	<p>HSBC Corporate Trustee Company (UK) Limited will be appointed as Bond Trustee pursuant to a trust deed which will be entered into on the Closing Date between the Issuer and the Bond Trustee and in relation to which the Bonds will be constituted (the "Trust Deed", which expression shall include such trust deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto).</p> <p>The Bond Trustee, in its capacity as trustee under the Trust Deed, will act as trustee for the Bondholders.</p>
The Issuer Security Trustee	HSBC Corporate Trustee Company (UK) Limited (in such capacity, the " Issuer Security Trustee ") will be granted security by the Issuer under or pursuant to a deed of charge in favour of the Issuer Security Trustee (on behalf of the Issuer Secured Creditors) (the " Issuer Deed of Charge ", which expression shall include such deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto) (together with a power of attorney executed and delivered by the Issuer thereunder and any other document or instrument granted by the Issuer in favour of the Issuer Security Trustee on behalf of the Issuer Secured Creditors, the " Issuer Security Documents "). The Issuer Security Trustee will hold the security created by and pursuant to the Issuer Security

Documents on behalf of itself and the other Issuer Secured Creditors.

The Partnership Security Trustee

HSBC Corporate Trustee Company (UK) Limited (in such capacity, the "**Partnership Security Trustee**") will hold security (on behalf of the Partnership Secured Creditors) granted by the Partnership and the General Partner under or pursuant to a deed of charge to be entered into on or about the Closing Date (the "**Partnership Deed of Charge**", which expression shall include such deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto), by the Nominees under or pursuant to a deed of charge to be entered into on or about the Closing Date (the "**Nominees Deed of Charge**", which expression shall include such deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto) and by Nominees Holdco under a deed of charge to be entered into on or about the Closing Date (the "**Nominees Holdco Deed of Charge**", which expression shall include such deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto) (together with any powers of attorney to be executed and delivered by the Partnership, the General Partner, the Nominees and Nominees Holdco and any other document or instrument granted by the Partnership, the General Partner, the Nominees or Nominees Holdco in favour of the Partnership Security Trustee (on behalf of the Partnership Secured Creditors) as security for the Partnership Secured Obligations, the "**Partnership Security Documents**"). The Partnership Security Trustee will hold the security created by and pursuant to the Partnership Security Documents on behalf of itself, the Issuer and the other Partnership Secured Creditors.

The Cash Manager

HSBC Bank plc (the "**Cash Manager**"), acting through its London office located at 8 Canada Square, London E14 5HQ, will be appointed by each of the Issuer, the Partnership and the Nominees on the Closing Date pursuant to the Cash Management Agreement to act on its behalf in managing, *inter alia*, the calculation and application of monies standing to the credit of, as applicable, the Partnership Rent Account, the Partnership Accounts (other than the Partnership Distribution Account) and the Issuer Transaction Account, the calculation and application of monies payable to the Partnership under the Partnership Expenses Facility, the calculation and application of monies payable by the Partnership under the Partnership Loan Agreement, the Partnership Swap Agreement and the other Partnership Transaction Documents and the calculation and application of monies payable by the Issuer under the Bonds, the Issuer Swap Agreement and the other Issuer Transaction Documents. Such calculations shall be carried out by the Cash Manager pursuant to the Cash Management Agreement and the Cash Manager shall have no other obligations in respect of the payments referred to above.

The Woolwich Cash Manager	Spen Hill Management Limited (the " Woolwich Cash Manager ") will be appointed by the Partnership and the Nominees on the Closing Date pursuant to the Cash Management Agreement to act on its behalf in managing the calculation and application of monies standing to the credit of the Woolwich Development Reserve Account. The Woolwich Cash Manager shall have no other obligations in respect of the payments referred to above. The Woolwich Cash Manager is a wholly-owned indirect subsidiary of Tesco. The Woolwich Cash Manager's address is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.
The Issuer Swap Provider	Tesco, whose principal office is located at Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL, will be the swap provider to the Issuer (the " Issuer Swap Provider ") under the Issuer Swap Agreement. Its obligations will be guaranteed by the Highest Rated Entity if (a) such entity exists and (b) the long-term, unsecured, unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's and A- by S&P.
The Account Bank	HSBC Bank plc (the " Account Bank "), acting through its office at 8 Canada Square, London, E14 5HQ, will maintain certain accounts on behalf of the Issuer, the Partnership and the Nominees under the Account Bank Agreement.
The Principal Paying Agent	HSBC Bank plc (the " Principal Paying Agent "), acting through its office at 8 Canada Square, London E14 5HQ, will be appointed to act as principal paying agent in respect of the Bonds under the Agency Agreement.
The Registrar	HSBC Bank plc (the " Registrar "), acting through its office at 8 Canada Square, London E14 5HQ, will be appointed to act as registrar in respect of the Bonds under the Agency Agreement.
The Property Pool Manager	Spen Hill Management Limited (the " Property Pool Manager ") will provide property management services in relation to the Mortgaged Properties including, <i>inter alia</i> , monitoring and inspecting the Mortgaged Properties to ensure that the Mortgaged Properties are kept in good repair and the terms of the Occupational Leases are otherwise complied with (including the collection of rents from the Occupational Tenants) pursuant to the terms of an agreement to be entered into on the Closing Date between, <i>inter alios</i> , the Partnership, the Partnership Operator, the Property Pool Manager, the Partnership Security Trustee and the Nominees (the " Property Pool Management Agreement "). The Property Pool Manager is a wholly-owned indirect subsidiary of Tesco. The Property Pool Manager's address is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.
The Developer	Spen Hill Regeneration Limited (the " Developer ") will undertake to complete the development of the Woolwich Mortgaged Property (the " Development "). The Developer is a wholly owned indirect subsidiary of Tesco. The Developer's address is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.

The Property Advisor	Cushman & Wakefield LLP (the " Property Advisor ") will act as property advisor to the Partnership and will carry out independent investigations of the Mortgaged Properties for the Partnership and provide certificates and reports to the Partnership in certain circumstances, as more particularly described in the section entitled " <i>Substitution, Alteration and Disposal of Mortgaged Properties</i> ".
The Partnership Operator	State Street Fund Services (UK) Limited, a limited liability company incorporated in England and Wales, which is authorised and regulated by the UK Financial Services Authority, will act as the operator (in such capacity, the " Partnership Operator ") in respect of the Partnership pursuant to an operating agreement (the " Partnership Operating Agreement "). For further details on the Partnership Operator and the role it will perform, see the section of this document entitled " <i>State Street Fund Services (UK) Limited (The Partnership Operator)</i> " and the section of this document entitled " <i>The Tesco Sarum Limited Partnership (The Partnership)</i> ".
The Issuer/Issuer Holdco Corporate Services Provider	Structured Finance Management Limited, which will be appointed, on or prior to the Closing Date (in such capacity, the " Issuer/Issuer Holdco Corporate Services Provider "), as corporate service provider to the Issuer and Issuer Holdco pursuant to a corporate services agreement (the " Issuer/Issuer Holdco Corporate Services Agreement "), is a limited liability company incorporated in England and Wales (acting through its office at 35 Great St Helen's, London EC3A 6AP) and will provide directors to the Issuer and Issuer Holdco and certain secretarial and administration services to the Issuer and Issuer Holdco subject to and in accordance with the Issuer/Issuer Holdco Corporate Services Agreement.
The Nominees/Nominees Holdco Corporate Services Provider	State Street Administration Services (UK) Limited, which will be appointed, on or prior to the Closing Date, as corporate service provider (in such capacity, the " Nominees/Nominees Holdco Corporate Services Provider ") to the Nominees and Nominees Holdco pursuant to a corporate services agreement (the " Nominees/Nominees Holdco Corporate Services Agreement "), is a limited liability company incorporated in England and Wales (acting through its office at 1st Floor, Phoenix House, 18 King William Street, London EC4N 7BP) and will provide independent directors to the Nominees and Nominees Holdco subject to and in accordance with the Nominees/Nominees Holdco Corporate Services Agreement.

THE BONDS

General

The Bonds will be issued in accordance with the terms of the Trust Deed and will be direct, secured and limited recourse obligations of the Issuer.

Status, Form and Denomination

The Bonds will, in all cases, rank *pari passu* amongst themselves as to payment of interest and will, in all cases, rank *pari passu* amongst themselves as to the payment of principal.

The holders of the Bonds will be entitled to receive payments of interest and principal on their Bonds on each Bond Interest Payment Date (or as otherwise provided for in the Conditions) but the entitlement to receive interest and principal is subordinated to any liabilities ranking in priority to the Bonds, including, *inter alia*, all amounts payable on the relevant Bond Interest Payment Date (or the Final Maturity Date, as the case may be) to the Bond Trustee, the Issuer Security Trustee, the Paying Agents, the Registrar, the Account Bank, the Cash Manager and the Issuer/Issuer Holdco Corporate Services Provider.

For a more detailed description of the priority of payments both prior and subsequent to the enforcement of security thereunder, see the section of this document entitled "*Resources Available to the Partnership and the Issuer*".

For further details as to Bondholder meetings, modifications, waivers and consents by the Issuer Security Trustee and the Bond Trustee, see the sections entitled "*Terms and Conditions of the Bonds*", "*Summary of Transaction Documents*" and "*Risk Factors*".

The Bondholders may replace the Bond Trustee by resolution of the Bondholders passed as an extraordinary resolution under the terms of the Trust Deed (an "**Extraordinary Resolution**") (as long as there is a bond trustee in relation to the Bonds after such removal).

The Bonds are and will be obligations of the Issuer only. The Bonds are not and will not be obligations or responsibilities of any person or entity other than the Issuer. Furthermore, the Bonds are not and will not be obligations or responsibilities of, or guaranteed by, Issuer Holdco, any of the Obligors, the Limited Partners, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Lead Structuring Agent, the Joint Lead Arrangers, the Partnership Operator, the Property Pool Manager, the Property Advisor, the Issuer Swap Provider, the Cash Manager, the Woolwich Cash Manager, the Paying Agents, the Registrar, the Account Bank, the Nominees Holdco Corporate Services Provider, the Issuer/Issuer Holdco Corporate Services Provider, the Nominees, Nominees Holdco, Tesco or any other member of the Tesco Group.

The Bonds (each individual Bond of which (should definitive Bonds be issued) will be in the denomination of £100,000 and higher

integral multiples of £1,000 up to and including £199,000) will be represented by the Global Bond. The Global Bond will not be exchangeable for definitive Bonds, save in certain limited circumstances (as to which see further "*Provisions Relating to Bonds whilst in Global Form*").

Interest and principal

Interest and principal on the Bonds is payable by reference to successive Bond Interest Periods. Interest will be payable quarterly in arrear on each Bond Interest Payment Date. The first Bond Interest Period will commence on (and include) the Closing Date and end on (but exclude) the Bond Interest Payment Date falling on 13 April 2012. Each successive Bond Interest Period will commence on (and include) a Bond Interest Payment Date and end on (but exclude) the immediately succeeding Bond Interest Payment Date.

Interest on the Bonds will accrue at the rate of 5.6611 per cent. per annum.

Principal will be paid in accordance with Condition 5.2 (Redemption, Purchase and Cancellation – **Scheduled mandatory redemption in part**).

A failure by the Issuer to make timely payments of amounts of interest and principal due under the Bonds will constitute a Bond Event of Default.

The Bondholders will be entitled to receive payment of interest on their respective Bonds on any Bond Interest Payment Date as provided in the Conditions and provided that such entitlement is subordinated to any liabilities ranking in priority thereto in accordance with the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Enforcement Priority of Payments (see further the section of this document entitled "*Resources Available to the Partnership and the Issuer*").

Withholding tax

All payments of principal and interest in respect of the Bonds will be made without withholding or deduction for or on account of tax unless such withholding or deduction is required by law (whether in the United Kingdom or elsewhere). If any such withholding or deduction is required to be made from payments due in respect of the Bonds (as to which, in relation to the United Kingdom, see the section of this document entitled "*United Kingdom Taxation*"), neither the Issuer nor any Paying Agent nor the Registrar nor any other person will be obliged to pay any additional amounts to Bondholders or, if Definitive Bonds are issued, to otherwise compensate Bondholders for the reduction in the amounts they will receive as a result of such withholding or deduction. In such circumstances, the Issuer will have the option (but not the obligation) to redeem all of the Bonds at their Principal Amount Outstanding, as more particularly set out in Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality).

Final redemption	Unless previously redeemed in full or purchased and cancelled, the Bonds will mature at their then Principal Amount Outstanding, together with accrued interest (if any) thereon on 13 October 2041 (the " Final Maturity Date ").
Mandatory redemption	<p>Unless the Bonds have previously been redeemed in full, the Issuer will redeem the Bonds:</p> <p>(a) in the amounts and on the Bond Interest Payment Dates specified in Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part) (as subsequently amended); and</p> <p>(b) on each Bond Interest Payment Date in an amount equal to the amount of principal prepaid by the Partnership to the Issuer on such date in respect of the Partnership Loan (for more detail on the prepayment of the Partnership Loan, see "<i>Summary of Transaction Documents – The Partnership Loan Agreement – Prepayment of the Partnership Loan</i>" and Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part)).</p>
Optional redemption	The Issuer may, at its option, redeem all of the Bonds on any Bond Interest Payment Date at their Principal Amount Outstanding if certain circumstances arise on or after the Closing Date relating to certain changes of tax law (or the application or official interpretation thereof), as more particularly set out in Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality).
Security	<p>The Bonds will be secured pursuant to the Issuer Deed of Charge (see "<i>Summary of Transaction Documents – The Issuer Deed of Charge</i>" for a further description of the Issuer Security).</p> <p>The Issuer Security Trustee and any appointee thereof (and any receiver appointed by the Issuer Security Trustee), the Bond Trustee and any appointee thereof, the Bondholders, the Account Bank, the Cash Manager, the Partnership, the Issuer Swap Provider, the Paying Agents, the Registrar, the Issuer/Issuer Holdco Corporate Services Provider and any other person acceding to the Issuer Deed of Charge as a secured creditor of the Issuer from time to time (the "Issuer Secured Creditors") will also have the benefit of the Issuer Security created pursuant to the Issuer Deed of Charge.</p> <p>The obligations of the Issuer in respect of the Bonds and the other Issuer Secured Creditors pursuant to the Issuer Transaction Documents will rank as to payments, and in point of security, according to the relevant Issuer Priority of Payments (as to which, see the section of this document entitled "<i>Resources Available to the Partnership and Issuer</i>").</p>

Following the service of a Bond Acceleration Notice by the Bond Trustee, the Bonds will become immediately due and repayable in accordance with Condition 9.2 (Bond Events of Default – Consequences of Bond Acceleration Notice).

Bond Events of Default

The Bond Trustee may, and if so directed by the Bondholders in accordance with the Conditions shall, (but, in the case of the events in paragraph (b) below, only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interest of the Bondholders) give a Bond Acceleration Notice to the Issuer:

- (a) if default is made in the payment of principal, premium or interest due in respect of the Bonds and the default continues for three Business Days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or any Issuer Transaction Documents and generally where such failure continues for 30 days; or
- (c) if the Issuer suffers certain specified insolvency events or ceases or threatens to cease its business or a substantial part thereof (as more particularly described in Condition 9.1 (Bond Events of Default – Bond Acceleration Notice)); or
- (d) if any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date declared due) of Tesco or any Material Subsidiary shall be or be declared due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an event of default (howsoever described) in relation thereto or Tesco or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date of maturity) at the maturity thereof or at the expiry of any applicable grace period or any guarantee of any such indebtedness given by Tesco or any Material Subsidiary shall not be paid when due and called upon save in any such case where there is a bona fide dispute as to whether payment or repayment is due.

For this purpose:

"Material Subsidiary" means (a) a subsidiary of Tesco whose profits before tax and extraordinary items or whose net assets (in each case attributable to Tesco) calculated by reference to its latest audited accounts represent ten per cent. or more of the consolidated profits before tax and extraordinary items or net assets (in each case attributable

to Tesco) as the case may be, of Tesco and its subsidiaries similarly calculated and (b) a subsidiary which has outstanding any notes, bonds or other like securities of which Royal Exchange Trust Company Limited (or any successor trustee to Tesco's £15,000,000,000 Euro Note Programme) is trustee. A certificate of any two directors of Tesco that in their opinion a subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"Moneys Borrowed" means (a) borrowed moneys and (b) liabilities under any note, bond, bill, debenture, loan stock or other security in each case issued for cash or in respect of acceptance credit facilities or as consideration for assets or services but excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading.

Ratings

It is expected that the Bonds will, when issued, be assigned a rating of A3, on review for possible downgrade by Moody's and a rating of A- by S&P. Each of the Rating Agencies is established in the European Union and is registered under the CRA Regulation. As such each Rating Agency is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation. The Issuer will use its reasonable endeavours to maintain ratings of the Bonds from the Rating Agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Listing

Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and to trading on its regulated market.

RISK FACTORS

The following is a summary of certain aspects of the Bonds about which prospective Bondholders should be aware. This summary is not intended to be exhaustive and prospective Bondholders should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks related to the Bonds

Limited resources

The Bonds will be limited recourse obligations of the Issuer. Further, the assets of the Issuer will themselves be limited. The Issuer is a special purpose company with no business operations other than the issue of the Bonds and the transactions ancillary thereto. The ability of the Issuer to meet its obligations under the Bonds will be principally dependent on the receipt by it of funds from the Partnership under the Partnership Loan Agreement and the Partnership Swap Agreement and the receipt of funds from the Issuer Swap Provider under the Issuer Swap Agreement. Other than the foregoing, prior to the enforcement of the security created pursuant to the Partnership Security Documents, the Issuer will not have any other significant funds available to it to meet its obligations under the Bonds and in respect of any payment ranking in priority to, or *pari passu* with, the Bonds.

Liability under the Bonds

The Bonds will be obligations solely of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the Bonds will not be obligations or responsibilities of, and will not be guaranteed by, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Paying Agents, the Registrar, the Lead Structuring Agent, the Joint Lead Arrangers, the Cash Manager, the Woolwich Cash Manager, the Account Bank, the Partnership Operator, the Issuer Swap Provider, the Property Pool Manager, the Property Advisor, the Issuer/Issuer Holdco Corporate Services Provider, the Nominees/Nominees Holdco Corporate Services Provider, Tesco or any other member of the Tesco Group. Furthermore, no person other than the Issuer will accept any liability whatsoever to Bondholders in respect of any failure by the Issuer to pay any amount due under the Bonds.

Definitive Bonds and denominations in integral multiples

The Bonds have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000 up to £199,000. Accordingly, it is possible that the Bonds may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if definitive Bonds are required to be issued, a Bondholder who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a definitive Bond in respect of such holding and may need to purchase a principal amount of Bonds such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If definitive Bonds are issued, Bondholders should be aware that definitive Bonds which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

No liquidity facility

The Issuer does not have the benefit of a liquidity facility. Therefore, in the event that the Occupational Tenants fail to pay rent after any applicable grace period (and the Occupational Tenant Guarantor fails to pay such amounts under the Occupational Tenant Guarantee) or there is a delay or failure to pay by the Partnership under the Partnership Loan Agreement (or the other Obligors pursuant to the Partnership Loan Guarantee) or by the Partnership under the Partnership Swap Agreement or by the Issuer Swap Provider under the Issuer Swap Agreement, the Issuer may be unable to meet its payment obligations under the Bonds as they fall due.

Partnership Level Security enforcement

In the event of acceleration of the Partnership Loan, recourse will be available only to the Partnership Level Charged Property (including the Mortgaged Properties, the relevant Partnership Transaction Documents, the Partnership Accounts, the Partnership Rent Account and the Woolwich Development Reserve Account). Enforcement under the Partnership Security Documents may not result in immediate realisation of the Partnership Level Charged Property and a significant delay could be experienced in recovery by the Partnership Security Trustee of, *inter alia*, amounts owed under the Partnership Loan (in particular, please see "*English law security and insolvency considerations*"). There can be no assurance that the Partnership Security Trustee would recover all amounts secured upon enforcement of the Partnership Level Security and, accordingly, sufficient funds may not be realised or available to make all required payments to the Issuer under the Partnership Loan and, accordingly, the Issuer may not have sufficient funds available to make all required payments to Bondholders and other Issuer Secured Creditors.

Monitoring of compliance with representations, warranties and covenants and occurrence of Partnership Loan Event of Default or Partnership Loan Potential Event of Default

The Partnership Loan Agreement will provide that the Partnership Security Trustee will be entitled to assume, unless the Partnership Security Trustee is expressly informed otherwise by the Partnership, that no Partnership Loan Event of Default or Partnership Loan Potential Event of Default has occurred which is continuing. The Partnership Security Trustee will not itself monitor whether any such event has occurred but will (unless expressly informed to the contrary by the Partnership) rely on any certificates and information delivered under the Partnership Loan Agreement to determine whether a Partnership Loan Event of Default or Partnership Loan Potential Event of Default has occurred. For further details concerning Partnership Loan Events of Default or Partnership Loan Potential Events of Default, see the section of this document entitled "*Summary of Transaction Documents – The Partnership Loan Agreement*".

None of the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee is obliged to monitor whether a Partnership Loan Event of Default or Partnership Loan Potential Event of Default has occurred. Moreover, as the Issuer is a special purpose company, it will not, nor does it possess the resources to, actively monitor whether a Partnership Loan Event of Default or a Partnership Loan Potential Event of Default has occurred, including, for this purpose, the continued accuracy of the representations and warranties made by the Obligors and compliance by the Obligors with their covenants and undertakings under the Partnership Loan Agreement.

The Partnership Loan Agreement will require the Partnership to inform the Issuer and the Partnership Security Trustee of the occurrence of any Partnership Loan Event of Default and Partnership Loan Potential Event of Default promptly upon becoming aware of the same.

The occurrence of a Partnership Loan Event of Default under the Partnership Loan Agreement will entitle the Partnership Security Trustee to pursue any of the courses of action available to it, as set

out under the section of this document entitled "*Summary of Transaction Documents – The Partnership Loan Agreement*".

Notwithstanding the above, in certain circumstances, the Mortgaged Properties held by the Partnership and the Nominees will be subject to independent review by the Property Advisor. For further details as to the role of the Property Advisor, see the section of this document entitled "*Substitution, Alteration and Disposal of Mortgaged Properties*".

Hedging risks

Principal Rent receivable by the Partnership in respect of the Mortgaged Properties is linked to RPI whereas interest and principal payable by the Partnership to the Issuer under the Partnership Loan is fixed or for a scheduled amount. Therefore Principal Rent received by the Partnership in respect of the Occupational Leases may not be sufficient for the Partnership to meet its interest and principal obligations under the Partnership Loan. In order to mitigate this risk, the Partnership will enter into the Partnership Swap with the Issuer whereby the Partnership will pay the Issuer floating amounts equal to the Partnership Index Linked Leg for the relevant Loan Interest Period and the Issuer shall pay the Partnership fixed amounts equal to the Partnership Fixed Leg.

The Issuer, in turn, has mitigated the risk that the amounts which it is due to receive under the Partnership Loan and the Partnership Swap will be insufficient to meet its fixed payment obligations under the Bonds by entering into the Issuer Swap with the Issuer Swap Provider, whereby the Issuer will pay the Issuer Swap Provider amounts equal to the Issuer Index Linked Leg (equal to the Partnership Index Linked Leg) and the Issuer Swap Provider will pay the Issuer fixed amounts equal to the Issuer Fixed Leg (equal to the Partnership Fixed Leg). Nonetheless, in the event of a default by the Issuer Swap Provider (including, but not limited to, the insolvency of the Issuer Swap Provider) or in certain other circumstances, the Issuer Swap may be terminated. In such event, it is not certain that any termination sum payable by the Issuer Swap Provider to the Issuer would be paid in full on the due date nor that it would be sufficient to induce a suitable replacement issuer swap provider to enter into a replacement swap.

There are no minimum rating requirements for the Issuer Swap Provider. Therefore, in the event of a downgrade of its ratings, the Issuer Swap Provider is not required to provide collateral in support of its obligations and is not required to transfer its rights and obligations under the Issuer Swap Agreement to a replacement swap provider. As a result, it is likely that if the Occupational Tenants default under their obligations to pay rent, the Issuer Swap Provider will also be in default under the Issuer Swap Agreement and the Issuer will have the option to terminate the Issuer Swap. In addition, if the Issuer Swap Provider is downgraded, the Bonds may also be downgraded.

Absence of market and limited liquidity

There can be no assurance that a secondary market in the Bonds will develop or, if one does develop, that it will provide Bondholders with liquidity of investment or that it will continue for the life of the Bonds. In addition, the market value of the Bonds and thus the price at which Bonds can be bought or sold in the market may fluctuate with changes in prevailing rates of interest, market perceptions of the risks associated with the Bonds, supply and demand and other market conditions.

Liquidity in the secondary market may adversely affect the market value of the Bonds

Recent events in the securitisation markets, as well as the debt markets generally, have caused significant dislocations, illiquidity and volatility in the market for commercial mortgage-backed securities, as well as in the wider global financial markets. As at the date of this Prospectus, the

secondary market for commercial mortgage-backed securities is continuing to experience disruptions resulting from, among other factors, reduced investor demand for such securities. This has had a materially adverse impact on the market value of commercial mortgage-backed securities and resulted in the secondary market for commercial mortgage-backed securities experiencing very limited liquidity. Structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities have been experiencing funding difficulties and have been forced to sell commercial mortgage-backed securities into the secondary market. The price of credit protection on commercial mortgage-backed securities through credit derivatives has risen materially. Limited liquidity in the secondary market may continue to have an adverse effect on the market value of commercial mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, whilst these market conditions continue to persist, an investor in the Bonds may not be able to sell or acquire credit protection on its Bonds readily and market values of the Bonds are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to Bondholders.

It is not known for how long these market conditions will continue and it cannot be assured that these market conditions will not continue to occur or whether they will become more severe.

Ratings of the Bonds

The ratings assigned to the Bonds by S&P address the likelihood of full and timely payment to the Bondholders of all payments of interest and scheduled principal due on each Bond Interest Payment Date. The ratings assigned to the Bonds by Moody's reflect the expected loss posed to investors by the legal final maturity date of the Bonds. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgement, circumstances so warrant. Rating organisations other than the Rating Agencies could seek to rate the Bonds and, if such "unsolicited ratings" are lower than the comparable rating assigned to the Bonds by the Rating Agencies, such "unsolicited ratings" could have an adverse effect on the value of the Bonds.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this document are to ratings assigned by the Rating Agencies only. Future events, including events affecting the Occupational Tenants and/or the Tesco Group and/or circumstances relating to the Mortgaged Properties and/or the property market generally, could have an adverse impact on the ratings of the Bonds.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

Rating Agency Confirmation

The terms of certain Transaction Documents will provide that, in certain circumstances, the Issuer must, and the Bond Trustee or the Issuer Security Trustee or the Partnership Security Trustee may, obtain confirmation from the Rating Agencies that any particular action proposed to be taken by the Issuer, the Partnership, the Partnership Operator, the Property Pool Manager, the Cash Manager, the Woolwich Cash Manager, the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee will not adversely affect or cause to be withdrawn the then current ratings of the Bonds (a "**Rating Agency Confirmation**").

By acquiring the Bonds, investors will be deemed to have acknowledged and agreed that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to Bondholders, including, without limitation, whether any action proposed to be taken by the Issuer, the Partnership, the Partnership Operator, the Property Pool Manager, the Cash Manager, the Woolwich Cash Manager, the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee or any other party to a Transaction Document is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not materially prejudicial to, some or all of the Bondholders. In being entitled to have regard to the fact that the Rating Agencies have confirmed that the then current ratings of the Bonds would not be adversely affected or withdrawn, each of the Issuer, the Partnership, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Partnership Secured Creditors and the Issuer Secured Creditors (including the Bondholders) is deemed to have acknowledged and agreed that the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer, the Partnership, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Partnership Secured Creditors, the Issuer Secured Creditors (including the Bondholders) or any other person or create any legal relations between the Rating Agencies and the Issuer, the Partnership, the Bond Trustee, the Issuer Security Trustee, the Partnership Security Trustee, the Partnership Secured Creditors, the Issuer Secured Creditors (including the Bondholders) or any other person whether by way of contract or otherwise.

Any such Rating Agency Confirmation may be given or not given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Rating Agency will not be responsible for the consequences thereof. Such confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the Bonds form part since the Closing Date. A Rating Agency Confirmation represents only a restatement of the opinions given and is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction.

Conflicts of interest

The Trust Deed will require the Bond Trustee to have regard to the interests of all the Bondholders as a class (so long as any of the Bonds remains outstanding) as regards all powers, trusts, authorities, duties and discretions (as to which, see "*The Bonds*" and the Conditions).

So long as any of the Bonds are outstanding, the Bond Trustee shall not be bound to direct the Issuer Security Trustee to take any steps, proceedings or other actions to enforce the Issuer Security, or to direct the Issuer Security Trustee to direct the Partnership Security Trustee to take steps, proceedings or other actions to enforce the Partnership Level Security, unless:

- (a) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities, proceedings, claims and demands to which it may be or become liable and all costs, charges and expenses which may be incurred by them in connection therewith; and
- (b) it shall have been directed or requested to do so by an Extraordinary Resolution of the holders of the Bonds then outstanding or in writing by the holders of at least 20 per cent. of the aggregate principal amount of the Bonds then outstanding.

Modification, waivers and consents

The Bond Trustee may (in its sole discretion), without the consent of the Bondholders (other than in respect of a Basic Terms Modification), give its consent to (or direct the Issuer Security Trustee to give its consent to or direct the Issuer Security Trustee to direct the Partnership Security Trustee to give its consent to) any amendment to any term of any Transaction Document to which it is a party or give its consent to any event, matter or thing or authorise or waive any breach of the Conditions or the Trust Deed or the other Transaction Documents in the circumstances described in Condition 12 (Meetings of Bondholders, Modifications and Waivers).

Modifications to the Transaction Documents to comply with Rating Agency criteria

The Conditions of the Bonds provide that the Bond Trustee will, subject to certain exceptions, but without a requirement for the consent or sanction of any of the Bondholders or any other Issuer Secured Creditor, concur with the Issuer, and/or direct the Issuer Security Trustee to concur with the Issuer, in making any modification to the Transaction Documents and/or conditions that are requested by the Issuer in order to comply with any criteria of the Rating Agencies which may be published after the Closing Date and which modifications the Issuer certifies to the Bond Trustee and the Issuer Security Trustee in writing are required to avoid a downgrade, withdrawal or suspension of then current ratings assigned by a Rating Agency to the Bonds.

Risks relating to the Occupational Leases

Dependence on Tesco

The ability of the Partnership to make payments of interest and principal under the Partnership Loan is dependent on Principal Rent received from the Occupational Tenants or payments being made by Tesco under the Occupational Tenant Guarantee or funds being lent under the Partnership Expenses Facility or amounts being paid pursuant to the Plc Indemnity. The ability of the Issuer to make payments of interest and principal under the Bonds is in turn dependent on the payments being made by the Issuer Swap Provider under the Issuer Swap Agreement and by the Partnership under the Partnership Loan and the Partnership Swap Agreement. The completion of the Development is also dependent on the Developer (and Tesco Plc as provider of a completion guarantee in respect of the Development) performing its obligations under the Woolwich Development Agreement. The current long-term senior unsecured rating assigned by S&P to Tesco is A-. The long-term senior unsecured rating assigned by Moody's to Tesco of A3 was placed on review for possible downgrade on 20 January 2012. Each of Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such each of Moody's and S&P are included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation. Given the credit linkage of the Bonds to Tesco, Moody's expects its rating of the Bonds to be placed on review for possible downgrade at the same time as its assignment of a definitive rating to the Bonds.

Development considerations

The Development is scheduled to achieve practical completion in November 2012. Whether the Development will be completed or completed on time is dependent on the Developer fulfilling its obligations under an agreement to be entered into on the Closing Date between TSL (as freeholder), Tesco Property Holdings Limited ("**TPHL**"), the Partnership, the Developer, the Nominees, TSL (as Occupational Tenant) and Tesco (the "**Woolwich Development Agreement**"). Tesco will also provide a completion guarantee in respect of the Development.

TSL will enter into the Occupational Lease in respect of the Woolwich Mortgaged Property shortly before the Closing Date. Under that Occupational Lease, TSL (guaranteed by the Occupational Tenant Guarantor) will be obliged to make rental payments from 25 December 2012, regardless of whether the Development has then been completed.

The Developer is also constructing 259 residential units above and around the Woolwich Tesco Store. These residential units are excluded from the Transaction.

The section 106 agreement for the Development requires that two blocks of residential units (55 units) above the Woolwich Tesco Store and 10 residential units to be built around the Woolwich Tesco Store are constructed to shell and core level (i.e. excluding fitting out works) ("**Planning Obligation Works**") prior to the opening of any retail units (including the Woolwich Tesco Store). The Developer is under an obligation to the Partnership to carry out the Planning Obligation Works under the Woolwich Development Agreement. However, irrespective of the actual opening date of the Woolwich Tesco Store, the Occupational Tenant will be obliged to make rental payments from 25 December 2012.

Market risks on enforcement

In the event of enforcement of the Partnership Security Documents, it may be necessary to offer to re-let or, as appropriate, sell the relevant Mortgaged Properties. Amounts received in respect of the Mortgaged Properties by way of rent or sale price following a re-letting or sale could be insufficient to pay accrued interest on, and to repay principal of, the Partnership Loan in full, in which case Bondholders may ultimately suffer a loss.

The rent at which any Mortgaged Property could be re-let or the liquidation value of the Mortgaged Properties may be adversely affected by risks generally incidental to interests in commercial property, including changes in political and economic conditions or in specific industry segments, declines in property rental or capital values, variations in supply of and demand for retail space, prevailing gilt yields and interest rates, credit spreads, declines in rental or occupancy rates, changes in governmental rules, regulations and fiscal policies, terrorism, acts of God and other factors which are beyond the control of the Tesco Group and any other party to the transaction.

Terms of Occupational Leases

The obligation to make payments under an Occupational Lease in respect of a Mortgaged Property will be an unconditional obligation on the part of the relevant Occupational Tenant. In addition, with the exception of the Woolwich Mortgaged Property, the economic liabilities arising in relation to the upkeep and operation of the relevant leased premises are borne by the relevant Occupational Tenant, including the costs of repairing, maintaining and (subject as mentioned below) insuring the relevant premises. In relation to the Woolwich Mortgaged Property, TPHL, as the landlord under the Head Lease of the Woolwich Mortgaged Property, (the "**Woolwich Head Lease**") guaranteed by Tesco, is obliged to repair (or procure the repair of) the building of which the Woolwich Tesco Store and the ancillary retail units form part (the "**Woolwich Building**") and a proportion of such cost attributable to the Woolwich Mortgaged Property will be reimbursed by the

Occupational Tenant. In practice, the Woolwich Building will be repaired by TSL, as freeholder but if TSL (or any subsequent freeholder of the Woolwich Mortgaged Property) fails to repair the Woolwich Building, then TPHL can step in and repair the Woolwich Building.

Insurance, self-insurance and uninsured loss

The Partnership Loan Agreement will require the General Partner (on behalf of the Partnership) to procure that insurance as would be maintained by a reasonably prudent company in the business of the occupation and letting of such property assets is maintained with respect to the Mortgaged Properties in accordance with the terms set out in the Partnership Loan Agreement and the Occupational Leases and, in respect of the Woolwich Mortgaged Property, the Woolwich Head Lease. Such terms include an entitlement of the Occupational Tenants (save in respect of the Woolwich Mortgaged Property) to self-insure, provided that certain criteria are met (see the section of this document entitled "*Summary of Transaction Documents – The Occupational Leases*"). Notwithstanding that the Occupational Tenants are obliged (or in the case of the Woolwich Mortgaged Property, TPHL is obliged) (and such obligation is guaranteed by the Occupational Tenant Guarantor), pursuant to the terms of the Occupational Leases or, in respect of the Woolwich Mortgaged Property, pursuant to the terms of the Woolwich Head Lease to reinstate the Mortgaged Properties following any event of damage or destruction whether or not insured or insurable and the Occupational Tenants are obliged to carry on paying rent in the meantime (subject to a right to substitute an alternative property), the Partnership's ability to repay the Partnership Loan might be affected adversely if such an uninsured or uninsurable loss were to occur. In respect of the Woolwich Mortgaged Property, TPHL (as landlord of the Woolwich Head Lease) guaranteed by Tesco, is obliged to insure (or procure the insurance of) the Woolwich Building and a proportion of such cost attributable to the Woolwich Mortgaged Property will be reimbursed by the Occupational Tenant of that property.

It should be noted that, if at any time, the Occupational Tenants are not entitled or elect to self-insure and are therefore required to insure the Mortgaged Properties, or in the case of the Woolwich Mortgaged Property (where insurance is obtained by TPHL, as landlord under the Woolwich Head Lease) certain types of losses may not be insurable or may not be economically insurable.

Each Occupational Lease (save in respect of the Woolwich Mortgaged Property) will contain an obligation on the relevant Occupational Tenant, subject to (in the case of the Occupational Tenants) their entitlement to self-insure, to use reasonable endeavours to procure that the landlord and the Partnership Security Trustee are co-insured with the Occupational Tenant on each policy and, if this is not possible, to procure that the landlord and the Partnership Security Trustee are noted on any such insurance policy. In parallel, the General Partner (on behalf of the Partnership) will covenant in the Partnership Loan Agreement, in cases where the Occupational Tenants are not entitled to self-insure, to use all reasonable endeavours to procure that any insurance with respect to the Mortgaged Properties is obtained in accordance with the Occupational Leases.

The Woolwich Head Lease will contain an obligation on TPHL (as landlord of the Woolwich Mortgaged Property), to use reasonable endeavours to procure that the Partnership and the Partnership Security Trustee are co-insured with TPHL (or if applicable TSL as freeholder) on each policy and, if this is not possible, to procure that the Partnership and the Partnership Security Trustee are noted on any such insurance policy. The General Partner (on behalf of the Partnership) will covenant in the Partnership Loan Agreement, in cases where TPHL has not complied with its obligation to insure the Woolwich Mortgaged Property, to procure that such insurance is obtained.

Frustration

An Occupational Lease could, in exceptional circumstances, be frustrated under English law or Scots law. Frustration may occur where a supervening event so radically alters the implications of the continuance of a lease for a party thereto that it would be inequitable for such lease to continue.

Under the equivalent Scots law principle of *rei interitus*, a lease will (subject to express agreement to the contrary) automatically be terminated if the leased property is destroyed to the extent that it is no longer tenable or if any event occurs which otherwise precludes the performance of the parties' rights and obligations under the lease. The Occupational Leases in respect of the Mortgaged Properties located in Scotland expressly exclude such events from frustrating such Occupational Leases.

The destruction of any Mortgaged Property which has not been reinstated within 3 years would constitute a Substitution Event. If an Occupational Lease of a Mortgaged Property were to be frustrated and this did not constitute a Substitution Event, the Partnership's ability to generate cash-flow would be compromised, as would its ability to make payments of interest and repayments of principal on the Partnership Loan and/or any net payments under the Partnership Swap.

Risks relating to the Mortgaged Properties

Title

Title to the properties within the Property Portfolio has been investigated (in respect of the properties within the Property Portfolio in England and Wales) by Berwin Leighton Paisner LLP and (in respect of the properties within the Property Portfolio in Scotland) by Semple Fraser LLP. Berwin Leighton Paisner LLP has produced the Certificates of Title in respect of the properties within the Property Portfolio in England and Wales and Semple Fraser LLP has produced the Certificates of Title in respect of the properties within the Property Portfolio in Scotland. The Certificates of Title address the quality of title of each property within the Property Portfolio and have been issued by either Berwin Leighton Paisner LLP or Semple Fraser LLP on the basis of a review of the title documents and the usual conveyancing searches and enquiries. The properties within the Property Portfolio are subject to title restrictions, easements, servitudes, rights and covenants, which will also bind the Occupational Tenants. The restrictions, easements, servitudes, rights and covenants disclosed by the Certificates of Title are typical for a portfolio of properties of this type (and, where appropriate, covered by applicable insurances). The Certificates of Title have disclosed, inter alia, the following in relation to Woolwich about which prospective Bondholders should be aware: the property at Woolwich is under construction. As noted below in the section in this document entitled "Property Portfolio – Woolwich", construction commenced in September 2011 and the Development is scheduled to achieve practical completion in November 2012. Under the terms of the Woolwich Development Agreement, the Developer is required to procure that the works are carried out in accordance with the planning permission and all planning and highways agreements in so far as they relate to the Woolwich Mortgaged Property. The level of payments to be made in respect of these works is factored into the budgeted development costs and covered by the Woolwich Development Reserve Amount. The Woolwich Development Reserve Amount does not include the cost of the Planning Obligation Works but the Planning Obligation Works are included in the Developer's obligations to the Partnership in the Woolwich Development Agreement which are backed by a completion guarantee from Tesco. The full rent under the Occupational Lease will be payable from 25 December 2012 whether or not the works have been completed.

It should also be noted that in many cases it may not be possible to identify all the parties who are entitled to the benefit of covenants or (in Scotland) to enforce title conditions as the devolution of title to and from the title to the land which originally benefited from the covenants or conditions may not be clear (for example, the original beneficiary of the covenant or condition may have disposed of the land benefited in different parcels and such devolution will not be apparent from the Partnership's title to the relevant Mortgaged Property), as further described in "*Risks relating to the Mortgaged Properties – Title*".

Statutory Rights of Residential Tenants

The freehold to the Woolwich Mortgaged Property is currently owned by TSL. The property is being redeveloped to create the Woolwich Tesco Store, the retail units, customer car parking and the service yard serving the Woolwich Tesco Store. The development also includes approximately 17,347 sq metres of self-contained residential units, car parking allocated for such residential units and the common parts of the building exclusively serving the residential units (the "**Excluded Residential Units**") which are excluded from the Woolwich Mortgaged Property for the purposes of this transaction.

TSL (as owner of the freehold) granted, in respect of the Excluded Residential Units, a 999 year and ten days lease to Spen Hill Residential No. 1 Limited and Spen Hill Residential No. 2 Limited (the "**Spen Hill Nominees**") on 14 October 2011. The Spen Hill Nominees hold such lease on bare trust for TSL. Immediately following the granting of that lease, a put and call option was entered into between the Spen Hill Nominees and Woolwich Central Residents Management Company Limited (the "**Management Company**") which allows the Management Company to take a long lease of the Excluded Residential Units, it is envisaged that each owner of the residential units will become a member of the Management Company.

The owners of the Excluded Residential Units have certain statutory rights available to them which could impact the Woolwich Mortgaged Property as detailed below:

(a) Right of Collective Enfranchisement

The residential tenants of the Excluded Residential Units have a right, on a collective basis, to buy the freehold and the intermediate leasehold interests in respect of their building together with any common areas which the tenants have the right to use.

The right does not include the ability to acquire any of the Occupational Lease, Head Lease or the Woolwich Superior Lease (as defined below) of the Woolwich Mortgaged Property, save in respect of any common areas required for the use of the Excluded Residential Units. Under the relevant legislation, TSL as freeholder will also have the option, if the right is exercised, to call for a lease of the Woolwich Mortgaged Property to be granted back to TSL for a term of 999 years at a peppercorn rent.

The following criteria must be satisfied for the right to apply:

- (i) the building must be a self-contained building or self-contained part of a building;
- (ii) at least 75% of the internal floor area (disregarding common parts) is occupied for residential purposes;
- (iii) the building or part contains two or more flats;

- (iv) at least two flats are held on 'long residential leases' (i.e. long leases of more than 21 years) and the number of long residential lease flats exceeds two-thirds of the total number of flats;
- (v) the landlord is neither resident nor 'exempt' or, if resident, did not convert the building into up to four flats; and
- (vi) the qualifying participating long residential leaseholders must between them own at least one half of the flats in the building.

This right will not, however, apply on practical completion of the Development as the qualifying criteria will not have been satisfied at that time. In particular, the condition set out in item (ii) above will not be met as the Woolwich Mortgaged Property will initially comprise approximately 50% of the internal floor space of the Woolwich Building.

If the amount of Excluded Residential Units in the Woolwich Building increases in the future such that the 75% criterion (and the other qualifying criteria) are met, then the right could apply. However, in such circumstances TSL will have an option to acquire a 999 year lease of the Woolwich Mortgaged Property.

The superior lease between TPHL and TSL (the "**Woolwich Superior Lease**") has been put in place so that, if the residential tenants in the future exercise their right to purchase their immediate leasehold interest and the freehold, this will not affect the obligation of TPHL (as landlord under the Woolwich Head Lease) to ensure that the Woolwich Mortgaged Property is maintained and insured. This obligation is guaranteed by Tesco Plc. If the then freeholders fail to maintain and/or insure the Woolwich Building, as is required by the terms of the Woolwich Superior Lease then TPHL will be entitled, under the terms of the Woolwich Superior Lease, to carry out the relevant repair works and effect all relevant insurances. Under the terms of the Woolwich Head Lease, TPHL will be, as noted above, obliged to procure that the relevant maintenance and insurance obligations are complied with.

(b) Right to Manage

The residential tenants of the Excluded Residential Units have the right to have the management functions of the landlord transferred to them by way of a special purpose vehicle pursuant to sections 73 and 122 of the Commonhold and Leasehold Reform Act 2002. This right allows the residential tenants to undertake or carry out, among other things:

- (i) repairs, redecorations and maintenance of the structure of the building and the common parts, including cyclical or seasonal maintenance and the maintenance of plant and facilities, lifts, central heating and boilers;
- (ii) improvements to the building (where this is included in the lease of the landlord);
- (iii) provision of services such as the lighting of the common parts, heating, cleaning, grounds maintenance and caretaking and portorage;
- (iv) arranging the insurance for the building; and
- (v) the day-to-day management of the building.

The relevant landlord remains the landlord under the various leases of the building and is therefore responsible for the performance of the landlord's covenants outside the general duties of management such as providing quiet enjoyment to the Excluded Residential Units.

The criteria which must be satisfied for this right to be exerciseable are the same as those set out in paragraph (a) above in respect of the right of collective enfranchisement.

This right will not, however, apply on practical completion of the Development as the qualifying criteria will not have been satisfied at that time, specifically item (ii) above, as the Woolwich Tesco Store will initially comprise approximately 50% of the internal floor space of the Woolwich Building.

If the number of Excluded Residential Units in the Woolwich Building increases in the future such that the 75% criterion (and the other qualifying criteria) are met, the right to manage could apply to those parts of the Woolwich Building which comprise or provide services to the Excluded Residential Units which qualify for the exercise of these rights. The company which obtains the right to manage can elect to manage part only or all of the Woolwich Building which could result in a conflict of priorities between the Excluded Residential Units and the Woolwich Mortgaged Property. Further, the relevant company could fail to maintain common parts which are necessary for the operation of the Tesco Store at the Woolwich Mortgaged Property.

There is a lack of certainty as to how the right-to-manage provisions in the Commonhold and Leasehold Reform Act 2002 would work in practice, and although – even if the right to manage is exercised – the Partnership will have a direct obligation from TPHL (guaranteed by Tesco) under the Woolwich Head Lease to repair and insure the Woolwich Building, it cannot be said with certainty that this obligation will be enforceable in all circumstances.

Therefore, if the tenants of the Excluded Residential Units exercise and acquire their rights to have the management of the Woolwich Building transferred, this will constitute a mandatory Substitution Event under the Substitution Agreement (as to which, see "*Substitution, Alteration and Disposal of Mortgaged Properties-Substitution Agreement*"). However, if within 50 Business Days of this Substitution Event occurring, TSL, TPHL or the Occupational Nominees (as appropriate) receives a written confirmation that in the sole opinion of the Partnership Security Trustee, TPHL's obligations under the Woolwich Head Lease to repair and insure the Woolwich Building remain fully enforceable, then no mandatory substitution of the Woolwich Mortgaged Property will be required.

Registration of the Head Leases

The Head Leases of the properties within the Property Portfolio will be completed on or about the Closing Date save for the properties at Kidsgrove, Wath-upon-Deerne, Inverurie and Bathgate Blackburn Road where the Head Leases have already been granted and registered at the Land Registry or the Registers of Scotland (as applicable). Berwin Leighton Paisner LLP (in respect of the properties within the Property Portfolio in England and Wales) and Semple Fraser LLP (in respect of the properties within the Property Portfolio in Scotland) will undertake to present for registration these Head Leases and the legal mortgage or standard security to be granted to the Partnership Security Trustee at the Land Registry or the Registers of Scotland (as applicable) and to reply to requisitions raised by the Land Registry or the Registers of Scotland (as applicable). The Tesco Group has confirmed that they are not aware of any matter which would prevent the Nominees becoming registered with title absolute (or, in relation to registered properties in Scotland, with no exclusion of indemnity) to each of the Head Leases of the properties within the Property Portfolio or the Partnership Security Trustee being registered as proprietor of the

mortgage or (as applicable), registered owner of the mortgage or the secured creditor of the standard security over the Property Portfolio. Accordingly, the Issuer expects that the prospect of any of the registrations not concluding satisfactorily is remote. However, if ultimately the registration of any of the Head Leases were not to be concluded satisfactorily, registration at the Land Registry or the Registers of Scotland (as applicable) of the Partnership Level Security in respect of the property within the Property Portfolio in question would not be possible.

Planning restrictions

The Mortgaged Properties are generally subject to planning restrictions resulting from conditions imposed by planning permissions or statutory agreements entered into with the relevant local authority to secure the grant of a planning permission to which a Mortgaged Property is subject. In, and subject to, the Certificates of Title, the relevant law firms confirm that the relevant Tesco Group companies confirmed to each of them that each property within the Property Portfolio has the benefit of all planning and other covenants and regulatory approvals for the operation of each property within the Property Portfolio for its existing use or, in the case of the Woolwich Mortgaged Property, for the construction and operation of the property.

Compulsory purchases

Any property in the United Kingdom may at any time be compulsorily acquired by a public authority possessing compulsory purchase powers (for instance, local authorities and statutory undertakers (including electricity, gas, water and railway undertakers) in respect of their statutory functions) if it can demonstrate that the acquisition is required. Any promoter of a compulsory purchase order would need to demonstrate that the compulsory purchase was necessary or desirable for the promoter's statutory functions and/or in the public interest. Compulsory purchase of a property can also lead to a reduction in the rent payable under an occupational lease which is subject to the compulsory purchase.

As a general rule, if an order is made in respect of all or any part of a Mortgaged Property, compensation would be payable on a basis equivalent to the open market value of all the owners' and Occupational Tenants' proprietary interests in the relevant Mortgaged Property at the time of the purchase, so far as those interests are included in the order, taking account of diminution in value of any retained land and other adverse impacts of the compulsory purchase. There is often a delay between the compulsory purchase of a property and payment of the compensation, although advance interim payments of compensation may be available where the acquiring authority takes possession before compensation has been granted.

No compulsory purchase proposals have been revealed by the Certificates of Title. Also, pursuant to the terms of the Substitution Agreement, the General Partner (on behalf of the Partnership) will be obliged, in compulsory purchase circumstances concerning the whole or a significant proportion of a Mortgaged Property which reduce market value by 10%, to substitute the affected Mortgaged Property pursuant to the Substitution Agreement. Tesco has also agreed to make whole any rent shortfall arising as a result of a compulsory purchase. (For further details as to such substitutions, please see "*Substitution, Alteration and Disposal of Mortgaged Properties*").

Nonetheless, it is possible that a compulsory purchase order may be made in respect of one or more of the Mortgaged Properties in the future. In such event, there is no guarantee that the amount of compensation received in connection with any compulsory purchase order, or that the substitution of a Mortgaged Property the subject of a compulsory purchase order, would not have an adverse effect on the ability of the Partnership to make payments under the Partnership Loan. Accordingly, it is possible that a compulsory purchase order may have an effect on the resources available to the Issuer to make payments on the Bonds.

Substitutions of Mortgaged Properties

Under the terms of the Substitution Agreement, TSL or TPHL (as appropriate) will be entitled to substitute Mortgaged Properties in certain circumstances. The risks associated with the effect of a substitution of Mortgaged Properties on the value and rental income generative capacity of all the Mortgaged Properties are mitigated by the Substitution Criteria and conditions under the Substitution Agreement (as to which, see the section of this Prospectus entitled "*Summary of Transaction Documents*" and "*Substitution, Alteration and Disposal of Mortgaged Properties*").

Security over Mortgaged Properties in Scotland

The Nominees will grant first ranking standard securities over their interest (as tenants) in the Head Leases of the properties within the Property Portfolio in Scotland in favour of TSL to secure the obligations contained in the Property Option Agreement, which gives TSL (via where applicable the Occupational Nominees) a future right to acquire the landlord's interests therein (being the tenant's interest under the Head Lease) on the Occupational Lease Maturity Date. If the Nominees Security is enforced prior to that date, any disposal of the relevant properties will consequently be subject to the rights conferred by the Property Option Agreement. While the standard securities in favour of TSL will rank in priority to those granted in favour of the Partnership Security Trustee over the relevant Mortgaged Properties, their effect will be limited to the provision of security for the obligation to sell on the Occupational Lease Maturity Date if the option granted by the Property Option Agreement is exercised.

Reliance on Valuation Report

There can be no assurance that the valuations given in the Valuation Report (see the section entitled "***Valuation Report***") for each of the properties within the Property Portfolio will continue at a level equal to or in excess of such valuations. To the extent that the value of each of the properties within the Property Portfolio fluctuates, there is no assurance that the aggregate of the value of the properties within the Property Portfolio will remain at least equal to or greater than the sum of the unpaid principal and accrued interest and any other amounts due from the Partnership under the Partnership Loan Agreement and the other Partnership Transaction Documents. If any Mortgaged Property is sold following a Partnership Loan Event of Default, there is no assurance that the net proceeds of such sale will be sufficient to pay in full all or any amounts due under the Partnership Loan Agreement and the other Partnership Transaction Documents.

Environmental risks

Under the Partnership Loan Agreement, each of the Partnership and the Nominees will represent that it is in compliance in all material respects with environmental laws and regulations applicable to it as at the Closing Date and covenant to comply (or procure that the relevant Occupational Tenant complies) in all material respects with environmental laws and regulations currently applicable to it. However, a breach of environmental laws and/or regulations may occur in the future. Sanctions for alleged or actual non-compliance with environmental laws and/or regulations and the costs of remedying any such breach and the effect of any unremedied breach could have a material adverse effect on the value of Mortgaged Properties or their rental income generating capacity.

An Environmental Risk Assessment Report was prepared by Environ UK Limited in respect of each of the properties within the Property Portfolio (excluding the Woolwich Mortgaged Property), such reports being dated between March 2011 and December 2011, and in respect of the Woolwich Mortgaged Property an Environmental Risk Assessment Report was prepared by Delta-Simons Environmental Consultants Limited and dated May 2006 and a Flood Risk Assessment Report was prepared by Scott White and Hookins dated June 2006 (together, the "**Environmental**

Reports"). The Environmental Reports comprise a staged assessment focusing on ground contamination issues to identify properties within the Property Portfolio where there are potential contamination issues or likely significant contamination-related costs for the owner of any particular property within the Property Portfolio.

No significant environmental liabilities are identified at the properties within the Property Portfolio by the Environmental Reports, assuming continued use of the properties within the Property Portfolio as retail stores.

Various environmental laws may require a current or previous owner, occupier or operator of property to remediate substances or releases at or from such property that cause or are likely to cause harm to the environment or water pollution. These owners, occupiers or operators may also be obliged to pay damages in legal proceedings for property damage, investigation and clean-up costs and liabilities to third parties in connection with such substances.

Under the terms of the Occupational Leases, the Occupational Tenants (as guaranteed by the Occupational Tenant Guarantor) will indemnify the Landlord and its mortgagee or (as applicable) heritable creditor for any environmental liability incurred by the Landlord and its mortgagee or (as applicable) heritable creditor. That indemnity cannot extend to include any criminal liability.

If an environmental liability arises in relation to the Mortgaged Properties and it is not remedied, or is not capable of being remedied, this may result in the Mortgaged Properties either being sold at a reduced sale price or becoming unsaleable.

If any environmental liability were to exist or arise in respect of any Mortgaged Property, neither the Partnership Security Trustee nor (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee nor (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee should incur any such liability unless it could be established that the Partnership Security Trustee or (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee or (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee had entered into possession of the relevant Mortgaged Property(ies) or had exercised a significant degree of control or management of either the relevant Mortgaged Property(ies) or the relevant environmental problem(s). The Partnership Security Trustee or the Issuer Security Trustee or the Bond Trustee, if deemed to be a mortgagee or (in relation to Mortgaged Properties located in Scotland) heritable creditor in possession, or a receiver appointed by the Partnership Security Trustee or (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee or (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee, could become responsible for environmental liabilities in respect of a Mortgaged Property and any such liability could ultimately affect the amounts available to the Issuer to make payments under the Bonds. If the Partnership Security Trustee or (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee or (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee unduly directed or interfered with the actions of the directors or the legal owners of the Mortgaged Properties or directed or interfered with the receiver's actions or if a receiver's indemnity had been given and that indemnity covered environmental liabilities, this could also result in a liability for the Partnership Security Trustee or (where it is directing enforcement by the Partnership Security Trustee) the Issuer Security Trustee or (where it is directing the Issuer Security Trustee to direct enforcement by the Partnership Security Trustee) the Bond Trustee. Even if any of them could incur such a liability solely by virtue of being the owner and/or lessor of such Mortgaged Property(ies) they may be able to obtain an indemnity from the relevant Occupational Tenant in possession.

The Obligors will warrant in the Partnership Loan Agreement on the Closing Date, in respect of each of the properties within the Property Portfolio, as to environmental matters as summarised in the section of this document entitled "*Summary of Transaction Documents – The Partnership Loan Agreement – Representations and warranties*". A breach of the environmental representation and warranty contained in the Partnership Loan Agreement will constitute a Partnership Loan Event of Default, unless the underlying circumstances are remedied within any relevant rectification period and save where the breach is immaterial.

Reports

Apart from the Certificates of Title, the Environmental Reports, the Structural Condition Surveys prepared by Tuffin Ferraby Taylor LLP and GVA Grimley Limited and dated between February 2011 and November 2011, the Floor Area Data Capture Reports prepared by G L Hearn Limited and Plowman Craven Limited and dated between April 2008 and November 2011 and the Valuation Report, no new reports have been prepared specifically for the purpose of this document or the transactions contemplated herein and none of the Issuer, the Lead Structuring Agent, the Joint Lead Arrangers, the Partnership Security Trustee, the Issuer Security Trustee or the Bond Trustee has reviewed such reports or made any independent investigation of any of the matters stated therein except as disclosed in this document.

Property management

Whilst Spen Hill Management Limited, as the Property Pool Manager to be appointed on the Closing Date, is experienced in managing retail property, there can be no assurance that it will continue to act as Property Pool Manager. Although any successor manager of a Mortgaged Property appointed by the Partnership is required to be experienced in managing retail premises, there may be a delay in the appointment of a successor or variation in the terms of any appointment of a successor or the appointment of any successor manager of a Mortgaged Property may have an adverse effect on the Issuer's ability to make payments on the Bonds.

Delegation

Except to the limited extent described herein, none of the Partnership Security Trustee, the Issuer Security Trustee, the Bond Trustee nor any Bondholder nor any Issuer Secured Creditor nor any Partnership Secured Creditor has any right to participate in the management or affairs of the Issuer, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees or Nominees Holdco. In particular, such parties cannot supervise the functions relating to the management or operation of the Mortgaged Properties and the leasing and re-leasing of the space within the Mortgaged Properties or otherwise. The Issuer, Issuer Holdco, the Partnership, the General Partner, the Limited Partners, the Nominees or Nominees Holdco will each (as applicable) rely upon, *inter alios*, the Cash Manager, the Woolwich Cash Manager, the Paying Agents, the Registrar, the Account Bank, the Property Pool Manager, the Property Advisor, the Partnership Operator, the Issuer/Issuer Holdco Corporate Services Provider, the Nominees/Nominees Holdco Corporate Services Provider and the other service providers for all asset servicing functions. Failure by any such party to perform its obligations could have an adverse effect upon the Issuer's ability to make payments on the Bonds. There can be no assurance that, were any such party to resign or its appointment be terminated, a suitable replacement service provider could be found or found in a timely manner, or engaged on the same terms applicable to the relevant service provider as at the Closing Date or on terms acceptable to the Partnership Security Trustee and/or the Issuer Security Trustee and/or the Bond Trustee (as applicable).

Risks relating to taxation

Withholding tax on rental income

Under UK law, rent in respect of a UK property business which is due to a person whose usual place of abode is outside the United Kingdom is subject to withholding on account of UK income tax. The obligation to account to HM Revenue & Customs for such income may be imposed on the Occupational Tenants, or (where the landlord of the Occupational Leases is the Partnership or the Nominees) the Partnership, the Limited Partners, the Nominees or the General Partner, in accordance with the requirements of the United Kingdom tax legislation (each a "**prescribed person**").

Where the landlord of the Occupational Leases is the Partnership or the Nominees, a person intending to acquire an interest in the Partnership, will be required to represent that: either (i) he is a person who is entitled to the income of the Partnership for UK tax purposes and his usual place of abode is in the UK; (ii) he is the trustee of a UK-registered pension scheme (acting in his capacity as trustee of such UK-registered pension scheme) and his usual place of abode is in the UK; (iii) he has received an HM Revenue & Customs notice of approval permitting payments of rent under each Occupational Lease to be made without deduction or withholding; or (iv) in the event of a change in law, he is a person entitled to receive payment of rent under each Occupational Lease without deduction or withholding.

In the event that an Occupational Tenant is required to withhold an amount for or on account of UK income tax from rent payments that it makes and to account to HM Revenue & Customs for the amounts so withheld, or (where the landlord of the Occupational Leases is the Partnership or the Nominees) if an obligation to account for United Kingdom income tax in respect of rent payments is imposed on the Partnership, the Nominees or the General Partner, the amount of the payment due from the Occupational Tenant will be increased so that the Partnership will receive a cash amount equal to that which it would have received had no such withholding been required to be made. The obligations of the Occupational Tenant to make such increased payments is guaranteed by the Occupational Tenant Guarantor. If an Occupational Tenant, the Occupational Tenant Guarantor or the Subordinated Loan Facility Provider or Tesco, in its capacity as provider of the Plc Indemnity (as appropriate) does not have sufficient funds to enable it to make such increased payments to the Partnership, there could be an adverse effect on the Partnership's ability to meet the payment obligations under the Partnership Loan, the Partnership Swap Agreement and the other Partnership Transaction Documents and, if insufficient funds are paid pursuant to the Partnership Loan Guarantee, the Issuer's ability to meet its payment obligations under the Bonds and the other Issuer Transaction Documents.

Withholding tax in respect of the Bonds, the Partnership Loan, the Partnership Swap and the Issuer Swap

Under current law, all payments under the Bonds can be made without deduction or withholding on account of any UK tax provided that they are and continue to be listed on the Irish Stock Exchange (as to which see "*United Kingdom Taxation*").

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Bonds, neither the Issuer nor any Paying Agent nor the Registrar nor any member of the Tesco Group nor any other person will be obliged to pay any additional amounts to Bondholders or to otherwise compensate Bondholders for the reduction in the amounts they will receive as a result of such withholding or deduction. If such a withholding or deduction is required to be made, the Issuer will have the option (but not the obligation) of redeeming all outstanding Bonds in full at their Principal Amount Outstanding (together with accrued interest) pursuant to Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of

tax law and illegality). For the avoidance of doubt, neither the Bond Trustee nor Bondholders will have the right to require the Issuer to redeem the Bonds in these circumstances.

Under current law, all payments made under the Partnership Loan can be made without deduction or withholding for or on account of any United Kingdom tax. In the event that any withholding or deduction for or on account of tax is required to be made from any payment due to the Issuer under the Partnership Loan Agreement, the amount of that payment will be increased so that, after such withholding or deduction has been made, the Issuer will receive a cash amount equal to that which it would have received had no such withholding or deduction been required. In such circumstances, the Partnership will be entitled to claim from an Occupational Tenant under an Occupational Lease such additional amount as is necessary to enable the Partnership to make such increased payments to the Issuer. In that event, the Partnership will have the option (but not the obligation) to prepay the amount outstanding in respect of the Partnership Loan under the Partnership Loan Agreement in full. If the Partnership chooses to prepay the Partnership Loan, the Issuer will be obliged to redeem the Bonds pursuant to Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) at their Principal Amount Outstanding and (if applicable) a premium. If the Partnership does not have sufficient funds to enable such increased payments to be made to the Issuer as a result of the Occupational Tenants and the Occupational Tenant Guarantor not making the additional payments required under the Occupational Leases, the Issuer's ability to meet its payment obligations under the Bonds could be adversely affected.

Under current law, all payments to be made under the Issuer Swap Agreement and the Partnership Swap Agreement can be made without withholding or deduction for or on account of any United Kingdom tax. If, as a result of a change in law (or the application or official interpretation thereof) any withholding or deduction for or on account of any tax is required to be made from any payment due from the Issuer under the Issuer Swap Agreement or the Partnership Swap Agreement, the Issuer will not be obliged to pay any additional amounts to the other party in respect of the amounts so required to be withheld or deducted.

If, as a result of a change in law (or the application or official interpretation thereof) any withholding or deduction for or on account of any tax is required to be made from any payment due under the Issuer Swap Agreement by the Issuer Swap Provider, the Issuer Swap Provider shall in most circumstances be obliged to pay an additional amount to the Issuer, in a sufficient amount so that the amount received shall be equal to the amount due and payable had such withholding or deduction not been required, but in the event of a requirement to withhold for or on account of any tax by either party to the Issuer Swap, the Issuer Swap Provider will have the right to terminate the Issuer Swap (subject to the condition that the Issuer Swap Provider shall first have used reasonable efforts to transfer its rights and obligations under the Issuer Swap Agreement to another of its offices or affiliates or a third party such that payments made by or to that office or affiliate or third party under the Issuer Swap Agreement can be made without any withholding or deduction for or on account of tax and, in the event of such transfer to an affiliate or third party, the Issuer Swap Provider provides a guarantee relating to the obligations transferred for the benefit of the Issuer).

If the Partnership is obliged to withhold or deduct an amount on account of any tax from any payment to the Issuer under the Partnership Swap, the amount of that payment will be increased so that, after such withholding or deduction has been made, the Issuer will receive a cash amount equal to that which it would have received had no such withholding or deduction been required. In such circumstances, the Partnership will be entitled to claim from the relevant Occupational Tenants under the Occupational Leases such additional amounts as are necessary to enable the Partnership to make such increased payments to the Issuer. In that event, the Partnership will have the option (but not the obligation) to prepay the amount outstanding under the Partnership Loan Agreement in full. If the Partnership chooses to prepay the Partnership Loan, the Issuer will

be obliged to redeem the Bonds pursuant to Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) at their Principal Amount Outstanding and (if applicable) a premium. If the Partnership does not have sufficient funds to enable such increased payments to be made to the Issuer as a result of the Occupational Tenants and the Occupational Tenant Guarantor not making the additional payments required under the Occupational Leases, the Issuer's ability to meet its payment obligations under the Bonds could be adversely affected.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State or dependent or associated territory which has opted for a withholding system and as a consequence of such a system, an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Partnership, any Paying Agent, the Registrar nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. If such a withholding tax would be imposed on a payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive (if there is any such Member State).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

U.S. Foreign Account Tax Compliance withholding may affect payments on Bonds

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act, ("**FATCA**") generally impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to certain non-US financial institutions (including entities such as the Issuer) that do not enter into and comply with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on the holders of its debt or equity (other than debt or equity interests that are regularly traded on an established securities market). The new withholding regime will be phased in beginning in 2014.

The IRS has not yet provided comprehensive guidance regarding FATCA and no assurance can be provided that the Issuer will enter into such an agreement with the IRS. If the Issuer does not enter such an agreement, amounts available to the Issuer to make payments on the Bonds may be reduced. In the alternative, if the Issuer determines that it must comply with FATCA in order to receive certain payments free of U.S. withholding tax, holders may be required to provide certain information, (or, for certain non-US financial institutions, otherwise comply with FATCA) to avoid withholding on amounts paid to such holder. If a holder does not provide the necessary information or any other non-US financial institution through which payments on the Bonds are made is not in compliance with FATCA, amounts paid to Bondholders may be reduced.

FATCA is particularly complex and its application to the Issuer is uncertain at this time. Prospective Bondholders should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each holder in its particular circumstance.

Insolvency considerations

English law security and insolvency considerations

The Issuer will enter into the Issuer Deed of Charge on or about the Closing Date, pursuant to which the Issuer will grant the Issuer Security in respect of the Issuer's obligations (the "**Issuer's Secured Obligations**") under the Bonds and the other Issuer Transaction Documents (as to which, see "*Summary of Transaction Documents – The Issuer Deed of Charge*"). The Partnership and the General Partner will enter into the Partnership Deed of Charge on or about the Closing Date, pursuant to which the Partnership and the General Partner will grant security in respect of the Partnership Secured Obligations. Similarly, the Nominees will enter into the Nominees Deed of Charge on or about the Closing Date pursuant to which the Nominees will grant security in respect of the Partnership Secured Obligations. Further, Nominees Holdco will enter into the Nominees Holdco Deed of Charge on or about the Closing Date pursuant to which Nominees Holdco will grant security in respect of the Partnership Secured Obligations. In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise the Issuer Security may be delayed and/or the value of the relevant security impaired. Similarly, in certain circumstances, including the occurrence of certain insolvency events in respect of the Partnership, the General Partner, a Nominee or Nominees Holdco, the ability to realise the Partnership Level Security granted by the relevant Obligor may be delayed and/or the value of the relevant security impaired. While the transaction structure is intended to minimise the likelihood of the Issuer, the Partnership, the General Partner, the Nominees or Nominees Holdco becoming insolvent, there can be no assurance that the Issuer, the Partnership, the General Partner, the Nominees or Nominees Holdco will not become insolvent and/or the subject of insolvency proceedings and/or that the Bondholders would not be adversely affected by the application of insolvency laws (including English insolvency laws). In particular, see "*Administration of the Partnership*".

In addition, it should be noted that, to the extent that the assets of the Issuer, the Partnership, the General Partner, the Nominees and Nominees Holdco, are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge under English law, there being no equivalent concept of recharacterisation of fixed security as floating charges under Scots law), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Issuer Security Documents and/or the Partnership Security Documents (as the case may be) may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer, the Partnership, the General Partner, the Nominees and Nominees Holdco in the relevant Transaction Documents are intended to ensure they have no significant creditors other than the secured creditors under the Issuer Security Documents and/or the Partnership Security Documents (as the case may be) it will be a matter of fact as to whether the relevant company has any other such creditors at any time. The Bondholders may be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Issuer Security and/or the Partnership Level Security (as the case may be).

Administration of the Partnership

The making of an administration order under the Insolvency Act 1986 (as amended) (as applied to limited partnerships by virtue of the Insolvent Partnerships Order (SI 1994/2421)) prohibits a secured creditor from enforcing its security unless the consent of the administrator or the leave of the court is obtained. As the Partnership is an English limited partnership formed under the

Limited Partnerships Act 1907, it will not be possible to block the making of an administration order in respect of it and its assets by the appointment of an administrative receiver pursuant to a qualifying floating charge. As a result of the stay of proceedings upon the making of such an administration order, the Partnership Security Trustee would not be entitled to enforce its security over the Partnership's assets unless it obtained the consent of the administrator or approval of the court. In these circumstances, it is likely that the Partnership Security Trustee would also be prevented from enforcing the security granted by the Nominees (since it largely relates to assets to which the Partnership is beneficially entitled) or by the General Partner without the consent of the administrator or the leave of the court.

In order to attempt to ensure that, in the event an administration order is made in respect of the Partnership, the rental income and any disposal proceeds relating to the Mortgaged Properties continue to be applied in meeting the Partnership's obligations under the Partnership Loan, the Obligors have entered into arrangements pursuant to which the Partnership will direct the Nominees and Nominees Holdco to grant the Partnership Loan Guarantee guaranteeing the Partnership's obligations under, *inter alia*, the Partnership Loan Agreement and the other Partnership Transaction Documents. The Nominees will thus be required and empowered to satisfy their obligations under the Partnership Loan Guarantee out of the Trust Property. The rationale is that such payments to the Issuer under the Partnership Loan Guarantee should not violate the automatic stay provisions that would come into place upon the making of any administration order in respect of the Partnership. The effectiveness of such arrangements, however, could be challenged by an administrator or a third party creditor of the Partnership in the courts of England and Wales. Any such challenge could give rise to delays in enforcement of the security in respect of the Mortgaged Properties and the rents.

Liquidation expenses

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in 2004 in a case known as *Leyland Daf*. Accordingly, it is now the case that the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to the provisions set out in the Insolvency Rules 1986.

As a result of the changes described above, upon the enforcement of the floating charge security granted by the Issuer, the Partnership and/or the other Obligors, respectively, floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the relevant Issuer Security Document and/or the relevant Partnership Security Document (as the case may be) will be reduced by at least a significant proportion of any liquidation expenses. The Bondholders may be adversely affected by such a reduction in floating charge realisations.

Security over bank accounts and certain underlying assets

The Nominees have established the Partnership Rent Account into which all rental income in respect of the Mortgaged Properties must be paid. Under the Nominees Deed of Charge, the Nominees will grant security over the Partnership Rent Account and the Woolwich Development Reserve Account which will be expressed to be fixed security. The Partnership has, in accordance with the terms of the Cash Management Agreement, established a number of bank accounts into which, among other things, amounts standing to the credit of the Partnership Rent Account and disposal proceeds in respect of the Mortgaged Properties must be paid. The Partnership will grant, pursuant to the terms of the Partnership Deed of Charge, security over all of its interests in its relevant accounts, which security will be, other than in the case of certain operating accounts, expressed to be a first fixed charge. Furthermore, under the Issuer Deed of Charge, the Issuer will

grant security over the Issuer Transaction Account and all of its other bank accounts from time to time, which security will also be expressed to be fixed security.

Although various bank accounts are stated to be subject to various degrees of control, there is a risk that, if the Partnership Security Trustee or the Issuer Security Trustee (as appropriate) does not either have or exercise the requisite degree of control over the relevant accounts in practice, a court could determine that the security interests granted in respect of those accounts take effect as floating security interests only and that the security interests granted over the assets from which the monies paid into the accounts are derived also take effect as floating security interests only, notwithstanding that the security interests are expressed to be fixed. In such circumstances, monies paid into accounts or derived from those assets could be diverted to pay preferential creditors and certain other liabilities or expenses were a receiver, liquidator or administrator to be appointed in respect of the relevant company in whose name the account is held.

Change of law

The transactions described in this Prospectus (including the issue of the Bonds) and the ratings which are to be assigned to the Bonds are based on the relevant law and administrative practice in effect as at the date of this document and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to the law (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this document nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Bonds.

Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Bonds

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in numerous measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities.

In particular, the Banking Consolidation Directive (Recast) 2006/48/EC and the Capital Adequacy Directive (Recast) 2006/49/EC (together "**CRD**") have been amended by Directive 2009/111/EU and Directive 2009/83/EU (together "**CRD 2**") which, among other things, inserts a new article 122A into the CRD.

Article 122A provides that an EU credit institution shall only be exposed to the credit risk of a securitisation position if (a) the originator, sponsor or original lender has represented that it will retain, on an ongoing basis, a material net economic interest in the securitisation of not less than 5 per cent. and (b) it is able to demonstrate to its regulator on an ongoing basis that it has a comprehensive and thorough understanding of the key terms, risks and performance of each securitisation position in which it is invested. Failure by an EU credit institution investor to comply with the requirements of article 122A in relation to any applicable investment will result in an increased capital charge to such investor in respect of that investment.

No retention representation of the sort referred to in the preceding paragraph has been made in relation to this transaction.

The Issuer has considered, and obtained legal advice as to, the applicability of article 122A to this transaction and is of the opinion that the Bonds do not constitute a "securitisation position" for the

purposes of CRD. The Issuer is therefore of the opinion that the requirements of article 122A do not apply to the Bonds.

However, investors should be aware that the regulatory capital treatment of any investment in the Bonds (if applicable to such investor) will be determined by the interpretation which an investor's regulator places on the provisions of CRD (as amended by CRD2) and the provisions of national law which implement it. Prospective investors should therefore be aware that should the relevant investor's regulator interpret the regulations such that article 122A does apply to an investment in the Bonds, significantly higher capital charges may be applied to that investor's holding. Although market participants have, in consultations relating to these regulatory reforms, requested guidance on the structures captured by the definitions, no definitive guidance has been forthcoming. Therefore some uncertainty remains as to which structures would be considered to be "securitisations" for the purposes of the CRD (including article 122A).

Similar requirements to those set out in article 122A are expected to be implemented for other EU regulated investors, including investment firms, insurance or reinsurance undertakings, UCITS and/or certain hedge fund managers.

Investors in the Bonds are responsible for analysing their own regulatory position and independently assessing and determining whether or not article 122A will be applied to their exposure to the Bonds and therefore prospective investors should not rely on the Issuer's interpretation set out above. Further, the Joint Lead Arrangers make no representation in respect of the application of article 122A to any investment in the Bonds. Investors should consult their regulator should they require guidance in relation to the regulatory capital treatment that their regulator would apply to an investment in the Bonds.

Article 122A of the CRD and/or any further changes to the regulation or regulatory treatment of the Bonds for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Bonds in the secondary market.

European Monetary Union

It is possible that prior to the maturity of the Bonds, the United Kingdom may become a Participating Member State in the European Economic Monetary Union and therefore the Euro may become the lawful currency of the United Kingdom. In that event, all amounts payable in respect of the Bonds may become payable in Euro as to which see Condition 17 (European Economic and Monetary Union) of the Bonds. It cannot be said with certainty what effect the adoption of the Euro by the United Kingdom (if it occurs) would have on investors in the Bonds.

The Issuer believes that the risks described above are the principal risks inherent in the transaction for Bondholders, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds may occur for other reasons and the Issuer does not represent that the above statements regarding the risks of holding the Bonds are exhaustive. Although the Issuer believes that the various structural elements described in this document mitigate some of these risks for Bondholders, there can be no assurance that these measures will be sufficient to ensure payment to Bondholders of interest, principal or any other amounts on or in connection with the Bonds on a timely basis or at all.

THE PROPERTY PORTFOLIO

Overview

The Property Portfolio comprises 11 retail stores (each a "**Store**") located in England, Wales or Scotland; two of the Mortgaged Properties also include retail units. In respect of the Woolwich Mortgaged Property, the Woolwich Tesco Store, the retail units, the customer car park and service yard servicing the Woolwich Tesco Store are currently being constructed. On the Closing Date, each Mortgaged Property will be beneficially owned under a long lease by the Partnership. The geographic distribution of the Property Portfolio is indicated in the map in the Section entitled "*Geographic Distribution of the Property Portfolio*".

On or prior to the Closing Date, the General Partner will acquire long leases of the retail stores known as Arbroath, Bathgate Blackburn Road, Bradford Extra, Doncaster Extra, Great Yarmouth Extra, Haverfordwest Extra, Inverurie Extra, Kidsgrove, Wath-Upon-Dearne Extra, Wick and Woolwich Extra (for a further description of the acquisition of the Property Portfolio, see "*Transaction Overview*"). The Nominees will hold legal title to the Head Leases of the properties within the Property Portfolio (the "**Trust Property**") on trust for the Partnership, in each case on the terms of the Declarations of Trust.

In this document, the term "**Property Portfolio**" refers to any property within the Property Portfolio as at the Closing Date and any reference to "**Mortgaged Property**" or "**Mortgaged Properties**" means any property within the Property Portfolio on the Closing Date and any other property which is substituted for such property and/or held by the Partnership from time to time as appropriate.

Please refer to the Valuation Report reproduced in the section of this document entitled "Valuation Report" for a description of the properties within the Property Portfolio as at 25 January 2012 (the "**Valuation Date**"), their values and the methodology and assumptions used to derive the values.

Occupational Leases

Each property within the Property Portfolio will, from the Closing Date, benefit from an Occupational Lease. The Occupational Lease for each property within the Property Portfolio will be for a term expiring on the Occupational Lease Maturity Date. The Occupational Lease in respect of the Woolwich Tesco Store on the Woolwich Mortgaged Property will be entered into shortly before the Closing Date with rental payments to commence on 25 December 2012.

The Occupational Leases are described in more detail in the sections of this document entitled "*Summary of Transaction Documents – The Occupational Leases*" and "*Summary of Transaction Documents – The Head Leases*".

Woolwich

The freehold to the Woolwich Mortgaged Property is currently owned by TSL. The property is being redeveloped to create the Woolwich Tesco Store, the retail units, the customer car park and the service yard servicing the Woolwich Tesco Store (the development also includes approximately 17,347 sq metres of self-contained residential units which are excluded from the Woolwich Mortgaged Property for the purposes of this Transaction). On or prior to the Closing Date, TSL (as owner of the freehold) will grant the Woolwich Superior Lease for a term of 999 years and one day to TPHL. On or prior to the Closing Date, but following the grant of the Woolwich Superior Lease and the Occupational Lease for the Woolwich Mortgaged Property, the Partnership (acting by its General Partner) will purchase the Woolwich Mortgaged Property by means of a head lease granted by TPHL to the General Partner (on behalf of the Partnership), and will pay the purchase

price as a head lease premium. The development of the Woolwich Mortgaged Property is scheduled to achieve practical completion in November 2012.

The Partnership and the Nominees will, on or before the Closing Date, enter into the Woolwich Development Agreement with TSL (as freeholder), Tesco, TSL (as Occupational Tenant) and the Developer pursuant to which the Developer will agree, as principal (1) with the Partnership, to undertake and complete the commercial elements of the development and the Planning Obligation Works; and (2) with TSL (as freeholder) to undertake and complete the residential elements of the development; and the Partnership and TSL will in return agree to make staged payments to the Developer in respect of the commercial elements and residential elements (including the Planning Obligation Works) respectively and for their relevant share of the common parts of the development. Under the Woolwich Development Agreement, Tesco will guarantee that the Development and the Planning Obligation Works will be completed. The maximum aggregate sum payable by the Partnership under the Woolwich Development Agreement will not exceed £23,811,311.

Money will be paid to the Developer in stages upon production of a certificate to the Partnership, the Woolwich Cash Manager and the Partnership Security Trustee from a representative (owing a duty of care to the Partnership Security Trustee) certifying the costs of development that are then due and payable under the Woolwich Development Agreement (subject always to the maximum aggregate sum payable being capped at £23,811,311). The Partnership will also agree to pay VAT due to the Developer on the staged payments but only if and to the extent that it has first recovered or received credit for a corresponding VAT amount from HM Revenue & Customs.

On the Closing Date the Partnership will retain the Woolwich Development Reserve Amount from the Partnership Loan being an amount equal to £23,811,311 and deposit such amount into the Woolwich Development Reserve Account, to fund: (a) the remaining cost of completion of the development of the Woolwich Mortgaged Property (excluding VAT); (b) the Developer's fee (excluding VAT) and (c) the fees of the professional team (excluding VAT).

If the amount deposited in the Woolwich Development Reserve Account by the Partnership exceeds the amount required to fund: (a) the remaining cost of completion of the development of the Woolwich Mortgaged Property (excluding VAT); (b) the Developer's fee (excluding VAT) and (c) the fees of the professional team (excluding VAT) the balance will be available to the Partnership to be deposited in the Partnership Distribution Account to be applied by the Partnership as the Partnership may elect.

TSL (guaranteed by Tesco Plc) will enter into an Occupational Lease in respect of the Woolwich Tesco Store shortly before the Closing Date, obliging it to pay the full rent from 25 December 2012, irrespective of whether the Development is completed.

Property Portfolio values

Cushman & Wakefield LLP (the "**Valuers**") have valued the Property Portfolio, as at the Valuation Date. The Valuation Report includes the Market Value (on the special assumption of vacant possession and Market Rent (as each term is defined in the Valuation Report)) of the Partnership's interest in respect of each of the properties within the Property Portfolio as at the Valuation Date. Please refer to the Valuation Report reproduced in the section of this document entitled "*Valuation Report*" for the details of the valuation.

Security

The Property Portfolio will form part of the security held by the Partnership Security Trustee in respect of the Partnership Secured Obligations pursuant to the Partnership Deed of Charge and the Nominees Deed of Charge.

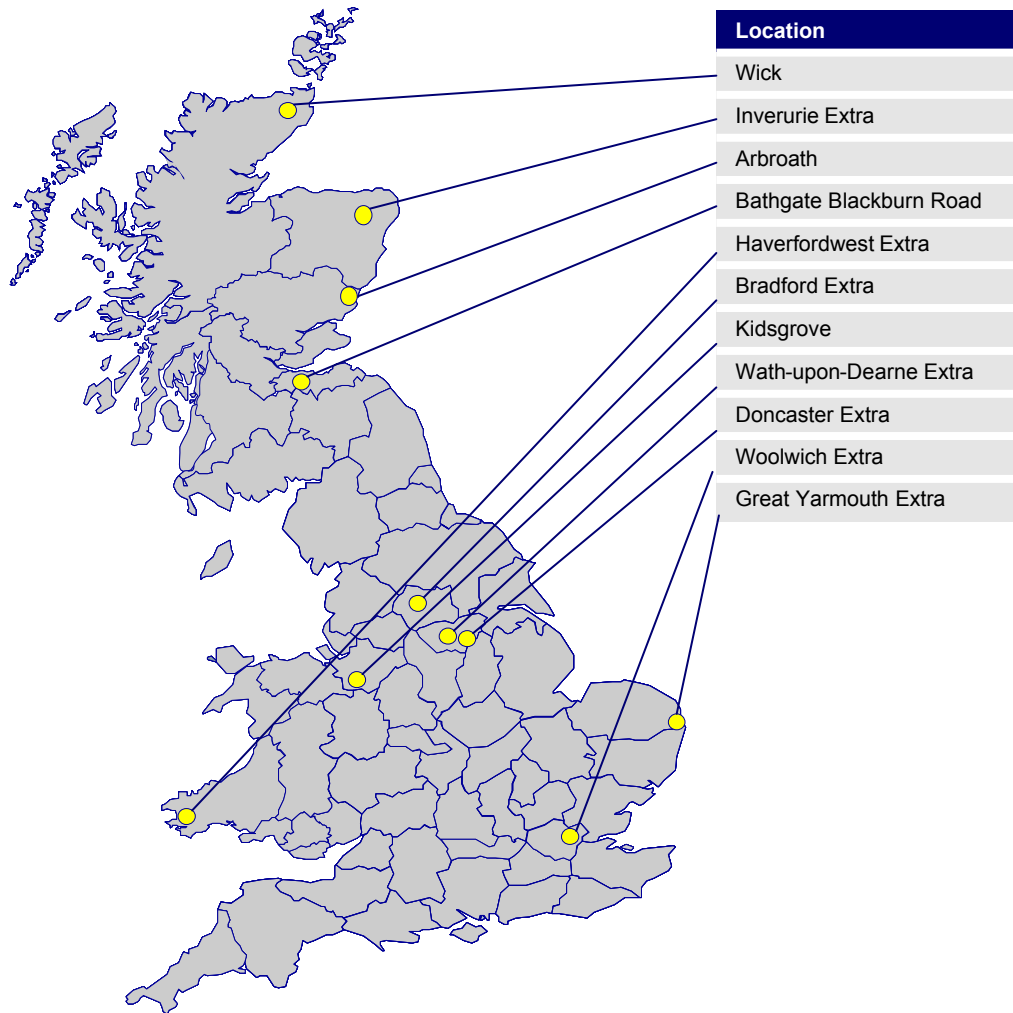
Certificates of Title

A certificate of title in respect of each property within the Property Portfolio (the "**Certificates of Title**" and each a "**Certificate of Title**") will be given on the Closing Date by Berwin Leighton Paisner LLP in respect of the properties in England and Wales and by Semple Fraser LLP in respect of the properties in Scotland as the solicitors to the Tesco Group, the Issuer, the Partnership, the General Partner and the Tesco Limited Partner.

The Certificates of Title will address the quality of title of each property within the Property Portfolio and will be issued on the basis of Berwin Leighton Paisner LLP's or Semple Fraser LLP's (as appropriate) review of the title documents supplied by the Tesco Group, the Issuer, the Partnership, the General Partner and the Tesco Limited Partner and customary conveyancing searches and enquiries. The Certificates of Title will be based on the City of London Law Society Land Law Committee long form certificate of title, 6th Edition 2007 (with slight amendment), which is a recognised standard form document used in the legal profession.

For more information with respect to the values and the title to the properties within the Property Portfolio, see the sections of this document entitled "*Valuation Report*" and "*Risk Factors*".

GEOGRAPHIC DISTRIBUTION OF THE PROPERTY PORTFOLIO



SUMMARY OF TRANSACTION DOCUMENTS

The following is intended only to be a summary of certain provisions of the principal Transaction Documents.

The Partnership Loan Agreement

The Issuer will advance the Partnership Loan in an aggregate principal amount of £450,500,000 to the Partnership on the Closing Date pursuant to the Partnership Loan Agreement.

The Partnership will apply the proceeds of the Partnership Loan (together with other available funds) to: (i) acquire long leases of each property in the Property Portfolio; (ii) retain the Woolwich Development Reserve Amount, all of which will be deposited into the Woolwich Development Reserve Account and which will be used to fund (A) the remaining cost of completion of the development of the Woolwich Mortgaged Property (excluding VAT), (B) the Developer's fee (excluding VAT) and (c) the fees of the professional team (excluding VAT); (iii) make a deposit of £6,250 to the Partnership Transaction Account credited to the Partnership Expenses Reserve Ledger; (iv) make a deposit to the Partnership Transaction Account in an amount equal to the difference (if any) between the amount of the Partnership Fixed Leg for the first payment date under the Partnership Swap and the amount, in aggregate, of interest and principal due to the Issuer on the first Loan Interest Payment Date pursuant to the Partnership Loan Agreement; and (v) meet certain fees and expenses associated with the transactions described in this Prospectus.

Interest on the Partnership Loan

The rate of interest on the Partnership Loan will be 5.6611 per cent. per annum. Interest will be paid by the Partnership to the Issuer quarterly in arrears on each Loan Interest Payment Date.

As the first Loan Interest Period is shorter than the first Bond Interest Period, the amount of interest payable on the Partnership Loan on the first Loan Interest Payment Date will be insufficient to meet the interest payable on the Bonds on the first Bond Interest Payment Date. The difference in interest accrued will be an amount equal to three days of interest due under the Bonds. The Partnership will pay a fee (the "**Partnership First Loan Interest Payment Date Fee**") to the Issuer on the first Loan Interest Payment Date in an amount equal to this amount on the first Loan Interest Payment Date. This difference in interest accrued is relevant for the first Bond Interest Payment Date only.

Scheduled amortisation of the Partnership Loan

Subject to any early prepayment of the Partnership Loan in accordance with the terms of the Partnership Loan Agreement, the Partnership Loan will be repayable in instalments on each Loan Interest Payment Date from (and including) 10 April 2012 in the amount set out opposite the relevant Loan Interest Payment Date below (each, a "**Partnership Amortisation Amount**"). If any partial prepayment occurs on a Loan Interest Payment Date, then each Partnership Amortisation Amount which falls to be paid after such prepayment shall be reduced by a proportion of such Partnership Amortisation Amount which is the same proportion as the prepayment bears to the outstanding principal amount of the Partnership Loan immediately prior to such prepayment but after deducting any scheduled repayments made in accordance with the Partnership Loan Agreement on such Loan Interest Payment Date.

10 April 2012	1,429,949.42	10 October 2018	268,599.37
10 July 2012	189,025.62	10 January 2019	272,400.79
10 October 2012	191,700.85	10 April 2019	276,256.01
10 January 2013	194,413.94	10 July 2019	280,165.79
10 April 2013	197,165.44	10 October 2019	284,130.90
10 July 2013	199,955.87	10 January 2020	288,152.14
10 October 2013	202,785.80	10 April 2020	292,230.28
10 January 2014	205,655.77	10 July 2020	296,366.15
10 April 2014	208,566.37	10 October 2020	300,560.54
10 July 2014	211,518.15	10 January 2021	304,814.30
10 October 2014	214,511.72	10 April 2021	309,128.26
10 January 2015	217,547.65	10 July 2021	313,503.28
10 April 2015	220,626.55	10 October 2021	317,940.21
10 July 2015	223,749.02	10 January 2022	1,934,058.94
10 October 2015	226,915.68	10 April 2022	1,961,431.19
10 January 2016	230,127.16	10 July 2022	1,989,190.84
10 April 2016	233,384.10	10 October 2022	2,017,343.36
10 July 2016	236,687.12	10 January 2023	2,045,894.31
10 October 2016	240,036.90	10 April 2023	2,074,849.34
10 January 2017	243,434.08	10 July 2023	2,104,214.17
10 April 2017	246,879.34	10 October 2023	2,133,994.58
10 July 2017	250,373.36	10 January 2024	2,164,196.48
10 October 2017	253,916.83	10 April 2024	2,194,825.81
10 January 2018	257,510.45	10 July 2024	2,225,888.63
10 April 2018	261,154.94	10 October 2024	2,257,391.07
10 July 2018	264,851.00	10 January 2025	2,289,339.37

10 April 2025	2,321,739.81	10 April 2032	6,402,923.48
10 July 2025	2,354,598.82	10 July 2032	6,493,542.46
10 October 2025	2,387,922.86	10 October 2032	6,585,443.94
10 January 2026	2,421,718.54	10 January 2033	6,678,646.08
10 April 2026	2,455,992.52	10 April 2033	6,773,167.29
10 July 2026	2,490,751.57	10 July 2033	6,869,026.24
10 October 2026	2,526,002.55	10 October 2033	6,966,241.85
10 January 2027	2,561,752.43	10 January 2034	7,064,833.33
10 April 2027	2,598,008.27	10 April 2034	7,164,820.15
10 July 2027	2,634,777.24	10 July 2034	7,266,222.05
10 October 2027	2,672,066.58	10 October 2034	7,369,059.08
10 January 2028	2,709,883.67	10 January 2035	7,473,351.53
10 April 2028	2,748,235.98	10 April 2035	7,579,120.01
10 July 2028	2,787,131.07	10 July 2035	7,686,385.40
10 October 2028	2,826,576.64	10 October 2035	7,795,168.89
10 January 2029	2,866,580.47	10 January 2036	7,905,491.96
10 April 2029	2,907,150.47	10 April 2036	8,017,376.41
10 July 2029	2,948,294.64	10 July 2036	8,130,844.34
10 October 2029	2,990,021.12	10 October 2036	8,245,918.15
10 January 2030	3,032,338.14	10 January 2037	8,362,620.56
10 April 2030	3,075,254.07	10 April 2037	8,480,974.64
10 July 2030	3,118,777.37	10 July 2037	8,601,003.76
10 October 2030	3,162,916.64	10 October 2037	8,722,731.61
10 January 2031	3,207,680.61	10 January 2038	8,846,182.25
10 April 2031	3,253,078.12	10 April 2038	8,971,380.06
10 July 2031	3,299,118.12	10 July 2038	9,098,349.76
10 October 2031	3,345,809.71	10 October 2038	9,227,116.43
10 January 2032	6,313,569.12	10 January 2039	9,357,705.50

10 April 2039	9,490,142.77	10 January 2041	10,471,197.58
10 July 2039	9,624,454.38	10 April 2041	10,619,393.82
10 October 2039	9,760,666.88	10 July 2041	10,769,687.45
10 January 2040	9,898,807.16	10 October 2041	10,917,993.83
10 April 2040	10,038,902.50		
10 July 2040	10,180,980.58		
10 October 2040	10,325,069.45		

Prepayment of the Partnership Loan

Mandatory prepayment

The Partnership shall, upon giving not less than 20 and not more than 40 days' prior written notice (or, in the case of paragraph (b) below, upon giving such shorter notice as may be necessary to address the applicable illegality) to the Issuer, prepay the Partnership Loan:

- (a) in part (as detailed below) on any Loan Interest Payment Date, if any interest in any Mortgaged Property is sold as a result of (1) a CPO Disposal (other than a CPO Disposal in respect of which a substitution is required) that generates proceeds (net of costs incurred by the Partnership in relation thereto and after Tax) in excess of £100,000 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) (a "**Required Partnership CPO Prepayment**") or (2) any Voluntary Disposal;
- (b) in whole (but not in part), if it becomes unlawful for the Issuer to make, fund or permit to remain outstanding the Partnership Loan or for the Partnership to permit the Partnership Loan to remain outstanding (a "**Required Partnership Illegality Prepayment**"); and
- (c) in part (as detailed below) on any Loan Interest Payment Date following receipt of any proceeds of insurance or self-insurance relating to any Mortgaged Property which are to be applied in prepayment in accordance with the provisions of the Partnership Loan Agreement and the proceeds of which are in excess of £100,000 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) (a "**Required Partnership Insurance Prepayment**").

Voluntary prepayment

The Partnership may also, upon giving not less than 20 and not more than 40 days' prior written notice to the Issuer, for any reason, prepay the Partnership Loan in whole or in part (subject to a minimum of £1,000,000) on any Loan Interest Payment Date (any such prepayment or redemption being a "**Voluntary Partnership Prepayment**"), provided that it has supplied to the Issuer a certificate signed without personal liability by two officers of the General Partner to the effect that it has or will have the funds on the relevant Loan Interest Payment Date, not subject to the interest of any other person, required to prepay the Partnership Loan in accordance with the Partnership Loan Agreement and meet its payment obligations of a higher priority under the Partnership Pre-Enforcement Priority of Payments.

General prepayment terms

- (a) The proceeds of any CPO Disposal or insurance or self insurance referred to in paragraphs (a) and (c) above respectively which are equal to or less than £100,000 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) must be applied to the Partnership Expenses Reserve Ledger in accordance with the Cash Management Agreement, provided that if the balance on that ledger is equal to or more than the Partnership Expenses Reserve Ledger Maximum Balance the proceeds may be applied to the Partnership Distribution Account.
- (b) The Partnership shall on the relevant Loan Interest Payment Date (or, in the case of prepayment as a result of illegality, on such other date as is required pursuant to the terms of the Partnership Loan Agreement):
- (i) in the case of any Required Partnership CPO Prepayment or Required Partnership Insurance Prepayment, use the amount thereof to prepay the Partnership Loan in such amount after making a deduction for any sums due and payable to the Issuer under the Partnership Transaction Documents as a result of such prepayment, the disposal and/or consequential redemption of the Bonds (which shall also be paid out of such amount), including:
- (1) any amounts in respect of Partnership Spens Excess payable by the Issuer in respect of the Bonds to be redeemed by it as a consequence of such prepayment; and
 - (2) any amount payable to the Issuer due to the termination of the Partnership Swap or any payment under the Partnership Swap Agreement as a result of a notional amount being reduced in consequence of such prepayment (a "**Partnership Swap Termination Amount**");
- (ii) in the case of any prepayment as a result of a Voluntary Disposal, prepay the Partnership Loan in an amount equal to the Partnership Prepayment Amount and, in addition, pay to the Issuer:
- (1) all accrued and unpaid interest then outstanding on the Partnership Loan being prepaid; and
 - (2) any other amounts due and payable to the Issuer under the Partnership Transaction Documents as a result of such prepayment, the disposal and/or consequential redemption of the Bonds including:
 - (A) any amounts in respect of Partnership Spens Excess payable by the Issuer in respect of the Bonds to be redeemed by it as a consequence of such prepayment; and
 - (B) any Partnership Swap Termination Amount;
- (iii) in the case of any Required Partnership Illegality Prepayment, pay or prepay all amounts owed to the Issuer including:
- (1) the then aggregate principal amount outstanding of the Partnership Loan;
 - (2) all accrued and unpaid interest then outstanding on the Partnership Loan; and

- (3) any other amounts due and payable to the Issuer under the Partnership Transaction Documents, including any Partnership Swap Termination Amount; and
- (iv) in the case of any Voluntary Partnership Prepayment, prepay the Partnership Loan in the amount of such Voluntary Partnership Prepayment and, in addition, pay to the Issuer the aggregate of:
 - (1) all accrued and unpaid interest then outstanding on the Partnership Loan being prepaid; and
 - (2) any other amounts due and payable to the Issuer under the Partnership Transaction Documents as a result of such prepayment and/or consequential redemption of the Bonds, including:
 - (A) any amounts in respect of Partnership Spens Excess payable by the Issuer in respect of the Bonds to be redeemed by it as a consequence of such prepayment; and
 - (B) any Partnership Swap Termination Amount.

Defined terms

The "**Original Principal Rent**" means, in relation to a property within the Property Portfolio (other than the Woolwich Mortgaged Property), the Principal Rent of that property as at the Closing Date, in the case of the Woolwich Tesco Store, as at 25 December 2012.

The "**Partnership Prepayment Amount**" means 115% of the Partnership Allocated Loan Amount for the Mortgaged Property which is the subject of the Voluntary Disposal.

The "**Partnership Allocated Loan Amount**" is as follows:

$$A \times \left(\frac{B}{C} \right)$$

where:

"A" equals the then Principal Amount Outstanding of the Bonds;

"B" equals: (i) in the case of the relevant Mortgaged Property being owned by the Partnership as at the Closing Date, the Original Principal Rent ascribed to such property; (ii) in the case of the relevant Mortgaged Property being owned by the Partnership only as a result of a substitution of an Outgoing Property, the Original Principal Rent ascribed to such Outgoing Property; and (iii) in the case of the relevant Mortgaged Property being owned as a result of a substitution of an Outgoing Property with more than one incoming property, the amount of the Original Principal Rent ascribed to that Outgoing Property and apportioned to those incoming properties in accordance with the formula referred to in the Partnership Loan Agreement; and

"C" equals the aggregate Original Principal Rent for all properties within the Property Portfolio.

The "**Partnership Spens Excess**" means, in relation to the Bonds to be redeemed with the Partnership Prepayment Amount or other amount prepaid (as applicable), the amount by which the amount calculated pursuant to Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) ("**Redemption Amount**") exceeds the Principal Amount Outstanding of the Bonds.

Application by Issuer

The Issuer shall, in accordance with the relevant Issuer Priority of Payments, apply the proceeds arising from the prepayment of the Partnership Loan towards the early redemption of the Bonds and any resulting payment under the Issuer Swap Agreement.

Partnership Facility Fees

In consideration of the Issuer making the Partnership Loan available to the Partnership, the Partnership will pay to the Issuer:

- (a) on the Closing Date, an initial fee in an amount equal to all the fees, costs and expenses properly and reasonably incurred by the Issuer in connection with the making of the Partnership Loan, the issue of the Bonds, the entry into the Partnership Swap and the Issuer Swap and the negotiation, preparation and execution of each Issuer Transaction Document plus an additional amount which (after deduction of the corporation tax payable by the Issuer) will enable the Issuer to declare a dividend to Issuer Holdco in an amount sufficient for Issuer Holdco to repay the Issuer/Issuer Holdco Corporate Services Provider the money advanced to it) (the "**Initial Partnership Facility Fee**"); and
- (b) on each Loan Interest Payment Date, a further fee in an amount equal to the Issuer Profit and such other amounts as are then necessary to enable the Issuer to pay or provide for all amounts (other than any payments of interest on, and repayments of principal (including any Redemption Amount) in respect of the Bonds and any payments in respect of the Issuer Swap and/or the Partnership Swap) falling due, in accordance with the relevant Issuer Priority of Payments on such Loan Interest Payment Date (the "**Ongoing Partnership Facility Fee**" and, together with the Initial Partnership Facility Fee, the "**Partnership Facility Fees**").

Withholding tax on the Partnership Loan

All payments of interest made to the Issuer on the Partnership Loan will be made free and clear of, and without withholding or deduction for, any tax unless such withholding or deduction is required by law. If any such withholding or deduction is so required, the amount of the payment due to the Issuer will be increased, subject to and in accordance with the terms of the Partnership Loan Agreement, to the extent necessary to ensure that, after that withholding or deduction has been made, the amount received by the Issuer is equal to the amount that it would have received had that withholding or deduction not been required.

Representations and warranties

No independent investigation with respect to the matters warranted in the Partnership Loan Agreement will be made by the Issuer, the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee, other than searches made on the Closing Date against the Obligors in the relevant file held by the Registrar of Companies and at the Companies Court in respect of winding-up petitions and searches against the properties within the Property Portfolio at the Land Registry or the Registers of Scotland (as applicable). Apart from such searches, in relation to such matters, the Issuer, the Bond Trustee, the Issuer Security Trustee and the Partnership Security

Trustee will rely entirely on the representations and warranties to be given by the Obligors pursuant to the terms of the Partnership Loan Agreement.

These include representations and warranties, which may be limited by certain materiality qualifications in certain circumstances, as to the following and other matters:

- due incorporation, establishment, ownership and power and authority of the Obligors;
- (subject to the due registration of the relevant legal titles) on the Closing Date the Nominees jointly being the sole legal owners and the Partnership being the sole beneficial owner of each Head Lease of each Mortgaged Property and having good and valid title to that interest;
- no security interest existing over all or any of the Obligors' present or future revenues or assets other than certain permitted security interests;
- each of the Partnership Transaction Documents to which it is a party constituting legal, valid and binding obligations of the relevant Obligors and being enforceable in accordance with their terms (subject to due registration of security interests and certain other reservations);
- no Partnership Loan Event of Default having occurred and being continuing;
- compliance with all applicable environmental laws and environmental licences;
- no conflict existing between the relevant Partnership Transaction Documents and applicable laws, regulations and the relevant Obligor's constitutional documents;
- no litigation, arbitration, administrative proceedings or governmental or regulatory investigations or proceedings or disputes being current or to its knowledge and belief after making reasonable enquiry threatened or pending against an Obligor or its respective assets, revenues or undertakings which are expected to be adversely determined against it and which, if so adversely determined against it, would be reasonably expected to have a Partnership Adverse Effect;
- no deduction or withholding for or on account of any Tax being required to be made by an Obligor from any payment it may make under the relevant Partnership Transaction Documents;
- the accuracy of the information in respect of the properties within the Property Portfolio provided to the solicitors who prepared the Certificates of Title, the environmental consultants who prepared the Environmental Reports, the valuers who prepared the Valuation Report, the surveyors who prepared the Structural Condition Survey and the surveyors who prepared the Floor Area Data Capture Report;
- each Obligor's most recent audited financial statements (to the extent that such financial statements have been prepared and are required to be audited) having been prepared in accordance with generally accepted accounting principles in the United Kingdom, if applicable, and giving a true and fair view of its financial condition;
- as at the Closing Date, no liabilities or contingent liabilities exist other than in respect of the Partnership Secured Obligations, any costs, liabilities and expenses incurred in connection with the transactions contemplated by the Partnership Transaction Documents and certain

tax liabilities incurred prior to the Closing Date (as to which see the "*Tax Deed of Covenant*" or the "*SDLT Deed of Covenant*") and certain permitted financial indebtedness;

- as at the Closing Date, no Obligor having traded or carried on any business or engaged in any activities since its date of incorporation or formation (as the case may be) other than described in this Prospectus or referred to in the Partnership Transaction Documents;
- no Obligor having any outstanding financial indebtedness whatsoever other than pursuant to, or as envisaged in, the Partnership Transaction Documents;
- no Obligor being party to any material agreements other than the Partnership Transaction Documents to which it is a party; and
- each Obligor having duly paid and discharged all Taxes for which it is primarily liable within the time period allowed without incurring penalties (save to the extent that payment is being disputed, challenged or contested in good faith) and having complied with all Tax laws where failure to pay and discharge such Taxes or to comply with such laws would reasonably be expected to have a Partnership Adverse Effect.

Certain of the above representations and warranties will be repeated on each Loan Interest Payment Date, by reference to the facts and circumstances then existing.

"Tax" means any present or future tax, levy, impost, duty or other charge or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of any Tax Authority, and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly.

"Tax Authority" means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world, including HM Revenue & Customs or any successor thereof.

Covenants – General

Pursuant to the terms of the Partnership Loan Agreement, the Obligors will give certain covenants (which may be limited in certain circumstances by certain materiality qualifications) in favour of the Issuer and the Partnership Security Trustee, including, without limitation:

- to comply with the terms of the tenants' obligations under the headleases of the Mortgaged Properties under which the Nominees hold their interest in the Mortgaged Properties (the "**Headleases**") and the landlords' obligations under the Occupational Leases;
- not to carry out and/or agree to any alterations to a Mortgaged Property unless permitted by the terms of the relevant Occupational Lease or with the consent of the Partnership Security Trustee;
- to take such steps as a prudent owner would take to ensure that an Occupational Tenant keeps and maintains the relevant Mortgaged Properties in good and substantial repair and condition and in respect of the Woolwich Mortgaged Property that TPHL repairs and maintains (or procures the repair and maintenance of) the Woolwich Building;
- to take such steps as a prudent owner would take, with a view to ensuring that an Occupational Tenant complies in all material respects with laws and regulations relating to or affecting the Mortgaged Properties (including in relation to environmental and planning laws and regulations) and, upon the failure by an Occupational Tenant to so do, to comply

in all material respects with laws and regulations relating to or affecting the Mortgaged Properties (including in relation to environmental and planning laws and regulations);

- (except in relation to the Woolwich Mortgaged Property) to maintain insurance in respect of the Mortgaged Properties where the Occupational Tenants have failed to meet the insurance requirements of the Occupational Leases (which allows the Occupational Tenants to self insure where permitted pursuant to and in accordance with the terms of the Occupational Leases);
- in respect of the Woolwich Mortgaged Property, the Partnership will have an obligation to procure that TPHL insures or procures the insurance of the Woolwich Building;
- to instruct the Cash Manager to deliver a drawdown request for the advance of a Subordinated Loan in accordance with the Subordinated Loan Agreement and the Cash Management Agreement when the Cash Manager determines that such a Subordinated Loan is required in accordance with the terms of the Subordinated Loan Agreement and the Cash Management Agreement;
- to call upon the indemnity set out in the Subordinated Loan Agreement should TSL fail to advance a Subordinated Loan in accordance with the terms of the Subordinated Loan Agreement;
- as and when the Developer notifies the Woolwich Cash Manager and the Partnership that payment is due from the Partnership, to pay:
 - (i) the cost of carrying out the Development; and
 - (ii) the fees of the Developer and its contractors incurred in connection with the Development;
- to supply to the Issuer and the Partnership Security Trustee ongoing updated financial statements and certain other information with respect to each Obligor;
- to notify the Issuer and the Partnership Security Trustee of any occurrence of a Partnership Loan Event of Default or a Partnership Loan Potential Event of Default;
- not to acquire any assets or businesses unless in accordance with and pursuant to the terms of the Partnership Transaction Documents or otherwise have any subsidiaries or enter into any merger;
- not to assume any liability for any financial indebtedness unless such indebtedness is in accordance with the terms of the Partnership Transaction Documents; and
- not to incur any financial indebtedness except certain permitted financial indebtedness.

The effect of the breach of certain of the covenants described above may be subject to a rectification period and/or subject to whether the relevant breach would have or would reasonably be expected to have a Partnership Adverse Effect.

Covenants – Disposals

In addition to the general covenants described above, no Obligor shall be entitled to dispose of any assets (including any interest in a Mortgaged Property), unless permitted to do so pursuant to the terms of the Partnership Loan Agreement and the other Partnership Transaction Documents

(including, in particular, the Substitution Agreement). For further details as to the circumstances where substitutions and disposals are permitted pursuant to the terms of the Partnership Transaction Documents, see the section of this document entitled "*Substitution, Alteration and Disposal of Mortgaged Properties*".

Relationship between Partnership Loan and the Bonds

The service of a Partnership Enforcement Notice will constitute a Bond Event of Default. However, this will not necessarily result in the Bonds becoming immediately due and repayable unless the Bond Trustee delivers a Bond Acceleration Notice. The service of a Bond Acceleration Notice shall be at the discretion of the Bond Trustee, or when requested or directed by the Bondholders, subject to and in accordance with Condition 9.1 (Bond Events of Default - Bond Acceleration Notice). A Partnership Loan Event of Default will also occur upon the occurrence of any Bond Event of Default which is continuing.

Security for the Partnership Loan

The obligations of the Obligors under the Partnership Loan Agreement will be secured, pursuant to the terms of the Partnership Security Documents, over the assets, property and undertaking of the Obligors (including, *inter alia*, the Mortgaged Properties, the Partnership Accounts, the Partnership Rent Account and Nominees Holdco's shares in the Nominees, as further described in the section of this document entitled "*The Partnership Security Documents*").

Partnership Loan Guarantee

The obligations of the Partnership under the Partnership Loan Agreement will be guaranteed (on a limited recourse basis) by the other Obligors (the "**Partnership Loan Guarantee**").

Partnership Loan Events of Default

The Partnership Loan Agreement will contain a list of the events (the "**Partnership Loan Events of Default**" and each, a "**Partnership Loan Event of Default**") that may lead to a default and acceleration of any amounts outstanding in respect of the Partnership Loan, including:

- failure to meet the payment obligations under the Partnership Loan;
- breach of the Obligors' representations and warranties given pursuant to the Partnership Loan Agreement;
- breach of the Obligors' covenants under the Partnership Loan Agreement;
- the occurrence of a Bond Event of Default which is continuing;
- the occurrence of an Obligor Insolvency Event;
- if a party (other than the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee) to the Tax Deed of Covenant fails to perform or comply with any covenant therein or breaches any representation and/or warranty therein; and
- if any Obligor fails to comply with any or all of its other obligations under any other Partnership Transaction Document.

Certain of these events are subject to a rectification period. Also, certain of these events contain a materiality test where the occurrence of an event will not necessarily lead to a Partnership Loan

Event of Default unless the occurrence of such an event also would have or would reasonably be expected to have a Partnership Adverse Effect (for example, a breach of any repeating representation or warranty, the occurrence of any litigation or termination of the Partnership Operating Agreement) whereas the occurrence of other events will automatically constitute a Partnership Loan Event of Default without such materiality (for example, failure to pay (subject to a grace period), occurrence of a Bond Event of Default which is continuing, an Obligor Insolvency Event or where the Occupational Tenant Guarantor becomes insolvent).

Any event which would become (with the passage of time or the giving of any notice provided for in the Partnership Loan Agreement or any combination thereof) a Partnership Loan Event of Default will be a Partnership Loan Potential Event of Default (each, a "**Partnership Loan Potential Event of Default**" and together, the "**Partnership Loan Potential Events of Default**").

"**Obligor Insolvency Event**" means, in respect of any Obligor:

- (a) it is or is deemed to be unable or admits its inability to pay its debts as they fall due or suspends making payments on any of its debts; or
- (b) it is deemed to be unable to pay its debts pursuant to section 123 of the Insolvency Act 1986; or
- (c) a moratorium is declared in respect of any indebtedness of the Obligor (other than subordinated debt); or
- (d) the commencement of negotiations with one or more creditors of the Obligor with a view to rescheduling any indebtedness of the Obligor (other than subordinated debt); or
- (e) any corporate action, legal proceedings or other formal procedure or step is taken in relation to:
 - (i) the appointment of an Insolvency Official in relation to the Obligor or in relation to the whole or any part of the undertaking or assets of the Obligor; or
 - (ii) an encumbrancer (excluding the Partnership Security Trustee or any receiver of the Obligor appointed by the Partnership Security Trustee) taking possession of the whole or any material part of the undertaking or assets of the Obligor and such possession not being discharged or ceasing to apply within 30 days; or
 - (iii) the making of an arrangement, composition or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of the Obligor, an insolvent reorganisation or winding-up of the Obligor, a conveyance to or assignment for the creditors of the Obligor generally or the making of an application to a court of competent jurisdiction for protection from the creditors of the Obligor generally; or
 - (iv) any distress, execution, diligence, attachment or other process being levied or enforced or imposed upon or against the whole or any material part of the undertaking or assets of the Obligor (excluding by the Partnership Security Trustee or any receiver of the Obligor appointed by the Partnership Security Trustee) and the same is not discharged or does not otherwise cease to apply within 30 days; or
 - (v) any procedure or step is taken, or any event occurs, analogous to those set out in (i) – (iv) above, in any jurisdiction,

provided that an Obligor Insolvency Event shall not be considered to have occurred in relation to an Obligor where the value of the assets of an Obligor is less than the amount of its liabilities, solely due to the fact that the value of the assets of the Obligor has been materially and adversely affected by:

- (1) a diminution in the value of the Mortgaged Properties which is attributable to Market Conditions; or
- (2) a diminution in the value of the Partnership Swap.

For this purpose:

"Market Conditions" means, in relation to one or more Mortgaged Properties, conditions applicable generally in the market for similar properties in the same market; and

"Insolvency Official" means a liquidator, provisional liquidator, administrator, administrative receiver, receiver or manager or other similar officer or analogous officer.

Upon and at any time after the occurrence of a Partnership Loan Event of Default which is continuing unremedied and unwaived, the Partnership Security Trustee may, and, if so directed by the Issuer Security Trustee, shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) serve an enforcement notice in respect of the Partnership Loan Agreement (a **"Partnership Enforcement Notice"**) on the Partnership (with a copy to the other Obligors and the Issuer), and upon such service:

- (a) all amounts outstanding under the Partnership Loan shall either become immediately due and payable or shall become payable on demand; and
- (b) the security granted by the Obligors pursuant to the terms of the Partnership Security Documents shall become enforceable.

The occurrence of a Partnership Loan Event of Default (or of any other event where the Partnership Level Security is threatened or in jeopardy or the interests of the Bondholders may be prejudiced) will (to the extent permitted by applicable law), upon notice being given by the Partnership Security Trustee, result in the floating charges granted by the Obligors in the Partnership Security Documents crystallising so as to become fixed charges.

Partnership Adverse Effect

For the purposes of the Partnership Loan Agreement, **"Partnership Adverse Effect"** means:

- (a) a material and adverse effect on the ability of the Obligors (taken as a whole) to perform their payment obligations under the Partnership Transaction Documents; or
- (b) a material and adverse effect on the legality, binding nature, validity or enforceability of the security interests under the Partnership Security Documents; or
- (c) a material and adverse effect on the aggregate Vacant Possession Value of the Mortgaged Properties at any time, taking into account the outstanding amount of the Partnership Loan; or
- (d) a material and adverse effect on the legality, binding nature, validity or enforceability of the Partnership's entitlement to Rental Income (taken as a whole),

provided that, in determining whether or not a Partnership Adverse Effect has occurred, there shall be disregarded:

- (i) in respect of sub-paragraphs (b) and (d) above, the consequences of any matters of law (but not matters of fact) to the extent qualifications have been made as to such matters of law in legal opinions delivered under the Partnership Loan Agreement on the Closing Date and certain other legal reservations;
- (ii) in respect of all the foregoing sub-paragraphs, any consequences of an actual or a perceived diminution in (A) the financial ability of the Occupational Tenants or the Occupational Tenant Guarantor to pay the Rental Income in full and on time (other than an actual failure to pay the Rental Income in full on the Rent Payment Dates) or (B) the financial ability of the Subordinated Loan Facility Provider (or Tesco Plc as the provider of the Plc Indemnity) to advance a Partnership Expenses Loan in full and on time (or in the case of Tesco Plc to indemnify for any such amount not so advanced); and
- (iii) in respect of sub-paragraphs (a) and (c) above, any diminution in the aggregate Vacant Possession Value of the Mortgaged Properties which is attributable to Market Conditions.

Governing law

The Partnership Loan Agreement (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

The Account Bank Agreement

The Issuer, the Cash Manager, the Woolwich Cash Manager, the Nominees, the Partnership, the General Partner, the Issuer Security Trustee and the Partnership Security Trustee will enter into an agreement (the "**Account Bank Agreement**") with the Account Bank, on or about the Closing Date, pursuant to which the Issuer will open and maintain the Issuer Transaction Account with the Account Bank, the Nominees will open the Partnership Rent Account and the Woolwich Development Reserve Account with the Account Bank, the Partnership will open and maintain the Partnership Accounts with the Account Bank and the General Partner will open and maintain with the Account Bank (i) a reserve account to fund the General Partner's ongoing corporation tax liabilities (the "**General Partner Corporation Tax Reserve Account**"), and (ii) an account into which any sums representing value added tax which are reclaimed by the General Partner from HM Revenue & Customs will be paid (some of such amounts to be used to fund certain VAT payment obligations of the General Partner) (the "**General Partner VAT Transaction Account**"). Pursuant to the Account Bank Agreement, the Account Bank will waive all rights of set-off in relation to the Partnership Rent Account, the Woolwich Development Reserve Account, the Partnership Accounts, the General Partner Corporation Tax Reserve Account, the General Partner VAT Transaction Account and the Issuer Transaction Account (together, the "**Accounts**").

Each of the Issuer and the Partnership (on behalf of itself, the General Partner and the Nominees) will pay to the Account Bank an agreed fee (inclusive of any applicable VAT). Payment of the fees due to the Account Bank by the Partnership will rank senior to payments due to the Issuer in respect of the Partnership Loan and payment of the fees due to the Account Bank by the Issuer will rank senior to payments due to the Bondholders.

The Account Bank will give certain representations, including that it is an Eligible Bank (as defined below).

The Issuer may not withdraw any monies from the Issuer Transaction Account otherwise than in accordance with the provisions of, as applicable, the Issuer Deed of Charge, the Cash Management Agreement and the Account Bank Agreement.

The Nominees may not withdraw any monies from the Partnership Rent Account or the Woolwich Development Reserve Account otherwise than in accordance with the provisions of, as applicable, the Nominees Deed of Charge, the Cash Management Agreement and the Account Bank Agreement.

The Partnership may not withdraw any monies from the Partnership Accounts (other than the Partnership Distribution Account) otherwise than in accordance with the provisions of, as applicable, the Partnership Deed of Charge, the Cash Management Agreement and the Account Bank Agreement.

The Partnership Rent Account and the Woolwich Development Reserve Account are subject to a first priority security interest created in favour of the Partnership Security Trustee pursuant to the Nominees Deed of Charge (as described in "*The Nominees Deed of Charge*").

The General Partner may not withdraw any monies from the General Partner Corporation Tax Reserve Account or the General Partner VAT Transaction Account otherwise than in accordance with the provisions of, as applicable, the Partnership Deed of Charge, the Cash Management Agreement and the Account Bank Agreement.

Each of the Partnership Accounts (other than the Partnership Distribution Account), the General Partner VAT Transaction Account and the General Partner Corporation Tax Reserve Account will be subject to a first priority security interest created in favour of the Partnership Security Trustee pursuant to the Partnership Deed of Charge (as described in "*The Partnership Deed of Charge*"). The Issuer Transaction Account is subject to a first priority security interest created in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge (as described in "*The Issuer Deed of Charge*").

If the Account Bank ceases to be an "**Eligible Bank**" (being an English bank or an English branch of a bank, the short-term, unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least P-1 by Moody's and the long-term, unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least A- by S&P (or as is otherwise acceptable to the Rating Agencies)), then the Issuer, the Nominees, the Partnership and the General Partner will be required to arrange for the transfer (within 30 days) of the Accounts to an Eligible Bank on terms acceptable to the Issuer Security Trustee and the Partnership Security Trustee.

The appointment of the Account Bank may also be terminated by the Issuer (with the consent of the Issuer Security Trustee) or by the Nominees, the Partnership or the General Partner (in each case, with the consent of the Partnership Security Trustee) and by the Issuer Security Trustee and the Partnership Security Trustee (acting jointly) following certain events including a failure by the Account Bank to perform its duties under the Account Bank Agreement and an insolvency-related event in relation to the Account Bank (as the case may be).

The Issuer, the Nominees, the Partnership and the General Partner (acting jointly) and with the approval of the Partnership Security Trustee and the Issuer Security Trustee shall appoint a replacement Account Bank in the event that the appointment of the Account Bank is terminated. The termination of the appointment of the Account Bank shall not be effective until a replacement has been appointed.

The Issuer, the Nominees, the Partnership and the General Partner will agree with the Account Bank that if, by the day falling 10 days before the expiry of any termination notice, the Issuer, the Nominees, the Partnership and the General Partner have not appointed a successor Account Bank then the Account Bank shall be entitled, on behalf of the Issuer, the Nominees, the Partnership and the General Partner to appoint in its place as a successor Account Bank a reputable financial institution of good standing which the Issuer, the Nominees, the Partnership and the General Partner have approved.

The Account Bank Agreement (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

The Cash Management Agreement

The Issuer, the Partnership, the General Partner, the Nominees, the Account Bank, the Issuer Security Trustee and the Partnership Security Trustee will enter into an agreement (the "**Cash Management Agreement**") with the Cash Manager and the Woolwich Cash Manager, on or about the Closing Date.

Pursuant to the Cash Management Agreement, the Cash Manager will be appointed, as agent of the Issuer, the Partnership, the General Partner, the Nominees and, in certain circumstances, the Issuer Security Trustee and/or the Partnership Security Trustee, to (i) act as cash manager in respect of amounts standing to the credit of the Issuer Transaction Account from time to time; (ii) act as cash manager in respect of amounts standing to the credit of the Partnership Accounts from time to time; (iii) act as cash manager in respect of amounts standing to the credit of the Partnership Rent Account from time to time; (iv) act as cash manager in respect of amounts standing to the credit of the General Partner VAT Transaction Account and the General Partner Corporation Tax Reserve Account; and (v) invest monies standing to the credit from time to time of the Issuer Transaction Account, the Partnership Accounts (other than the Partnership Distribution Account), the Partnership Rent Account, the General Partner VAT Transaction Account and the General Partner Corporation Tax Reserve Account in Eligible Investments (on a non-discretionary basis) in accordance with the directions of the relevant account holder.

Pursuant to the Cash Management Agreement, the Woolwich Cash Manager will be appointed, as agent of the Nominees and, in certain circumstances, the Partnership Security Trustee, to act as cash manager in respect of amounts standing to the credit of the Woolwich Development Reserve Account from time to time.

Each of the Issuer and the Partnership (on behalf of itself, the Nominees and the General Partner) will pay the Cash Manager an agreed fee (inclusive of any applicable VAT). Payment of the fees due to the Cash Manager by the Partnership will rank senior to payments due to the Issuer in respect of the Partnership Loan and payment of the fees due to the Cash Manager by the Issuer will rank senior to payments due to the Bondholders.

The Partnership (on behalf of itself and the Nominees) will pay the Woolwich Cash Manager an agreed fee (inclusive of any applicable VAT). Payment of the fees due to the Woolwich Cash Manager by the Partnership will rank senior to payments due to the Issuer in respect of the Partnership Loan.

The Cash Management Agreement will contain provisions, *inter alia*, for the transfer of amounts between, and withdrawal of funds from, the General Partner VAT Transaction Account, the General Partner Corporation Tax Reserve Account, the Partnership Accounts, the Partnership Rent Account, the Woolwich Development Reserve Account and the Issuer Transaction Account.

Details concerning the Partnership Pre-Enforcement Priority of Payments, the Partnership Post-Enforcement Priority of Payments, the Issuer Pre-Enforcement Priority of Payments and the Issuer Post-Enforcement Priority of Payments are described further in the section entitled "*Resources Available to the Partnership and the Issuer*".

The appointment of the Cash Manager may be terminated by the Issuer (with the consent of the Issuer Security Trustee) or by the Nominees, the Partnership or the General Partner (in each case, with the consent of the Partnership Security Trustee) or by the Issuer Security Trustee and the Partnership Security Trustee (acting jointly) following certain events including a failure by the Cash Manager to perform its duties under the Cash Management Agreement and an insolvency-related event in relation to the Cash Manager (as the case may be).

The Issuer, the Nominees, the Partnership and the General Partner (acting jointly) and with the approval of the Partnership Security Trustee and the Issuer Security Trustee shall appoint a replacement Cash Manager in the event that the appointment of the Cash Manager is terminated. The termination of the appointment of the Cash Manager shall not be effective until a replacement has been appointed.

The Issuer, the Nominees, the Partnership and the General Partner will agree with the Cash Manager that if, by the day falling 10 days before the expiry of any termination notice, the Issuer, the Nominees, the Partnership and the General Partner have not appointed a successor Cash Manager then the Cash Manager shall be entitled, on behalf of the Issuer, the Nominees, the Partnership and the General Partner to appoint in its place as a successor Cash Manager a reputable financial institution of good standing which the Issuer, the Nominees, the Partnership and the General Partner have approved.

The appointment of the Woolwich Cash Manager may be terminated by the Nominees (with the consent of the Partnership Security Trustee) following certain events including a failure by the Woolwich Cash Manager to perform its duties under the Cash Management Agreement and an insolvency-related event in relation to the Woolwich Cash Manager (as the case may be).

The Nominees, with the approval of the Partnership Security Trustee, shall appoint a replacement Woolwich Cash Manager in the event that the appointment of the Woolwich Cash Manager is terminated. The termination of the appointment of the Woolwich Cash Manager shall not be effective until a replacement has been appointed.

The Nominees will agree with the Woolwich Cash Manager that if, by the day falling 10 days before the expiry of any termination notice, the Nominees have not appointed a successor Woolwich Cash Manager then the Woolwich Cash Manager shall be entitled, on behalf of the Nominees to appoint in its place as a successor Woolwich Cash Manager a reputable financial institution of good standing which the Nominees and the Partnership Security Trustee have approved.

The Cash Management Agreement (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

The Partnership Security Documents

The Partnership Secured Obligations will be secured, *inter alia*, by the assets and undertaking of the Obligors.

A. The Partnership Deed of Charge

Under or pursuant to a deed of charge to be entered into on the Closing Date (the "**Partnership Deed of Charge**"), each of the Partnership and the General Partner (on behalf of the Partnership) will create, *inter alia*, the following security (the "**Partnership Security**") in favour of the Partnership Security Trustee on trust for the Partnership Secured Creditors over all of its partnership property, assets and undertaking (the "**Partnership Charged Property**"):

- (a) fixed charges, mortgages, pledges or, as the case may be, assignments by way of security or assignments in security of or over:
 - (i) its interest in the Mortgaged Properties (including its interest in the relevant Occupational Leases and the trusts declared and created by the Nominees in respect of such Mortgaged Properties under the relevant Declaration of Trust);
 - (ii) its interest in all Rental Income;
 - (iii) any insurances, licences, consents and authorisations (statutory or otherwise) held by the Partnership or the General Partner (on behalf of the Partnership) in connection with the Mortgaged Properties or the use of such Mortgaged Properties and the right to recover and receive all compensation which may be payable in respect thereof;
 - (iv) its interest in the Partnership Accounts (other than the Partnership Distribution Account);
 - (v) its interest in any Eligible Investments made from time to time by or on behalf of the Partnership;
 - (vi) the Partnership's rights under the Partnership Expenses Facility and the Plc Indemnity;
 - (vii) the benefit of any rights it has in any of the Partnership Transaction Documents, provided that the Partnership Swap Agreement shall be subject to any rights of set-off agreed between the parties thereto; and
 - (viii) its shares in Nominees Holdco and any related rights held by it; and
- (b) a floating charge over all its present and future assets and undertaking, including the Partnership Distribution Account, deferred in point of priority to any fixed security validly and effectively created by it and as described in paragraph (a) above.

Also under or pursuant to the Partnership Deed of Charge, in addition to the security created by the General Partner in respect of any property, assets and undertaking held by it for and on behalf of the Partnership (as described above), the General Partner, in its own right will create:

- (a) a fixed charge or, as the case may be, assignment by way of security over:
 - (i) its interest in the General Partner VAT Transaction Account and the General Partner Corporation Tax Reserve Account; and
 - (ii) the benefit of any rights it has in any of the Partnership Transaction Documents; and

- (b) a floating charge over all its own present and future property, assets and undertaking, deferred in point of security to any fixed security validly and effectively created by it and as described in paragraph (a) above,

(the "**GP Charged Property**") in favour of the Partnership Security Trustee on trust for the Partnership Secured Creditors (such security being the "**GP Security**").

The Partnership Deed of Charge (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law, provided that any terms of the Partnership Deed of Charge particular to Scots law (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, Scots law.

B. The Nominees Deed of Charge

Under or pursuant to a deed of charge to be entered into on the Closing Date (the "**Nominees Deed of Charge**"), each of the Nominees will create, *inter alia*, the following security (the "**Nominees Security**") in favour of the Partnership Security Trustee on trust for the Partnership Secured Creditors over all of its property, assets and undertaking (the "**Nominees Charged Property**"):

- (a) fixed charges, mortgages, standard securities or, as the case may be, assignments by way of security or assignments in security of or over:
 - (i) its interest in the Mortgaged Properties (including its interest in the Occupational Leases);
 - (ii) its interest in all Rental Income;
 - (iii) any insurances, licences, consents and authorisations (statutory or otherwise) held by the Nominees in connection with the Mortgaged Properties or the use of those Mortgaged Properties and the right to recover and receive all compensation which may be payable in respect of them;
 - (iv) its interest in any Eligible Investments made from time to time by or on behalf of the Nominees;
 - (v) its interest in the Partnership Rent Account;
 - (vi) its interest in the Woolwich Development Reserve Account; and
 - (vii) the benefit of any rights it has in any of the Partnership Transaction Documents to which it is a party; and
- (b) a floating charge over all of its present and future assets and undertaking, deferred in point of security to any fixed security validly and effectively created by it and as described in paragraph (a) above.

The Nominees Deed of Charge (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law, provided that any terms of the Nominees Deed of Charge particular to Scots law (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, Scots law.

C. The Nominees Holdco Deed of Charge

Under or pursuant to a deed of charge to be entered into on the Closing Date (the "**Nominees Holdco Deed of Charge**"), Nominees Holdco will create, *inter alia*, the following security (the "**Nominees Holdco Security**") in favour of the Partnership Security Trustee on trust for the Partnership Secured Creditors over all of its property, assets and undertaking (the "**Nominees Holdco Charged Property**"):

- (a) fixed charges, mortgages or, as the case may be, assignments by way of security of or over:
 - (i) its shares in the Nominees and any related rights; and
 - (ii) the benefit of any rights it has in any Partnership Transaction Documents to which it is a party; and
- (b) a floating charge over all of its present and future assets and undertaking, deferred in point of priority to any fixed security validly and effectively created by it and as described in paragraph (a) above.

The Nominees Holdco Deed of Charge (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

Service of Partnership Enforcement Notice

Upon the service of a Partnership Enforcement Notice pursuant to the terms of the Partnership Transaction Documents, the Partnership Security Trustee shall, if so directed by the Issuer Security Trustee and indemnified and/or secured and/or pre-funded to its satisfaction, enforce its rights in respect of the Partnership Level Security.

The proceeds of enforcement of the Partnership Level Security will be applied in accordance with the order of application of payments specified in the Partnership Post-Enforcement Priority of Payments.

The Issuer Deed of Charge

The Issuer and, *inter alios*, the Issuer Security Trustee will enter into a deed of charge (the "**Issuer Deed of Charge**") on the Closing Date as security for the obligations of the Issuer to the Issuer Secured Creditors under the Issuer Transaction Documents to which it is a party (the "**Issuer Secured Obligations**").

Under or pursuant to the Issuer Deed of Charge, the Issuer will grant, *inter alia*, the following security in favour of the Issuer Security Trustee on trust for the Issuer Secured Creditors over all of its property, assets and undertaking (the "**Issuer Charged Property**"):

- (a) first priority fixed charges or, as the case may be, assignments by way of security or assignments in security over:
 - (i) the Issuer's rights as a secured party under the Partnership Security Documents and any security granted pursuant thereto (including the Issuer's beneficial interest in the security trusts in respect of the Partnership Security Documents);
 - (ii) the Issuer's rights under the Partnership Loan;

- (iii) the Issuer's rights under the Issuer Swap Agreement and the Partnership Swap Agreement, provided that the Issuer Swap Agreement and the Partnership Swap Agreement shall be subject to any rights of set-off agreed between the parties thereto;
 - (iv) the Issuer's rights in respect of the Issuer Transaction Account;
 - (v) any Eligible Investments made from time to time by or on behalf of the Issuer; and
 - (vi) the benefit of any rights it has in any of the Issuer Transaction Documents (other than the Trust Deed and the Issuer Deed of Charge); and
- (b) a floating charge over all of its present and future assets and undertaking, not subject to fixed security validly and effectively created by it and as described in paragraph (a) above (but excepting from the above exclusion all of its assets and undertaking, present and future, situated in Scotland or the rights to which are governed by Scots law, all of which assets and undertaking are charged by the floating charge thereby created) (such security together, the "**Issuer Security**").

The proceeds of enforcement of the Issuer Security will be applied in accordance with the order of application of payments specified in the Issuer Post-Enforcement Priority of Payments.

The Issuer Deed of Charge (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law, provided that any terms of the Issuer Deed of Charge particular to Scots law (and any non-contractual obligations arising out of or in connection therewith) will be construed in accordance with, Scots law.

The Property Pool Management Agreement

On the Closing Date, each of the Nominees, the Partnership, the Partnership Operator, the Partnership Security Trustee and the Property Pool Manager will enter into the Property Pool Management Agreement pursuant to which the Property Pool Manager will be appointed in relation to the Mortgaged Properties on the Closing Date.

Pursuant to the terms of the Property Pool Management Agreement, the Property Pool Manager will be responsible for, *inter alia*:

- (a) the collection of Rental Income in respect of the Mortgaged Properties on behalf of the Partnership which in respect of the Occupational Leases will be paid directly into the Partnership Rent Account;
- (b) monitoring the Occupational Tenants' compliance with the covenants in the Occupational Leases;
- (c) monitoring the Occupational Tenants' procurement and maintenance of insurance (to the extent required) in accordance with the Occupational Leases;
- (d) assisting in relation to alterations, substitutions and disposals of, and Adjoining Land Developments in respect of, the Mortgaged Properties in compliance with the Occupational Leases, the Substitution Agreement and the Partnership Loan Agreement; and
- (e) taking steps with a view to procuring that the reporting obligations of the Partnership are complied with in accordance with the Partnership Loan Agreement.

The appointment of the Property Pool Manager may be terminated by the Partnership Operator (with the prior written consent of the Partnership and the Partnership Security Trustee) or by the Partnership Security Trustee in certain circumstances, including following a material breach of certain obligations or certain insolvency-related events concerning the Property Pool Manager or a Partnership Enforcement Notice being served. However, the termination of the appointment of the Property Pool Manager will not be effective until a replacement has been appointed by the Partnership Operator in accordance with the Property Pool Management Agreement.

The Property Pool Management Agreement (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

The Swap Agreements

A. The Partnership Swap Agreement

On or before the Closing Date, the Partnership will enter into an index-linked swap transaction with the Issuer governed by an ISDA Master Agreement (Multicurrency-Cross Border), schedule thereto and confirmation thereunder (the "**Partnership Swap Agreement**") in order to mitigate any mismatch arising as a result of the Partnership receiving RPI-linked payments from the Occupational Tenants and paying fixed interest and (where applicable) scheduled repayments of principal on the Partnership Loan.

The Partnership Swap Agreement (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

For a further description of the Partnership Swap Agreement, see the sections of this document entitled "*Transaction Overview – Source of funds for payments of the Bonds*", "*Risk Factors – Hedging risks*" and "*Resources Available to the Partnership and the Issuer*".

B. The Issuer Swap Agreement

On or before the Closing Date, the Issuer will enter into an index-linked swap transaction with the Issuer Swap Provider governed by an ISDA Master Agreement (Multicurrency-Cross Border), schedule thereto and confirmation thereunder (the "**Issuer Swap Agreement**") in order to mitigate any mismatch arising as a result of the Issuer receiving RPI-linked payments from the Partnership under the Partnership Swap Agreement and paying fixed interest and (where applicable) scheduled principal on the Bonds.

The Issuer Swap Agreement (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

For a further description of the Issuer Swap Provider, see the section of this document entitled "*The Parties*" and the section of this document entitled "*The Issuer Swap Provider*". For a further description of the Issuer Swap Agreement, see the sections of this document entitled "*Transaction Overview – Source of funds for payments of the Bonds*", "*Risk Factors – Hedging risks*" and "*Resources Available to the Partnership and the Issuer*".

The Head Leases

The principal terms of each Head Lease under which the relevant property within the Property Portfolio will be held by or on behalf of the Partnership as at the Closing Date are as follows:

Term

In respect of the Head Leases of the properties within the Property Portfolio in England and Wales, 999 years from the date of the Head Leases (save that at the Closing Date, the Head Leases of the properties at Wath-Upon-Deerne and Kidsgrove will be for an unexpired term of 993 years) and, in respect of the leases of the properties in Scotland, which will be for a term of 175 years from the date of the Head Leases (save that at the Closing Date, the Head Leases of the properties at Bathgate Blackburn Road and Inverurie will be for an unexpired term of 169 years).

Rent

£2 per year (if demanded). The rent is subject to increase arising from an Alteration funded by the relevant Occupational Tenant under the provisions of the Substitution Agreement in an amount equal to the corresponding increase in the rent payable under the Occupational Lease in respect of that Alteration.

Tenant's covenants

By way of indemnity only to pay all outgoings which may at any time be payable in respect of the Mortgaged Property and to comply with all statutes relating to the Mortgaged Property and encumbrances affecting the Mortgaged Property, subject to the proviso that the tenant is not liable for any of these outgoings so long as the Mortgaged Property is subject to the Occupational Lease or any renewal of the Occupational Lease other than the landlord's obligations under the Occupational Lease or any renewal of the Occupational Lease.

Landlord's covenants

The landlord gives a covenant for quiet enjoyment and where relevant to pay the rent reserved by and comply with the terms of any superior lease in so far as they are not to be observed and performed by the Occupational Tenant under the Occupational Lease.

In respect of the Woolwich Mortgaged Property only, the landlord also covenants to repair and insure (or procure the repair and insurance of) the Woolwich Mortgaged Property.

In the Head Leases of the Mortgaged Properties at Woolwich, Arbroath and Wick the landlord covenants to comply with all outstanding planning conditions and obligations and in relation to Arbroath and Wick, any outstanding building control and building warrant requirements and pay all sums due under any planning agreements which relate to the construction of the Woolwich Mortgaged Property and the retail stores at the Mortgaged Properties at Arbroath and Wick and the existing extension of the retail stores at the Mortgaged Properties at Arbroath and Wick. Tesco also guarantees compliance with these obligations.

Dealings

There are no restrictions on the tenant assigning, transferring, underletting or charging the Mortgaged Property.

Forfeiture

There is no right for the landlord to forfeit any Head Lease.

Option to acquire the reversion

The tenant has the option to buy the landlord's reversionary interest for the reversion value of £2. The option is exercisable at any time after the 50th year of the term. In the case of properties located in Scotland, the option will be secured by first ranking standard securities in favour of the tenant.

Minor disposals

The landlord will enter into any necessary documentation in respect of any Minor Disposal as requested by the tenant to facilitate a Minor Disposal by the Occupational Tenant as referred to below.

The Occupational Leases

The principal terms of each Occupational Lease subject to which the relevant Head Lease is beneficially held by the Partnership and in respect of which the legal title is held by the Nominees (the Nominees, in their capacity as landlord under the Occupational Leases, being the "**Landlord**"), as at the Closing Date, are set out below:

Occupational Tenant Guarantee

Tesco (and any Highest Rated Entity if (a) such entity exists and (b) the long term unsecured unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's and A- by S&P) guarantees (the "**Occupational Tenant Guarantee**") the obligations of the Occupational Tenant under each Occupational Lease (and, in such capacity, is the "**Occupational Tenant Guarantor**"). The terms of the Occupational Tenant Guarantee include the following:

- (a) a covenant that the Occupational Tenant will perform and observe all of the obligations on the part of the Occupational Tenant in the Occupational Lease (including payment of rent and all other sums payable under the Occupational Lease);
- (b) provision for the Landlord to proceed against the Occupational Tenant Guarantor as if it were the sole obligor in respect of the obligations in question; and
- (c) provision enabling the Landlord to require the Occupational Tenant Guarantor to take a new lease of the property in the event of disclaimer or forfeiture of the Occupational Lease.

Term

The Occupational Leases for each property within the Property Portfolio will be for a term expiring on the Occupational Lease Maturity Date.

Leased property

Each Occupational Lease (except in the case of the Woolwich Mortgaged Property) includes all land and buildings within the site boundary, all landlord's fixed plant and machinery and all conduits (other than those of utility companies) within the site boundary or (where the Landlord has any responsibility for them) serving the property. Tenant's fixtures and fittings (i.e. items that would ordinarily form part of a retail tenant's fit-out work) are excluded from the Occupational Leases.

In the case of the Woolwich Mortgaged Property, the Occupational Lease includes the internal demise of the Woolwich Tesco Store, the ancillary retail units, the customer car park (and the

access to such car park) and the service yard servicing the Tesco Store but will exclude any structural or external parts of the Woolwich Building.

Rent

Save for the Woolwich Mortgaged Property, the principal rent payable until 24 December 2012 is as set out in the schedule of property values contained in the Valuation Report under the heading "*Rental Income*". The principal rent payable for the Woolwich Mortgaged Property will commence on 25 December 2012. The principal rent increases on 25 December 2012 (or in respect of the Woolwich Mortgaged Property on 25 December 2013) and each anniversary of that date by RPI (all items), subject to a minimum 0% increase and a maximum of 5% increase. The principal rent for each Mortgaged Property other than the Woolwich Mortgaged Property is payable without deductions or set-off in advance on the date when the Occupational Lease was entered into for the period commencing on the date when the Occupational Lease was entered into until 24 March 2012 and thereafter from 25 March 2012 on a quarterly basis on 29 September, 25 December, 25 March and 24 June in every year of the term (the "**Rent Payment Dates**"). The principal rent under the Occupational Lease in respect of the Woolwich Mortgaged Property is payable without deductions or set-off in advance from 25 December 2012 and thereafter on the Rent Payment Dates.

Interest on late rent

Interest is payable at a fixed rate (which is equal to the rate applicable to the Bonds) on any rent which is not paid within 10 Business Days of the due Rent Payment Date.

Rents net of additional charges, costs and expenses

The Occupational Tenant is responsible for the payment of all existing and future rates, taxes, assessments, duties, outgoings, impositions, governmental or local or other charges attributable or relating to the Mortgaged Property, except tax and value added tax for which the landlord is required to account.

Repairs

The Occupational Tenant (except for the Occupational Tenant of the Woolwich Mortgaged Property) is to keep all parts of the structures and buildings on the property in good and substantial repair and condition. The landlord's fixtures and fittings and equipment are to be replaced when beyond repair with new, reconditioned or replacement items of similar quality and in good working order. In the case of the Woolwich Mortgaged Property, TPHL, as the landlord under the Woolwich Head Lease, guaranteed by Tesco, is obliged to repair (or procure the repair of) the structure and external parts of the Woolwich Building. A proportion of the cost of repairing the Woolwich Building attributable to the Woolwich Mortgaged Property will be reimbursed by the Occupational Tenant through a service charge. The Occupational Tenant of the Woolwich Mortgaged Property is to keep all of the internal parts of the Woolwich Mortgaged Property in good and substantial repair and condition.

If the property is damaged or destroyed, whether by an insured risk or an uninsured risk and whether or not the Occupational Tenant is self-insuring (as to which, see "*Insurance*"), the Occupational Tenant (save for the Occupational Tenant of the Woolwich Mortgaged Property) is to reinstate the property with all reasonable speed subject to obtaining all necessary consents. In the case of the Woolwich Mortgaged Property, TPHL (as landlord under the Woolwich Head Lease) is to reinstate (or procure the reinstatement of) the Woolwich Mortgaged Property with all reasonable speed subject to obtaining all necessary consents.

Alterations

Under the Occupational Lease, internal or external alterations, are prohibited unless expressly permitted under (a) or (b) below.

The Occupational Tenant may, without the consent of the Landlord and the Partnership Security Trustee:

- (a) carry out internal or (except in relation to the Woolwich Mortgaged Property) external non-structural alterations or (except in relation to the Woolwich Mortgaged Property) the extension of any building which, together with previous extensions carried out during the term, will not generate an increase in gross internal area in excess of 40% of the gross internal area at the date of the Occupational Lease (excluding the creation of mezzanine floor areas); or the creation of mezzanine floor areas; or the construction of additional car parking within the property as is needed to fulfil any planning requirements and/or the Occupational Tenant's operational requirements; or installation of automatic teller machines (freestanding or otherwise) and other freestanding structures intended for customer use; or installation of signage; or other alterations, including structural alterations, which do not adversely affect the structural integrity of the building; or
- (b) (except in relation to the Woolwich Mortgaged Property) carry out alterations not permitted under (a) above (save for the extension of any building in excess of the 40% limit detailed above) if the Occupational Tenant provides a written certificate from the Property Advisor addressed to the landlord not more than 6 months after practical completion of the alterations, which identifies the extent and nature of the alterations and certifies that the effect of carrying out the alterations would not be to (i) reduce the market rental value of a lease of the property assuming a lease for a term equal to the then unexpired term of the Occupational Lease and otherwise on the then current market terms generally acceptable to long term institutional investors or (ii) reduce the market value of the landlord's interest in the property assuming vacant possession.

If the alterations involve the extension of any building which, together with previous extensions carried out during the term, generate an increase in gross internal area in excess of 40% of the gross internal area as at the date of the Occupational Lease, then the Landlord's consent (but not the Partnership Security Trustee's consent) will be required, such consent not to be unreasonably withheld or delayed, and, as part of any application for such consent, a written certificate from the Property Advisor must be given as detailed in (b) above but prior to any such alterations being carried out.

If the proposed alterations are estimated to cost in excess of 24 months' rent or take longer than 18 months to complete, the Occupational Tenant may be required to provide certain security for the completion of the alterations (as more particularly described in the Occupational Lease).

Reinstatement

All alterations or additions are to be reinstated at the end of the term save for those detailed in paragraphs (a) and (b) above or any permitted extension of the building in excess of 40% of the gross internal area as detailed above, unless the Landlord believes (acting reasonably) that the alterations reduce the market value of the Mortgaged Property. All of the Occupational Tenant's fixtures and fittings shall be removed at the end of the term (save where the Occupational Tenant has exercised its right to renew the Occupational Lease) and the Occupational Tenant must make good all damage caused by such removal, to the reasonable satisfaction of the Landlord.

Permitted use

The permitted use for each Tesco store is as a retail shop or shops with ancillary uses of a petrol filling station (with a kiosk and car wash), customer restaurant, in-store bakery, the provision of financial services (including cash dispensing machines), lottery and similar ticket sales, pharmacy, office and storage space, customer and staff parking and such other uses as are common in shops of the Occupational Tenant in the United Kingdom from time to time including ancillary residential use which does not materially reduce the gross internal area of or have a material adverse effect on the operation of the retail shop or shops forming part of the Premises and not for any other use save with the Landlord's consent, which shall not be unreasonably withheld or delayed.

Assignment

Assignment of the whole or any part of a property by the Occupational Tenant is prohibited.

Underletting

The Occupational Tenant may underlet part of the property:

- (a) without the Landlord's consent if the underlease complies with certain usual requirements as to form and substance and the requirements of paragraphs (i) and (ii) below are satisfied; or
- (b) the Occupational Tenant obtains the prior written consent of the Landlord.

The Occupational Tenant may underlet the whole of the property if any one of the following applies:

- (a) without the Landlord's consent if the underlease complies with certain usual requirements as to form and substance and the requirements of paragraph (ii) below are satisfied; or
- (b) the Occupational Tenant obtains the prior written consent of the Landlord.

The requirements of paragraphs (i) and (ii) referred to above are:

- (i) the Occupational Tenant may underlet a permitted part if by doing so the premises would not comprise more than 5 units of occupation where the premises are less than 75,000 sq ft gross internal area and 10 units of occupation where the premises are more than 75,000 sq ft gross internal area (save for the Woolwich Mortgaged Property where there are 7 existing units of occupation and consequently the maximum number of units of occupation permitted will be 17 and the Mortgaged Property at Doncaster where there are 4 existing units of occupation and consequently the maximum number of units of occupation permitted will be 14); and
- (ii) the Occupational Tenant may underlet the whole of the property or permitted part if the aggregate gross internal area of those properties or parts of properties then comprising the Mortgaged Properties which are sublet or proposed to be sublet (including subsisting sub-lettings) to tenants whose long-term senior unsecured or counterparty credit rating with the rating agencies is lower than BBB- (from S&P) or Baa3 (from Moody's) does not exceed 25% of the then gross internal area of the Mortgaged Properties.

The Occupational Tenant may grant licences, concessions or franchises (consistent with the then current use of the property) of part of the property provided that no relationship of landlord and

tenant is created and the Occupational Tenant gives to the landlord written notice within 28 days of any written request.

The Occupational Tenant may share the whole or any part of the property with a company which is and remains a Tesco Group company, or with Tesco Personal Finance Plc, provided that company is and remains a Tesco Group company for so long as such occupation does not create the relationship of landlord and tenant. The Occupational Tenant may underlet the whole or any part of the property to a company which is and remains a Tesco Group company or to Tesco Personal Finance Plc, provided that company is and remains a Tesco Group company provided that no security of tenure is conferred.

Security of tenure

Each Occupational Lease of a property in England or Wales has been excluded from the security of tenure protection of the Landlord and Tenant Act 1954. This Act does not apply to Scotland.

Insurance

The Occupational Tenant (save in respect of the Woolwich Mortgaged Property) can elect to self insure if and for so long as Tesco has a long-term senior unsecured investment grade credit rating from one or more of the applicable rating agencies none of whose ratings is lower than BBB- (for S&P) and Baa1 (for Moody's) in each case without negative outlook. Otherwise, the Occupational Tenant will insure (and the Landlord may do so at the cost of the Occupational Tenant if the Occupational Tenant does not) with any insurance company or entity or pool authorised to carry on insurance business by the Financial Services Authority or by an equivalent regulatory body with regulatory powers over the insurance industry in the European Union:

- (a) the property, in its full reinstatement cost against fire, storm, tempest, flood, earthquake, lightning, civil commotion, riot, explosion, malicious damage, aircraft (but not hostile aircraft) and other aerial devices, parts thereof and articles dropped from them (not being war damage), burst pipes, overflowing of pipes or other apparatus, impact and terrorism to the extent that insurance cover is ordinarily available at commercially reasonable rates and on such terms as are commonly available for property of a similar type, size and value and such other risks as the Landlord may reasonably request, and subject to such exceptions, conditions and limitations as shall at the relevant time be commonly imposed by insurers in agreeing to provide such insurance;
- (b) explosion of any engineering and/or electrical plant and/or machinery;
- (c) property owner's third party liability;
- (d) loss of the principal rent for at least 3 years; and
- (e) such other insurances as a reasonably prudent company in the business of the occupation and letting of the Mortgaged Property would effect.

Where the Occupational Tenant is obliged to insure, the Occupational Tenant covenants to use reasonable endeavours to procure that the Landlord and the Partnership Security Trustee are co-insured with the Occupational Tenant on each policy and, if this is not possible, to procure that the Landlord and the Partnership Security Trustee are noted on the policy.

In respect of the Woolwich Mortgaged Property, the Head Lease contains an obligation on TPHL as the landlord to insure (or procure the insurance of) the Woolwich Building and a proportion of

such cost attributable to the Woolwich Mortgaged Property will be reimbursed by the Occupational Tenant of that property.

Right of renewal

The Occupational Tenant has the benefit of a right to renew each Occupational Lease at the expiry of the contractual term on the Occupational Lease Maturity Date, with a further right to take two further renewal leases, each for a term of 10 years (30 further years in total). The rent for the first renewal lease will be rebased to the then market rent (subject to annual RPI increases with a minimum 0% increase and a maximum 4% increase). The rent for the second and third renewal terms is the rent reserved at the expiry of the previous lease) but subject in each case to annual RPI increases. The renewal leases (save for the final renewal lease) in respect of the Occupational Leases of the properties in England and Wales will be contracted out of the security of tenure provisions of the Landlord and Tenant Act 1954 provided that the landlord follows the required procedure. The Act does not apply to the Mortgaged Properties in Scotland.

Right to terminate

The Occupational Tenant has a right to terminate each Occupational Lease together (but not individually) on 30 January 2022 provided that on or before such date all amounts owing under the Bonds have been repaid by the Issuer.

Superior lease

The Occupational Tenant covenants to perform and observe the Landlord's obligations in any superior lease (including the relevant Head Lease) save those relating to the payment of principal rent and other sums due under such superior lease (albeit such sums are recoverable from the Occupational Tenant as additional rent pursuant to the Occupational Lease).

Minor Disposals

The Occupational Tenant is permitted to make disposals (when the consideration or the value of the land exchanged does not exceed £50,000 (excluding VAT) of part of the Mortgaged Property as long as the transfer or sale (which includes the grant or surrender of a lease or the grant of a wayleave, easement, servitude or other right of access) is on arm's length terms, it will not breach a planning condition or any Planning Act, the rent payable under the Occupational Lease is not reduced, the land does not form part of the building on the property or a key access route and the disposal will not impair the operation, use or enjoyment of the property (including parking arrangements) in any way which is reasonably likely to result in a material adverse impact on trading of the business and would not cause a reduction in the market value of the property, and neither the Landlord nor the Partnership is required to assume any material contractual obligations or title conditions and includes a permitted land swap where the consideration for the disposal is the simultaneous transfer of land contiguous to the property. In respect of the Woolwich Mortgaged Property, any adjustments required to the extent of that property to reflect the Woolwich Tesco Store (as built) shall be deemed to be Minor Disposals. In respect of the Mortgaged Properties at Haverfordwest and Kidsgrove, the transfer of land for highway purposes pursuant to planning agreements will also be deemed to be Minor Disposals.

Forfeiture

The Landlord may forfeit (or in Scotland, irritate) the Occupational Lease (subject to the relevant statutory framework allowing the Occupational Tenant or its mortgagee to claim relief from forfeiture in certain circumstances in respect of the Mortgaged Properties in England and Wales and (ii) in relation to the Scottish Properties, the provisions of the Law Reform (Miscellaneous

Provisions) (Scotland) Act 1985 which imposes a reasonableness qualification on the landlord's rights) on the occurrence of any of the following:

- (a) non-payment of the rent or other sums payable under the lease for ten days after it becomes payable, in respect of principal rent only whether formally demanded or not;
- (b) breach of covenant which is incapable of remedy or has not been remedied within 30 business days after written notice has been served; and
- (c) on the Occupational Tenant's or the Occupational Tenant Guarantor's insolvency which is restricted to winding-up, the Occupational Tenant or the Occupational Tenant Guarantor making an application to the Court under section 896 of the Companies Act 2006, the Occupational Tenant submitting to any of its creditors a proposal under Part I of the Insolvency Act 1986, or the Occupational Tenant entering into any arrangement, scheme, compromise or composition with its creditors, or the Occupational Tenant becoming subject to any process which has the effect of imposing a moratorium on indebtedness of the Occupational Tenant or the Occupational Tenant Guarantor or encumbrancer takes possession of or an administrator or administrative receiver is appointed to the whole or any material part of the undertaking or assets of that person or if any kind of composition, scheme of arrangement, compromise or other similar arrangement involving that person and its undertaking is entered into.

Withholding Tax

If any withholding or deduction for or on account of tax is required by law to be made from any sum payable by an Occupational Tenant, under an Occupational Lease, or (where the Landlord is the Partnership or the Nominees) if an obligation to account for United Kingdom income tax in respect of rent payments under an Occupational Lease is imposed on the Partnership, the Nominees or the General Partner, the amount of the payment due from that Occupational Tenant will be increased to the extent necessary to ensure that, after such withholding or deduction has been made, the landlord receives a cash amount equal to that which it would have received had that withholding or deduction not been required to be made.

Where the landlord is the Partnership or the Nominees, if any deduction or withholding for or on account of tax is required by law to be made from any sum payable to the Issuer under the Partnership Loan Agreement or the Partnership Swap Agreement and the amount of the payment due to the Issuer is required to be increased as a consequence, the Occupational Tenant must pay such additional amount as is necessary to enable the Partnership to make that increased payment.

The payment by an Occupational Tenant of such increased amounts and additional amounts is guaranteed under the Occupational Tenant Guarantee.

Value added tax

The Occupational Tenant is required to pay an amount equal to all value added tax chargeable in respect of any taxable supply made to it by the landlord under the Occupational Lease upon production of a valid VAT invoice.

Indemnity

The Occupational Tenant covenants to indemnify the Landlord and the superior landlord and any mortgagee of the Head Lease of which the Occupational Tenant have received notice in respect of a wide range of matters if they occur during the term of the Occupational Lease, including any accidental injury (including death resulting therefrom) or damage to any person or property

occurring in the property, any failure by the Occupational Tenant to pay the rents or observe and perform its obligations under the lease, or any agreement or underlease and any breach of covenant, restriction, obligation or other provision to be observed and performed by the Occupational Tenant in relation to the property. The indemnity is expressed to extend to any such matters which become apparent during the term or within six months after the expiry or sooner determination of the term.

The Partnership Declarations of Trust

The Partnership and the Nominees will enter into a declaration of trust in relation to the properties within the Property Portfolio located in England and Wales on or about the Closing Date (the "**English Declaration of Trust**") and, in relation to the properties within the Property Portfolio located in Scotland, will enter into declarations of trust on the Closing Date (the "**Scottish Declarations of Trust**" and, together with the English Declaration of Trust, the "**Partnership Declarations of Trust**" or the "**Declarations of Trust**"), such that the Partnership shall be the sole beneficiary of a trust or trusts to be declared by the Nominees over the following assets (each such asset being a "**Partnership Trust Property**"):

- (a) the Mortgaged Properties (subject to, and with the benefit of, the Occupational Leases);
- (b) the rent and the right to receive all other income arising from any interest of the Nominees in the Mortgaged Properties or otherwise arising from such Mortgaged Properties to which the Nominees may be entitled;
- (c) all proceeds of any disposal of the Mortgaged Properties;
- (d) all rights and interest in, under or pursuant to the Occupational Leases and any documents relating to the Mortgaged Properties (including, without limitation, the management of the Mortgaged Properties) (together, the "**Partnership Underlying Documents**"); and
- (e) all assets arising from or representing the above from time to time or derived therefrom or created or acquired by the respective Nominees in their capacity as trustees from time to time.

The interests of the Partnership in the trusts created by the Partnership Declarations of Trust will be subject to the security conferred by, and obligations created pursuant to, the Partnership Loan Agreement, the Partnership Security Documents, the Partnership Beneficiary Undertakings and the Partnership Declarations of Trust (together, the "**Partnership Trust Property Obligations**").

In each Partnership Declaration of Trust, the Partnership will undertake to the Nominees (for so long as any actual or contingent liability is owed by an Obligor to a Partnership Secured Creditor under the Partnership Transaction Documents) not to:

- (a) request or require that the Nominees transfer any of the Partnership Trust Property to the Partnership; or
- (b) dissolve the trust created pursuant to the relevant Partnership Declaration of Trust (the "**Partnership Property Trust**"); or
- (c) transfer its beneficial interest in any Partnership Trust Property; or
- (d) require the sale of any legal (or beneficial) interest in the Partnership Trust Property; or

- (e) give any direction to the Nominees, or to otherwise require them to take any action, which would be inconsistent with, or cause a Nominee to breach, the Partnership Trust Property Obligations,

save, in each case, to the extent permitted or contemplated by the Partnership Underlying Documents or with the prior written consent of the Partnership Security Trustee.

During any period (a) beginning with the presentation of an application for an administration order in respect of the Partnership and ending with the order taking effect or the dismissal of the application or (b) beginning with the filing with the court of a copy of a notice of intention to appoint an administrator to the Partnership and ending ten business days later or with the appointment of an administrator or (c) during which the Partnership is in administration (each a "**Partnership Administration Period**"), the Nominees will not be under any obligation to comply with any direction from the Partnership in respect of the Partnership Trust Property. During such periods, the Nominees will be entitled to sell or lease the Mortgaged Properties to enable them to comply with their obligations under the Partnership Transaction Documents.

The English Declaration of Trust (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law and the Scottish Declarations of Trust (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, Scots law.

The Partnership Beneficiary Undertakings

Pursuant to a deed of undertaking in relation to the English Declaration of Trust (the "**English Beneficiary Undertaking**") and a deed of undertaking in relation to the Scottish Declarations of Trust (the "**Scottish Beneficiary Undertaking**" and, together with the English Beneficiary Undertaking, the "**Partnership Beneficiary Undertakings**" or the "**Beneficiary Undertakings**"), the Partnership will undertake to the Partnership Security Trustee (for so long as any actual or contingent liability is owed by any Obligor to a Partnership Secured Creditor under any Partnership Transaction Document) not to:

- (a) request or require that the Nominees transfer any Partnership Trust Property to the Partnership; or
- (b) dissolve the trust created pursuant to the relevant Partnership Declaration of Trust; or
- (c) transfer its beneficial interest in any Partnership Trust Property; or
- (d) require the sale of any legal (or beneficial) interest in the relevant Partnership Trust Property; or
- (e) give any direction to the Nominees, or to otherwise require them to take any action, which would be inconsistent with, or cause a Nominee to breach, the Partnership Trust Property Obligations; or
- (f) during a Partnership Administration Period, give any directions (or, if given, not require compliance with) to the Nominees in relation to the management or application of the Partnership Trust Property; or
- (g) amend or waive any terms of the relevant Partnership Declaration of Trust without the Partnership Security Trustee's consent,

save, in each case, to the extent permitted or contemplated by the Partnership Underlying Documents or with the prior written consent of the Partnership Security Trustee.

The English Beneficiary Undertaking (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law and the Scottish Beneficiary Undertaking (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, Scots law.

The Tax Deed of Covenant

The obligations of the Share Trustee, Issuer Holdco, the Issuer, the General Partner, the Partnership, the Nominees, Nominees Holdco, the Limited Partners (including 2LP from the time that it acquires any interest in the Partnership, and any other purchaser of any interest in the Partnership), Tesco and the JV Investor (or an orphan vehicle) (from the time that it acquires shares in the General Partner) under the Transaction Documents will be supported by a deed of covenant (the "**Tax Deed of Covenant**") to be entered into on or about the Closing Date (or, in certain cases, an equivalent deed) under which, *inter alia*:

- (a) each of the Issuer, Issuer Holdco, the Nominees, Nominees Holdco, the General Partner, the Limited Partners (including 2LP or any other Limited Partner from the time that it acquires any interest in the Partnership), and Tesco will give certain representations, warranties and covenants in relation to its tax affairs and the tax affairs of its group (where applicable); and
- (b) the General Partner, Tesco and, from the time that it acquires any interest in the Partnership, 2LP and any other purchaser of any interest in the Partnership will give certain representations, warranties and covenants in relation to the tax affairs of the Partnership, the Tesco Group, 2LP and any other purchaser of any interest in the Partnership (as appropriate),

for the benefit of the Partnership Security Trustee (as trustee for the Partnership Secured Creditors), the Issuer Security Trustee (as trustee for the Issuer Secured Creditors) and the Bond Trustee (as trustee for the Bondholders). In the Tax Deed of Covenant, Tesco also covenants to procure, so far as it is able, that the Nominees, Nominees Holdco, the General Partner and the Tesco Limited Partner comply with their respective obligations under the Tax Deed of Covenant. The effect of the representations, warranties and covenants given by the Issuer, Issuer Holdco, the General Partner, the Limited Partners, the Nominees, Nominees Holdco, and Tesco is that the risk of any of them or the Partnership being subject to an unexpected tax liability which might affect its ability to perform its obligations under any of the Transaction Documents should be minimised.

The Tax Deed of Covenant (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

The SDLT Deed of Covenant

The obligations of the Partnership and the Nominees under the Transaction Documents relating to SDLT will be supported by a deed of covenant (the "**SDLT Deed of Covenant**") to be entered into on or about the Closing Date under which, *inter alia*:

- (a) Tesco will covenant in favour of the Bond Trustee, the Partnership Security Trustee and the Issuer Security Trustee to pay the General Partner, and the Nominees an amount equal to certain unexpected SDLT liabilities of these entities arising in connection with the transactions described in this Prospectus; and

- (b) the Limited Partners (including 2LP or any other Limited Partner from the time that it acquires any interest in the Partnership and any other purchaser of any interest in the Partnership), the General Partner, the Nominees, Nominees Holdco and Tesco (as appropriate) will give certain representations and warranties in relation to the filing of SDLT returns and payment of SDLT arising from the land transactions carried out under the Partnership Transaction Documents and the SDLT position of the General Partner, the Partnership, the Nominees, Nominees Holdco and the Tesco Group for the benefit of the Partnership Security Trustee (as trustee for the Partnership Secured Creditors), the Issuer Security Trustee (as trustee for the Issuer Secured Creditors) and the Bond Trustee (as trustee for the Bondholders).

The effect of the representations, warranties and covenants given under the SDLT Deed of Covenant is that the risk of any of the Partnership or the Nominees being subject to an unexpected SDLT liability which might affect its ability to perform its obligations under any of the Partnership Transaction Documents should be minimised and, to the extent that any unexpected SDLT liabilities do arise within six years, these should be funded by Tesco.

The SDLT Deed of Covenant (and any non-contractual obligations arising out of or in connection therewith) will be governed by, and will be construed in accordance with, English law.

SUBSTITUTION, ALTERATION AND DISPOSAL OF MORTGAGED PROPERTIES

As at the Closing Date, each of the Partnership and the Nominees will covenant in the Partnership Loan Agreement that they will not dispose of, or make Alterations to, the Mortgaged Properties, and the Mortgaged Properties may not be released from the Partnership Level Security, other than pursuant to the Partnership Transaction Documents and, in particular, the Occupational Leases, the Partnership Loan Agreement, the Substitution Agreement and the Property Option Agreement.

The principal terms of the Substitution Agreement and the Property Option Agreement are described below.

Property Advisor

The Partnership will pursuant to an agreement (the "**Property Advisor Agreement**") appoint on the Closing Date, and at all times will maintain the appointment of, a property advisor, being a reputable firm of chartered surveyors acting through an individual who shall be a fellow of the Royal Institution of Chartered Surveyors of at least 10 years' experience of retail property in the United Kingdom (a "**Property Advisor**"), to carry out certain functions, including the delivery of reports and certificates regarding the value of the Mortgaged Properties and, in particular, the delivery of reports and valuations regarding Alterations to and substitutions and disposals of, the Mortgaged Properties. Cushman & Wakefield LLP are expected to be appointed on or before the Closing Date as the initial Property Advisor. The appointment of the Property Advisor may, under certain of the Partnership Transaction Documents, be made jointly with one or more other parties or the appointment may be made by another party on the basis that a duty of care is owed to the Partnership Security Trustee.

Insofar as the Partnership Security Trustee is required to consent to or approve any matter relating to the substitution, disposal or Alteration of a Mortgaged Property, it will do so, if applicable, upon receipt of one or more certificates from the Property Advisor, TSL, TPHL, the Occupational Nominees or the General Partner (as applicable) and/or their advisors certifying that any applicable criteria or tests have been satisfied, without the Partnership Security Trustee itself making any independent enquiry or investigation into the relevant matter. This certificate may be supported by a valuation by the Property Advisor.

Disposal of Mortgaged Properties

- A. Subject as described in paragraph B below and pursuant to the terms of the Partnership Loan Agreement, the Obligors will covenant that they will not dispose of any Mortgaged Property or part of any Mortgaged Property without the consent of the Partnership Security Trustee, which consent shall be provided if:
- (a) the relevant Mortgaged Property is to be substituted by another property in accordance with and pursuant to the Substitution Agreement (as to which, see the description of the principal terms of the Substitution Agreement) (a "**Substitution Disposal**" which phrase, for the avoidance of doubt, excludes the disposal of a Mortgaged Property pursuant to an election made by Tesco under the Substitution Agreement to sell a Mortgaged Property rather than substitute it);
 - (b) the relevant Mortgaged Property is to be disposed of pursuant to and in accordance with the Property Option Agreement (an "**Option Disposal**") (as to which see "*The Property Option Agreement*");

- (c) the whole, or part of, the relevant Mortgaged Property is to be disposed of in connection with an actual or proposed compulsory purchase order made of such Mortgaged Property (a "**CPO Disposal**" which phrase, for the avoidance of doubt, excludes any Substitution Disposal);
- (d) the proposed disposal would be a transfer or sale (which includes the grant or surrender of a lease or the grant of a wayleave, easement, servitude or other right of access) of an Obligor's interest in a part of a Mortgaged Property where the transfer or sale is on arm's length terms, will not breach a planning condition or any Planning Act, the rent payable under the relevant Occupational Lease is not reduced, the land does not form part of the building on the relevant Mortgaged Property or a key access route and the disposal will not impair the operation, use or enjoyment of the relevant Mortgaged Property (including parking arrangements) in any way which is reasonably likely to result in a material adverse impact on trading of the business and would not cause a reduction in the market value of the relevant Mortgaged Property and no Obligor is required to assume any material contractual obligations or title conditions and includes a permitted land swap where the consideration for the disposal is the simultaneous transfer of land contiguous to the relevant Mortgaged Property and in each case where the consideration paid or the value of the land exchanged does not exceed £50,000 (excluding VAT) and in respect of the Woolwich Mortgaged Property only, any adjustments required to the extent of that Property in accordance with the Occupational Lease of the Woolwich Mortgaged Property to reflect the Woolwich Tesco Store as built and in respect of the Mortgaged Properties at Haverfordwest and Kidsgrove, the transfer of land for highway purposes pursuant to planning agreements (a "**Minor Disposal**") or as otherwise permitted under the Partnership Loan Agreement; or
- (e) the Obligors have voluntarily elected to carry out the proposed disposal, and such disposal is of the whole of a Mortgaged Property and is not a Substitution Disposal, a CPO Disposal or a Minor Disposal and includes for the avoidance of doubt the disposal of a Mortgaged Property pursuant to an election made by Tesco under the Substitution Agreement to sell a Mortgaged Property rather than substitute it (together, a "**Voluntary Disposal**" and each of a Voluntary Disposal, a Substitution Disposal, an Option Disposal, a CPO Disposal and a Minor Disposal is referred to as a "**Permitted Disposal**"),

provided that:

- (i) in the case of any proposed disposal of a Mortgaged Property, two directors of the General Partner (on behalf of the Partnership) (as applicable) have certified in writing to the Issuer and the Partnership Security Trustee that such disposal is a Permitted Disposal and the type of Permitted Disposal and, in the case of a Voluntary Disposal or a CPO Disposal, have made such certification at least 20 and no more than 40 days prior to the date of the proposed Permitted Disposal;

- (ii) in the case of a Substitution Disposal or a Voluntary Disposal, no Partnership Loan Event of Default or Partnership Loan Potential Event of Default has occurred and is continuing (and has not been waived) at the time of the relevant disposal or will occur as a result of such disposal unless the disposal will cure the Partnership Loan Potential Event of Default or, until such time as a Partnership Enforcement Notice is served, the Partnership Loan Event of Default);
- (iii) in the case of a Minor Disposal, the Property Advisor has certified to the Partnership Security Trustee that the transfer or sale will not cause a reduction in the market value of the relevant Mortgaged Property taking into account any land swapped;
- (iv) the proposed disposal, in the case of a Voluntary Disposal, is, or is part of, a transaction which is on arm's length commercial terms (and, for the avoidance of doubt, a disposal to a member of the Tesco Group would not for the sole reason that it is to a member of the Tesco Group be determined not to be on such terms);
- (v) the Partnership certifies that it shall prepay the Partnership Loan in the amount (if any) required by the Partnership Loan Agreement and pays all related amounts into the Partnership Disposal Proceeds Account in accordance with the terms of the Cash Management Agreement (for further details concerning the prepayment mechanism, see "*Summary of Transaction Documents – The Partnership Loan Agreement*"); and
- (vi) in the case of any Substitution Disposal or Voluntary Disposal, the Partnership shall have procured in its own favour:
 - (1) from the purchaser a covenant to indemnify the Partnership and the Nominees against any future breach of any obligation to which they will remain bound in respect of that Mortgaged Property; and
 - (2) a release of all the Partnership's and the Nominees' liabilities (whether existing or future) arising out of any documentation between it and the Occupational Tenant relating to the relevant Mortgaged Property.

B. No consent is needed for a disposal of a Mortgaged Property which is by way of a permitted security interest.

Alterations of the Mortgaged Properties

Pursuant to the terms of the Partnership Loan Agreement, the relevant Obligor will covenant that they shall take appropriate steps with a view to ensuring that:

- (a) an Occupational Tenant shall not carry out any alterations, additions, improvements, extensions in or to and demolition of and the rebuilding and creation of any new buildings or structure on any Mortgaged Property or any part of it ("**Alterations**"), other than in accordance with the relevant Occupational Leases (and where the Obligor has a discretion in relation thereto, it shall exercise such discretion as a prudent owner of property similar to the Mortgaged Property in question);
- (b) an Occupational Tenant shall not permit any tenant pursuant to any underlease to carry out any Alterations in breach of the provisions contained in the relevant underlease; and
- (c) if a Mortgaged Property is not subject to an Occupational Lease, no Obligor shall carry out any Alterations without the consent of the Partnership Security Trustee.

For further details on the terms of the Occupational Leases relating to alterations, see "*Summary of Transaction Documents – The Occupational Leases*" and, for further details on the provisions of the Substitution Agreement relating to the funding of alterations by the Partnership, see "*Funding of Alterations*".

The Substitution Agreement

On the Closing Date, each of TSL, TPHL, Tesco, the Partnership, the Nominees, the Partnership Security Trustee and the Occupational Nominees will enter into an agreement (the "**Substitution Agreement**") under which TSL, TPHL or the Occupational Nominees (as applicable) will (a) be entitled to require a substitution of or, in certain circumstances, will be obliged to substitute, a Mortgaged Property and/or (b) be required to offer the Partnership the opportunity to fund certain works to buildings on a Mortgaged Property or to acquire and fund works to land adjoining the Mortgaged Property.

Tesco will guarantee the obligations of TSL, TPHL and the Occupational Nominees under the Substitution Agreement.

Substitutions

TSL, TPHL or the Occupational Nominees (as applicable) may elect to substitute a property subject to there being no subsisting forfeiture or irritancy event under the relevant Occupational Leases. In addition, TSL, TPHL or the Occupational Nominees (as applicable) will be required to substitute a property in relation to which a Substitution Event occurs. In relation to any substitution, TSL, TPHL or the Occupational Nominees (as applicable) must identify, in respect of a retail store, three properties (or in the case of the Woolwich Mortgaged Property two properties or two combinations of properties) which are available to be substituted for the relevant Mortgaged Property and give notice of them to the General Partner and the Partnership Security Trustee and the General Partner (on behalf of the Partnership) shall select one of the properties (or in the case of the Woolwich Mortgaged Property one or more properties) so identified (an "**Incoming Property**"). If the General Partner fails to make a selection, TSL, TPHL or the Occupational Nominees (as applicable) will do so. If a Substitution Event occurs in respect of a Mortgaged Property, instead of substituting, TSL, TPHL or the Occupational Nominees (as applicable) may elect instead to acquire the Head Lease of the relevant Mortgaged Property at the higher of Market Value of the Mortgaged Property and the aggregate of all amounts (certified by the Cash Manager) which the Partnership will be required to pay or repay pursuant to the Partnership Loan Agreement as a result of the sale of the Head Lease of the relevant Mortgaged Property, including without limitation all principal, hedge termination costs and early redemption charges.

A "**Substitution Event**" occurs when (a) there is damage or destruction to the buildings on a Mortgaged Property which TSL, TPHL or the Occupational Nominees (as the case may be) has not for any reason reinstated within 3 years; (b) a competent authority makes an order to purchase the whole or part of a Mortgaged Property or the rights over or which benefit it by the exercise of compulsory purchase powers and the purchase is likely to reduce the Market Value of the Head Lease of the Mortgaged Property by at least 10%; or (c) the tenants of the Excluded Residential Units exercise and acquire their rights to have the management of the Woolwich Building transferred to them. If, within 50 Business Days of a Substitution Event under paragraph (c) TSL, TPHL or the Occupational Nominees (as appropriate) obtains a written confirmation from the Partnership Security Trustee that in its sole opinion, TPHL's obligations under the Woolwich Head Lease to repair and insure the Woolwich Building remain fully enforceable then no mandatory substitution of the Woolwich Mortgaged Property will be required.

The following criteria must be satisfied for any substitution, as certified to the Issuer and the Partnership Security Trustee:

(a) *Income/value criteria*

- (i) The Vacant Possession Value and the Market Value of the Head Lease of the Incoming Property subject to and with the benefit of the Occupational Lease of the Incoming Property (assuming both have been granted) is at least the same as the Vacant Possession Value and the Market Value of the Head Lease of the property to be substituted (the "**Outgoing Property**") as at the date certified.
- (ii) The principal rent reserved by the Occupational Lease of the Incoming Property will be at least the same as the principal rent reserved by the Occupational Lease(s) of the Outgoing Property as at the date certified.
- (iii) The rent reserved by the Occupational Lease, the payment dates and the rental uplifts of the Incoming Property will be at least the same as the rent reserved by the Occupational Lease(s), the payment dates and the rental uplifts of the Outgoing Property at the date of substitution.

All valuations are to be undertaken by the Property Advisor on the basis that it owes a duty of care to the Partnership and the Partnership Security Trustee.

(b) *Legal/technical and qualitative criteria*

The Incoming Property is a trading and completed retail store with adequate parking and is located in England or Wales or Scotland and in respect of the Woolwich Mortgaged Property may consist of one or more retail stores.

- (i) The gross internal area of the Incoming Property shall be not less than 20,000 square feet.
- (ii) In relation to the retail stores, (1) not more than 40.0% of the total gross rents payable in respect of the Mortgaged Properties will be within the north east of England, (2) not more than 35.0% of the total gross rents payable in respect of the Mortgaged Properties will be within the south west of England and Wales, (3) not more than 40.0% of the total gross rents payable in respect of the Mortgaged Properties will be within the Midlands and the east of England, (4) not more than 40.0% of the total gross rents payable in respect of the Mortgaged Properties will be within the north west of England, (5) not more than 35.0% of the total gross rents payable in respect of the Mortgaged Properties will be within Greater London and the south east of England and (6) not more than 40.0% of the total gross rents payable in respect of the Mortgaged Properties will be within Scotland.
- (iii) The Incoming Property is owned by a Tesco Group company freehold or leasehold (or, if located in Scotland, the relevant Tesco Group company has heritable or long leasehold title to such property) for a term of years exceeding the residue of the term of years of the Head Lease of the Outgoing Property. This does not preclude the substitution of a Scottish property for an existing property where the Head Lease will be for a term of 175 years rather than 999 years.

- (iv) If the Incoming Property is leasehold, the terms of the lease satisfy specified requirements and are suitable for security purposes in an asset-backed capital markets transaction.
- (v) The General Partner (on behalf of the Partnership) and the Partnership Security Trustee receive in respect of the Incoming Property (1) a certificate of title from TPHL's, TSL's or the Occupational Nominees' (as applicable) solicitors disclosing no materially adverse matters, (2) a structural report disclosing no materially adverse matters, (3) an environmental report disclosing that the environmental risk is considered to be low and (4) a valuation report as to the Market Value.
- (vi) Certain other legal and documentary conditions precedent set out in the Substitution Agreement are satisfied.

(The criteria referred to in paragraphs (a) and (b) above are the "**Substitution Criteria**".)

If the relevant substitution would result in the aggregate principal rents of all Incoming Properties, excluding any substituted as a result of a Substitution Event, accounting for more than 15% of the aggregate initial principal rents, then the relevant substitution will require the prior written consent of the General Partner (on behalf of the Partnership).

If the Substitution Criteria are not met or if the relevant substitution would result in the aggregate principal rents of all Incoming Properties, excluding any substituted as a result of a Substitution Event, being more than 20% of the aggregate initial principal rents of all of the Mortgaged Properties, then the substitution will require the prior written consent of the General Partner (on behalf of the Partnership) and the Partnership Security Trustee.

If the Market Value of the Head Lease of an Incoming Property exceeds the Market Value of the Head Lease of an Outgoing Property, the Partnership (acting by the General Partner) may elect to pay the excess Market Value on completion of the substitution from funds which are subordinated to the claims of the Partnership Secured Creditors in respect of the Partnership Secured Obligations. If the General Partner (on behalf of the Partnership) does not so elect then, at the election of the Partnership either:

- (a) the Head Lease of the Incoming Property shall reserve as additional rent a rent equal to the amount by which the initial principal rent reserved by the Occupational Lease of the Incoming Property is greater than the principal rent reserved by the Occupational Lease of the Outgoing Property (which additional rent will then increase in the same manner and at the same times as the rent payable under the Occupational Lease of the Incoming Property) (such additional rent being the "**Substitution Adjustment Rent**"); or
- (b) the Occupational Lease of the Incoming Property shall reserve an initial principal rent equal to the principal rent reserved by the Occupational Lease of the Outgoing Property.

On a later sale of a Mortgaged Property to which paragraph (a) or (b) above applies, TSL, TPHL or the Occupational Nominees (as applicable) or the relevant Tesco Group company may elect to require the Partnership to make a payment to reduce the Substitution Adjustment Rent to nil or a consideration of the proportion of the proceeds of sale equal to the attributable "excess" Market Value. That price will be paid in accordance with the Partnership Pre-Enforcement Priority of Payments or the Partnership Post-Enforcement Priority of Payments (as applicable).

TSL, TPHL or the Occupational Nominees (as applicable) will be responsible for all stamp duty land tax, registration and other taxes and duties which are payable in connection with a substitution. All reasonable legal and other costs and expenses incurred by the parties in

connection with a substitution are to be paid by TSL, TPHL or the Occupational Nominees (as applicable), but each of the partners is to bear its own liability for any tax on any income profits or gains arising out of any substitution except as mentioned above. These payment obligations of TSL, TPHL or the Occupational Nominees (as applicable) are guaranteed by Tesco.

For the purposes of the Substitution Agreement:

"Market Value", in respect of the Head Lease of a Mortgaged Property, has the meaning given to that term in the appraisal manual issued by the RICS (the **"Appraisal Manual"**) current at the time of the valuation (or, failing that, the nearest equivalent document defining generally accepted valuation terms, requirements and practices):

- (a) assuming that any building on the Mortgaged Property has been constructed to a shell finish (that is to say, including the Landlord's fixtures and fittings but excluding the Tenant's fixtures and fittings) but including any Alterations funded by the Partnership);
- (b) assuming that the Mortgaged Property is sold subject to and with the benefit of the relevant Occupational Lease and assuming that the obligations on the part of the Occupational Tenant in the Occupational Lease have been observed and performed and that the Occupational Lease will not be determined, surrendered or merged and that TSL or the Occupational Nominees will remain the Occupational Tenant and Tesco will remain the Occupational Tenant Guarantor;
- (c) assuming, in respect of an Outgoing Property or a property to which the alteration or adjoining land development provisions apply if the property has been destroyed or damaged, it has been fully reinstated as at the valuation date;
- (d) disregarding any effect on the value of the Mortgaged Property of any options or pre-emptions affecting the property contained in any of the option agreements;
- (e) disregarding any discount which might be applied in respect of the Mortgaged Property if all or any other of the Mortgaged Properties were placed on the market at the same time;
- (f) assuming that where applicable the variation in relation to the Substitution Adjustment Rent has been made;
- (g) assuming that TSL or the Occupational Nominees as the Occupational Tenants have exercised or will exercise the right to renew the Occupational Leases on the Occupational Lease Maturity Date and continue to have the benefit of the two further options to extend;
- (h) assuming the Mortgaged Property is used only as a supermarket and that any petrol filling station on the property is used as a petrol filling station or for its actual use, whichever results in a higher valuation;
- (i) assuming, if the Mortgaged Property is an Incoming Property or the property has a non-funded alteration, the requisite documents prescribed under the agreement have been completed; and
- (j) allowing for purchasers' costs which reflect standard market practice at the relevant valuation date (being at the Closing Date 5.8%).

"RICS" means the Royal Institution of Chartered Surveyors.

"Vacant Possession Value" means the Market Value of the Head Lease of the applicable Mortgaged Property assuming vacant possession of the property and assuming that the option to renew the Occupational Lease of the property has not and will not be exercised.

Funding of Alterations

TSL, TPHL or the Occupational Nominees are required to offer the Partnership the opportunity to fund certain Alterations.

If the General Partner (on behalf of the Partnership) agrees to fund an Alteration, then (subject to the funding being subordinated to the claims of the Partnership Secured Creditors in respect of the Partnership Secured Obligations) after practical completion of the Alteration:

- (a) the rent reserved by the relevant Occupational Lease is to be increased by an amount equal to the increase in the gross internal area multiplied by the passing rent per square foot (the **"Alteration Adjustment Rent"**); and
- (b) the Partnership is to pay to TSL, TPHL or the Occupational Nominees (as applicable), by way of a cash payment, an amount equal to the amount by which the Market Value of the Head Lease of the Mortgaged Property on practical completion of the Alteration exceeds the Market Value of the Head Lease of the Mortgaged Property immediately before the start of the works comprising the Alteration (disregarding, in the latter valuation, the effect on value of any planning permission for the alteration) (the **"Increased Alteration Value"**).

If the General Partner (on behalf of the Partnership) declines to fund the Alteration, then the Head Lease landlord may fund the Alteration itself and may require an increase in the rent reserved by the Head Lease of the Mortgaged Property and the rent reserved by the Occupational Lease of the Mortgaged Property, as from practical completion of the Alteration, by an amount equal to the Alteration Adjustment Rent. In respect of the Head Lease of the Mortgaged Property, such increased rent shall be payable for so long as the rent is paid under the Occupational Lease. For the purpose of this paragraph only, the reference to "Occupational Lease" does not include any renewal of the Occupational Lease.

On a sale of a Mortgaged Property which has been subject to an Alteration which has not been funded by the Partnership, TSL, TPHL or the Occupational Nominees (as applicable) may elect to require the Partnership to make a payment to reduce the rent payable under the Head Lease of the Mortgaged Property to nil (or £1 if a Scottish property). The consideration payable should be the proportion of the sale price as equals the sum of the difference between the Market Value disregarding the Alteration and the Market Value of the Head Lease of the altered property and Market Value attributable to the Alteration. Any such payment to TSL, TPHL or the Occupational Nominees (as applicable) will be made out of the sale proceeds and in accordance with the relevant Partnership Priority of Payments.

Any stamp duty land tax payable in respect of any variation of a Head Lease or an Occupational Lease is to be borne by TSL, TPHL or the Occupational Nominees (as applicable). All reasonable legal and other costs and expenses incurred by the other parties in connection with an Alteration are to be borne by TSL, TPHL or the Occupational Nominees (as applicable).

The installation of any mezzanine floor is not an Alteration and TSL, TPHL or the Occupational Nominees (as applicable) are not obliged to but may offer the works for funding by the Partnership.

If TSL, TPHL or the Occupational Nominees (as applicable) elects, it may implement the procedure for Alterations in respect of any mezzanine save that the Alteration Adjustment Rent shall be

calculated at 50% of the rate of rent per square foot for the relevant property reserved by the Occupational Lease immediately before practical completion of the mezzanine.

Adjoining Land Developments

An "**Adjoining Land Development**" is an alteration, addition to, or extension of, an existing building or the demolition of an existing building and the construction of a new building that, in any such case, involves the acquisition of land adjoining the Mortgaged Property and may involve the construction of a new building wholly on the Mortgaged Property or wholly on the adjoining land or partly on both.

TSL, TPHL or the Occupational Nominees (as applicable) is obliged to offer the Partnership the opportunity to fund any Adjoining Land Development, including the cost of acquisition of the relevant adjoining land. Where the Partnership accepts such an offer, TSL, TPHL or the Occupational Nominees (as applicable) and the Partnership are to endeavour, in good faith and as soon as reasonably practicable, to agree the terms of the Partnership's participation in funding the relevant Adjoining Land Development. If terms cannot be agreed with the Partnership, TSL, TPHL or the Occupational Nominees (as applicable) may either, subject to the approval of the Partnership Security Trustee and the Partnership, carry out the Adjoining Land Development at its own cost or substitute the relevant Mortgaged Property (in accordance with the terms of the Substitution Agreement).

In any event, Tesco has agreed that it will not permit any Tesco Group entity to carry out any Adjoining Land Development without the consent of the Partnership Security Trustee and unless the other requirements are satisfied. These include that, where the Partnership does not acquire the adjoining land required for the Adjoining Land Development, the Vacant Possession Value and the Market Value respectively of the Head Lease of the relevant Mortgaged Property (excluding the adjoining land) and the marketability of that property will not be adversely affected by the proposed Adjoining Land Development or, where the Partnership acquires the adjoining land required for the Adjoining Land Development, the Vacant Possession Value and Market Value of the Head Lease of the relevant Mortgaged Property (including the adjoining land) is not less than the Vacant Possession Value and Market Value respectively of the Head Lease of the Mortgaged Property (excluding the adjoining land) before the Adjoining Land Development was proposed, the appropriate Head Lease and Occupational Lease is entered into and the adjoining land is charged to the Partnership Security Trustee. On the subsequent sale of a Mortgaged Property which has been the subject of an Adjoining Land Development which has not been funded by the Partnership, Tesco will be entitled to receive, out of the sale proceeds, but subject to the relevant Partnership Priority of Payments, such proportion of the net sale proceeds as reflects the increased Market Value attributable to the carrying out of the Adjoining Land Development.

In the case of the properties in Scotland, the rights of the Nominees under the Substitution Agreement will be secured by a first ranking standard security.

Any stamp duty land tax payable in respect of any variation of a Head Lease or an Occupational Lease is to be borne by TSL, TPHL or the Occupational Nominees (as applicable).

The Property Option Agreement

On or before the Closing Date, each of TSL, the Nominees, the Occupational Tenants, the Partnership and the Partnership Security Trustee will enter into an agreement (the "**Property Option Agreement**") granting each Occupational Tenant the option (each an "**Option**") to acquire the landlord's interest (being the tenant's interest under the Head Lease) in all or any one or more of each of the Mortgaged Properties leased to it individually on the Occupational Lease Maturity Date.

The options can only be exercised between 18 months and 6 months and one day before the expiry of the term of the Occupational Lease on the Occupational Lease Maturity Date. If an Option is exercised, the price payable is the Market Value of the landlord's interest in the Mortgaged Property in question determined by the Property Advisor as at the date of expiry of the term of the Occupational Lease where Market Value has broadly the same meaning as set out above.

The option is exercisable by TSL or the Occupational Nominees (as appropriate) and, in the case of the properties in Scotland, will be secured by a first ranking standard security in favour of the party who has the benefit of the option. The option may not be exercised in respect of a Mortgaged Property if any event entitling the Landlord to forfeit (or in Scotland, irritate) the Occupational Lease of that Mortgaged Property is continuing and, if the Occupational Lease of any Mortgaged Property is forfeited (or in respect of a Scottish Property, irritated), the mortgage or standard security in respect of that property lapses and is of no further effect.

RESOURCES AVAILABLE TO THE PARTNERSHIP AND THE ISSUER

The following is intended only to be a summary of certain provisions of the documents relating to the Bonds and the Partnership Loan.

The Issuer Swap Agreement

For a further description of the Issuer Swap Provider, see the sections of this document entitled "*The Parties*" and "*Tesco Plc (Tesco)*". For a further description of the Issuer Swap Agreement and the mismatch that is intended to be mitigated by the Issuer Swap, see the sections of this document entitled "*Transaction Overview – Source of funds for payments on the Bonds*" and "*Summary of Transaction Documents – The Swap Agreements – The Issuer Swap Agreement*". For a description of the risks associated with the Issuer Swap, see the section of this document entitled "*Risk Factors – Hedging risks*".

The Issuer Swap may be terminated in certain limited circumstances, some of which are more particularly described below. Any such termination may oblige the Issuer or the Issuer Swap Provider to make a termination payment.

In the event that the Bonds are redeemed early in full, the Issuer Swap is likely to be terminated by the Issuer Swap Provider. Any termination amount payable to the Issuer Swap Provider as a result of an early termination of the Issuer Swap will be funded by the Partnership making a corresponding termination payment to the Issuer pursuant to the Partnership Swap Agreement due to the termination of the Partnership Swap.

In the event that the Bonds are redeemed early in part, the aggregate notional amount of the Issuer Swap shall reduce proportionately with a corresponding payment being made. Any such payment payable to the Issuer Swap Provider will be funded by the Partnership making corresponding payments to the Issuer under the Partnership Swap Agreement as a result of the notional amount of the Partnership Swap reducing proportionately (*pro rata* to the amount of such corresponding early repayment of the Partnership Loan).

The service of a Bond Acceleration Notice on the Issuer shall constitute an additional termination event that may result in the termination of the Issuer Swap.

In addition, the Issuer Swap may be terminated in certain other circumstances, including (but not limited to) the following:

- (a) if there is a failure by a party to pay amounts due under the Issuer Swap Agreement and any applicable grace period has expired;
- (b) by the Issuer if certain insolvency events occur with respect to the Issuer Swap Provider;
- (c) by the Issuer if a breach of a provision of the Issuer Swap Agreement by the Issuer Swap Provider is not remedied within any applicable grace period;
- (d) if a change in law results in the obligations of one or both of the parties becoming illegal; and
- (e) by the Issuer on the occurrence of any of the events listed in Condition 9.1 (Bond Events of Default – Bond Acceleration Notice).

The Issuer's obligations to the Issuer Swap Provider under the Issuer Swap Agreement will be secured under the Issuer Deed of Charge. In the event of the Issuer Security being enforced thereunder, any Swap Subordinated Amounts will rank below the Issuer's obligations to pay interest, principal and any premium on the Bonds.

The Issuer will not be obliged under the Issuer Swap Agreement to gross up payments made by it to the Issuer Swap Provider if a withholding or deduction for or on account of tax is imposed on such payments. The Issuer Swap Provider will in most circumstances be obliged to gross up any payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on such payments. The Issuer Swap Provider may, if either, (a) it receives a reduced payment from the Issuer under the Issuer Swap Agreement or (b) it is obliged to pay any such additional amounts under the Issuer Swap Agreement as a result of a change in law (or the application or official interpretation thereof), terminate the Issuer Swap (subject to the condition that the Issuer Swap Provider shall first have used reasonable efforts to transfer its rights and obligations under the Issuer Swap Agreement to another of its offices, an affiliate or a third party such that payments made by or to that office, affiliate or third party under the Issuer Swap Agreement can be made without any withholding or deduction for or on account of tax provided that, in the event of such transfer to an affiliate or third party, the Issuer Swap Provider provides a guarantee relating to the obligations transferred for the benefit of the Issuer).

The termination of the Issuer Swap due to the occurrence of an event of default or termination event under the Issuer Swap Agreement will result in the termination of the Partnership Swap.

The Issuer Swap Provider may, with the prior consent of the Issuer and any conditions specified in the Issuer Swap Agreement, transfer its obligations under the Issuer Swap Agreement to another party provided that it provides a guarantee relating to the obligations transferred for the benefit of the Issuer.

The obligations of the Issuer Swap Provider under the Issuer Swap will be guaranteed by a Highest Rated Entity if (a) such entity exists and (b) the long term, unsecured, unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's and A- by S&P.

There is no minimum rating requirement in respect of the Issuer Swap Provider.

Bank Accounts

The descriptions of the operation of the Partnership Rent Account in this section will only apply prior to the enforcement of the Partnership Level Security. Following the enforcement of the Partnership Level Security, the Partnership Rent Account will operate in accordance with the instructions of the Partnership Security Trustee or, as the case may be, any receiver appointed under the relevant Partnership Security Document.

The description of the operation of the Partnership Transaction Account, the Partnership VAT Account, the Partnership Disposal Proceeds Account (if any), the Partnership Insurance Proceeds Account (if any) and the Partnership Distribution Account (all such accounts, being the "**Partnership Accounts**"), the Woolwich Development Reserve Account, the General Partner VAT Transaction Account and the General Partner Corporation Tax Reserve Account in this section will only apply prior to the enforcement of the Partnership Level Security. Following the enforcement of the Partnership Level Security, the Partnership Accounts, the Woolwich Development Reserve Account, the General Partner VAT Transaction Account and the General Partner Corporation Tax Reserve Account will operate in accordance with the instructions of the Partnership Security Trustee or, as the case may be, any receiver appointed under the Partnership Security Documents.

The description of the operation of the Issuer Transaction Account in this section will only apply prior to the enforcement of the Issuer Security. Following the enforcement of the Issuer Security, the Issuer Transaction Account will operate in accordance with the instructions of the Issuer Security Trustee or, as the case may be, any receiver appointed under the Issuer Deed of Charge.

The Partnership Rent Account

As at the Closing Date, the Partnership and the Nominees will have directed the Occupational Tenants to pay all Rental Income payable in respect of the relevant premises within such Mortgaged Properties into the Partnership Rent Account. Pursuant to the terms of the Partnership Loan Agreement and the Cash Management Agreement, the Partnership and the Nominees will covenant that they will ensure that, for so long as the Partnership Loan remains outstanding, the Occupational Tenants will pay all Rental Income payable into the Partnership Rent Account.

Pursuant to the Cash Management Agreement, monies standing to the credit of the Partnership Rent Account and which have been credited to the Partnership Rent Account VAT Ledger (other than all VAT amounts which have been paid into the Partnership Rent Account and the proceeds of the subordinated loans of £1,000 each made by the Issuer and deposited to the Partnership Rent Account on the Closing Date to be held by the Nominees on behalf of themselves and each of the General Partner and Nominees Holdco) on each Calculation Date will be transferred to the Partnership Transaction Account on the immediately following Loan Interest Payment Date.

The Woolwich Development Reserve Account

On or before the Closing Date, pursuant to the Account Bank Agreement the Nominees shall establish and maintain an account with the Account Bank (the "**Woolwich Development Reserve Account**"). On the Closing Date the Partnership will deposit the Woolwich Development Reserve Amount into the Woolwich Development Reserve Account.

Amounts standing to the credit of the Woolwich Development Reserve Account will be available on any date to the Woolwich Cash Manager to fund: (i) the remaining cost of completion of the development of the Woolwich Mortgaged Property (excluding VAT), (ii) the Developer's fee (excluding VAT) and (iii) the fees of the professional team (excluding VAT).

The Partnership Transaction Account

On or before the Closing Date, pursuant to the Account Bank Agreement the Partnership shall establish and maintain an account with the Account Bank into which part of the proceeds of the Partnership Loan will be paid on the Closing Date and to which amounts will be transferred from the Partnership Rent Account on each Loan Interest Payment Date (the "**Partnership Transaction Account**"). Pursuant to the Cash Management Agreement, monies standing to the credit of the Partnership Transaction Account (other than sums credited to the Partnership Expenses Reserve Ledger) may not be used for any purpose other than:

- (a) paying certain expenses of the Partnership on the Closing Date (including the Initial Partnership Facility Fee);
- (b) making Eligible Investments; and
- (c) making payments due (or to be provided for) on each Loan Interest Payment Date in accordance with the Cash Management Agreement and the Partnership Security Documents (as applicable).

On any Loan Interest Payment Date any Partnership Available Funds available to satisfy amounts falling due under item (m) of the Partnership Pre-Enforcement Priority of Payments or item (l) of the Partnership Post-Enforcement Priority of Payments (as applicable) shall be recorded on the Subordinated Loan Reserve Ledger and after the third anniversary of the Closing Date applied in satisfaction of any amount of interest and principal due to be paid to the Subordinated Loan Facility Provider under the Subordinated Loan Facility Agreement in respect of any Subordinated Loan.

The Subordinated Loan Reserve

Pursuant to the Cash Management Agreement, on the Closing Date, the Cash Manager shall create a ledger (the "**Subordinated Loan Reserve Ledger**") on the Partnership Transaction Account on which it will record any amounts transferred to, and temporarily retained in, the Partnership Transaction Account pursuant to item (m)(i) of the Partnership Pre-Enforcement Priority of Payments or item (l)(i) of the Partnership Post-Enforcement Priority of Payments as a reserve in the Partnership Transaction Account to be applied as Partnership Available Funds on and from the Loan Interest Payment Date falling after the third anniversary of the Closing Date.

The Partnership Expenses Reserve

Pursuant to the Cash Management Agreement, on the Closing Date, the Cash Manager shall create a ledger (the "**Partnership Expenses Reserve Ledger**") on which it will record amounts held as a reserve in the Partnership Transaction Account in order to enable it to meet unexpected expenses of the Partnership and the Issuer and to make payment of Issuer Profit to the Issuer.

On the Closing Date the Partnership will credit £6,250 to the Partnership Expenses Reserve Ledger. In addition, on each Loan Interest Payment Date, to the extent that funds are available at item (e) of the Partnership Pre-Enforcement Priority of Payments, the Cash Manager shall credit the Partnership Expenses Reserve Ledger with the lesser of (i) £6,250 (index-linked on the same basis as the Principal Rent by reference to RPI) and (ii) the amount by which the balance recorded on the Partnership Expenses Reserve Ledger is less than £500,000 (the "**Partnership Expenses Reserve Ledger Maximum Balance**") and to the extent that funds are available at item (k) of the Partnership Pre-Enforcement Priority of Payments, the Cash Manager shall credit the Partnership Expenses Reserve Ledger with such amounts until the balance is equal to the Partnership Expenses Reserve Ledger Maximum Balance. Any proceeds of a CPO Disposal or insurance proceeds which pursuant to the Partnership Loan Agreement are not required to be applied in prepayment of the Partnership Loan shall be credited to the Partnership Transaction Account and recorded on the Partnership Expenses Reserve Ledger until the balance of the Partnership Expenses Reserve Ledger is equal to the Partnership Expenses Reserve Ledger Maximum Balance. To the extent that there are proceeds of a CPO Disposal or insurance proceeds remaining when the balance of the Partnership Expenses Reserve Ledger is equal to the Partnership Expenses Reserve Ledger Maximum Balance, such remaining amounts may be credited to the Partnership Distribution Account.

To the extent that there will be insufficient Partnership Available Funds on any Loan Interest Payment Date to meet items (a) to (d) and (f) to (i) of the Partnership Pre-Enforcement Priority of Payments (the "**Partnership Senior Amounts**"), the Partnership Expenses Reserve Ledger will be debited by an amount equal to such shortfall (a "**Partnership Expenses Shortfall**") or any lesser amount standing to the credit thereto.

The Partnership VAT Account

Pursuant to the Account Bank Agreement, the Partnership will establish and maintain an account (the "**Partnership VAT Account**") in the name of the General Partner with the Account Bank to which such part of any amounts paid to the Partnership as represents value added tax chargeable

on any supply or supplies made by the Partnership or by the General Partner (on behalf of the Partnership) for value added tax purposes shall be credited. The Partnership shall use amounts standing to the credit of the Partnership VAT Account to pay any value added tax which it or the General Partner (on its behalf) is required to pay to HM Revenue & Customs from time to time. On the basis of a reconciliation occurring within ten Business Days of the end of each VAT return period of the Partnership or the General Partner, any amounts standing to the credit of the Partnership VAT Account over and above those required to be paid to HM Revenue & Customs in respect of that VAT return period (and any earlier such period) shall be transferred to the Partnership Transaction Account.

The Partnership Disposal Proceeds Account

Pursuant to the Account Bank Agreement, the Partnership will upon the occurrence of a disposal of a Mortgaged Property in accordance with the terms of the Cash Management Agreement establish and maintain an account (the "**Partnership Disposal Proceeds Account**") with the Account Bank to which the net proceeds of disposals of such Mortgaged Properties will be credited.

Amounts credited to the Partnership Disposal Proceeds Account may only be transferred as follows:

- (a) on any Loan Interest Payment Date, to the Partnership Transaction Account and used in accordance with the Cash Management Agreement, the Partnership Security Documents and the Partnership Loan Agreement to prepay the Partnership Loan and pay related amounts;
- (b) on any date, such part of any amounts standing to the credit of the Partnership Disposal Proceeds Account as represents value added tax chargeable on any supply or supplies made by the Partnership or by the General Partner (on behalf of the Partnership) for value added tax purposes, to the Partnership VAT Account; and
- (c) on the date (or as soon as possible thereafter) upon which the Account Bank pays any interest accruing on amounts credited to the Partnership Disposal Proceeds Account, an amount equivalent to such interest payment shall be transferred to the Partnership Transaction Account.

The Partnership Insurance Proceeds Account

Pursuant to the Account Bank Agreement, the Partnership will upon the receipt of any insurance proceeds in respect of a Mortgaged Property establish and maintain an account (the "**Partnership Insurance Proceeds Account**").

Amounts credited to the Partnership Insurance Proceeds Account may only be transferred as follows:

- (a) on any date, to the Partnership or as the Partnership may direct to reinstate any Mortgaged Property (or any part thereof) or otherwise to apply the same amount pursuant to the terms of the Occupational Lease in respect of such Mortgaged Property and the relevant insurance policy and/or in accordance with applicable law in the reinstatement of such Mortgaged Property;
- (b) on any Loan Interest Payment Date, if the Partnership is then obliged in accordance with the Partnership Loan Agreement to use such amounts in making a prepayment of the Partnership Loan, to the Partnership Transaction Account and used in accordance with the

Cash Management Agreement, the Partnership Security Documents and the Partnership Loan Agreement to prepay the Partnership Loan and any related amounts; and

- (c) on the date (or as soon as possible thereafter) upon which the Account Bank pays any interest accruing on amounts credited to the Partnership Insurance Proceeds Account, an amount equivalent to such interest payment shall be transferred to the Partnership Transaction Account.

The Partnership Distribution Account

Pursuant to the Cash Management Agreement, all amounts payable to the Partnership under item (n) of the Partnership Pre-Enforcement Priority of Payments or item (m) of the Partnership Post-Enforcement Priority of Payments may be paid by the Partnership directly into an account established for such purpose (the "**Partnership Distribution Account**"). Amounts credited to the Partnership Distribution Account will be under the control of the Partnership and may be transferred to the Partners pursuant to the terms of the Partnership Agreement or otherwise as the Partnership may elect. The Partnership Distribution Account will be subject only to a floating charge under the terms of the Partnership Deed of Charge.

The General Partner VAT Transaction Account

Pursuant to the Account Bank Agreement, the General Partner will establish and maintain the General Partner VAT Transaction Account with the Account Bank into which any sums representing value added tax which are reclaimed by the General Partner from HM Revenue & Customs will be paid. The General Partner shall use amounts standing to the credit of the General Partner VAT Transaction Account to pay any amount which is reclaimed from HM Revenue & Customs by the General Partner or otherwise recovered in respect of value added tax chargeable on (i) the acquisition of the Mortgaged Properties, (ii) the supplies in connection with the entry into of the transactions pursuant to the Partnership Transaction Documents in respect of which certain costs and expenses are charged or recharged to the Partnership or the General Partner (on its behalf) and (iii) supplies of goods or services in connection with the Development by the developer, where, pursuant to the terms of the relevant Partnership Transaction Document, the value added tax in question is payable only when and to the extent that it is reclaimed from HM Revenue & Customs or otherwise recovered.

Any other sums reclaimed from HM Revenue & Customs by the General Partner or otherwise recovered in respect of value added tax shall be transferred to the Partnership VAT Account.

The General Partner Corporation Tax Reserve Account

Pursuant to the Account Bank Agreement, the General Partner will establish and maintain the General Partner Corporation Tax Reserve Account with the Account Bank into which an amount equal to £202,725 will be paid on or before the Closing Date. The General Partner shall use amounts standing to the credit of the General Partner Corporation Tax Reserve Account to pay any corporation tax which it is required to pay to HM Revenue & Customs from time to time.

The Issuer Transaction Account

Pursuant to the Account Bank Agreement, the Issuer shall establish an account in its name with the Account Bank (the "**Issuer Transaction Account**"). Pursuant to the Cash Management Agreement, monies standing to the credit of the Issuer Transaction Account may not be used for any purpose other than:

- (a) making Eligible Investments; and

- (b) making payments due under the Issuer Swap Agreement and the Partnership Swap Agreement on each Loan Interest Payment Date and the other payments due (or to be provided for) on the immediately following Bond Interest Payment Date in accordance with the Cash Management Agreement and the Issuer Deed of Charge (as applicable).

Eligible Investments

Pursuant to the Cash Management Agreement, amounts held in the Issuer Transaction Account, the Partnership Rent Account, the Partnership Accounts (other than the Partnership Distribution Account), the General Partner VAT Transaction Account and the General Partner Corporation Tax Reserve Account may be invested from time to time in Eligible Investments by the Cash Manager on a non-discretionary basis (without any liability on the Cash Manager's part) at the direction of the Issuer (in the case of the Issuer Transaction Account), the Partnership (in the case of the Partnership Accounts (other than the Partnership Distribution Account)), the Nominees (in the case of the Partnership Rent Account) and the General Partner (in the case of the General Partner VAT Transaction Account and the General Partner Corporation Tax Reserve Account).

"Eligible Investments" mean (a) sterling gilt edged securities; and (b) sterling deposits, provided that in all cases (i) such investments have a maturity date of (A) so long as the Bonds have a rating assigned by S&P of A or lower, 90 days or less and (B) so long as the Bonds have a rating assigned by S&P of A+ or higher, 60 days or less and (in each case) mature on or before the next Calculation Date; (ii) the short term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised bank under the Financial Services and Markets Act 2000 ("**FSMA**")) are rated P-1 by Moody's or higher and the long-term, unsecured, unguaranteed and unsubordinated debt obligations of which are rated at least A- by S&P; and (iii) (save as a result of a change of law after the date of such investments or if interest paid in respect of the Accounts is subject to withholding for or on account of Tax) all amounts paid in respect of such investments are payable without withholding for or on account of Tax.

The Subordinated Loan Facility Agreement

TSL (the "**Subordinated Loan Facility Provider**") will agree pursuant to an agreement between it as lender, the Partnership as borrower and Tesco Plc (the "**Subordinated Loan Agreement**") that it will make a facility (the "**Partnership Expenses Facility**") available whereby if, on any Loan Interest Payment Date while any amount remains outstanding under the Partnership Loan Agreement, (x) the sum of (i) the Partnership Available Funds (ignoring for these purposes paragraph (h) in the definition of that term) less the Partnership Index Linked Leg for such Loan Interest Payment Date and (ii) the amount to be debited to the Partnership Expenses Reserve Ledger on such Loan Interest Payment Date is less than (y) the amount of Partnership Available Funds required to meet items (a) to (d) (inclusive) and item (i) of the Partnership Pre-Enforcement Priority of Payments on such Loan Interest Payment Date, it will advance an interest bearing subordinated loan (a "**Partnership Expenses Loan**") to the Partnership in an amount equal to such difference.

If the Partnership is obliged to pay the Partnership Spens Excess to the Issuer, the Subordinated Loan Facility Provider shall be obliged to pay such amount as is necessary (without double counting) to enable the Partnership to pay the Partnership Spens Excess and to leave the Partnership in the same after-tax position as it would have been in if such Partnership Spens Excess payment had not been required to be made by it. Pursuant to the Subordinated Loan Agreement, Tesco will undertake to indemnify (the "**Plc Indemnity**") the Partnership in an amount up to any relevant subordinated loan if and to the extent that the Subordinated Loan Facility Provider fails to make the relevant advance in accordance with its obligations under the Subordinated Loan Agreement and in the case where the Subordinated Loan Facility Provider fails

to pay the Partnership Spens Excess when due to the extent of any non-payment of such amount. The obligations of Tesco under the Plc Indemnity will be guaranteed by the Highest Rated Entity if (a) such entity exists and (b) the long term, unsecured, unsubordinated debt obligations of Tesco are not or cease to be rated at least A3 by Moody's and A- by S&P.

Application of Partnership Available Funds

Prior to the service of a Partnership Enforcement Notice, on each Loan Interest Payment Date, all Partnership Available Funds (excluding any amount payable to the Partnership by the Issuer under the Partnership Swap Agreement on such Loan Interest Payment Date that is satisfied by set-off as set out below) together with any amount debited to the Partnership Expenses Reserve Ledger, shall be applied in the following order of priority (the "**Partnership Pre-Enforcement Priority of Payments**"), in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full:

- (a) first, in or towards satisfaction of any fees and other remuneration, costs, expenses and any other amounts payable by the Partnership to the Partnership Security Trustee and its appointees (if any) under the provisions of the Partnership Security Documents on that Loan Interest Payment Date;
- (b) second, (except to the extent satisfied by set-off as set out below) in or towards satisfaction of any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to items (a) and (b) of the Issuer Pre-Enforcement Priority of Payments or, as the case may be, item (a) of the Issuer Post-Enforcement Priority of Payments on the immediately following Bond Interest Payment Date;
- (c) third, in or towards satisfaction of any operating expenses incurred by the Partnership and either due or overdue for payment by the Partnership on such Loan Interest Payment Date or certified by the Partnership to the Cash Manager to fall payable by the Partnership during the following Loan Interest Period (other than as provided elsewhere in this priority of payments), excluding any amounts payable by the General Partner in respect of United Kingdom corporation tax and other tax for which the General Partner is primarily liable under the laws of any jurisdiction;
- (d) fourth, in or towards satisfaction, pro rata and pari passu according to the respective amounts due in respect of:
 - (i) the fees and other amounts payable by the Partnership to the Partnership Operator pursuant to the Partnership Operating Agreement on that Loan Interest Payment Date;
 - (ii) any amount payable by the Partnership to the Property Advisor in respect of the fees and other amounts payable to the Property Advisor pursuant to the Property Advisor Agreement on that Loan Interest Payment Date;
 - (iii) any amount payable by the Partnership to the Nominees/Nominees Holdco Corporate Services Provider in respect of the fees and other amounts payable to the Nominees/Nominees Holdco Corporate Services Provider pursuant to the Nominees/Nominees Holdco Corporate Services Agreement on that Loan Interest Payment Date;
 - (iv) any amount payable by the Partnership to the Nominees and Nominees Holdco in respect of the fees and other amounts payable to Nominees and Nominees Holdco

pursuant to the fee letter between, *inter alios*, the Partnership and the Nominees (the "**Nominees Side Letter**") and the fee letter between, *inter alios*, the Partnership and Nominees Holdco (the "**Nominees Holdco Side Letter**") on that Loan Interest Payment Date;

- (v) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Account Bank pursuant to the Account Bank Agreement on that Loan Interest Payment Date;
 - (vi) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Cash Manager pursuant to the Cash Management Agreement on that Loan Interest Payment Date;
 - (vii) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Woolwich Cash Manager pursuant to the Cash Management Agreement on that Loan Interest Payment Date;
 - (viii) (except to the extent satisfied by set-off as set out below) any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to item (c) of the Issuer Pre-Enforcement Priority of Payments or, as the case may be, item (b) of the Issuer Post-Enforcement Priority of Payments on the immediately following Bond Interest Payment Date; and
 - (ix) any amounts due in respect of any ground rent or other sum (excluding any Alteration Adjustment Rent or Substitution Adjustment Rent referred to in item (l) below) due under any Head Lease of a Mortgaged Property;
- (e) fifth, to be retained in the Partnership Transaction Account and recorded on the Partnership Expenses Reserve Ledger in an amount equal to the lesser of (i) £6,250 (index-linked on the same basis as the Principal Rent under the Occupational Leases by reference to RPI) and (ii) the amount by which the balance recorded on the Partnership Expenses Reserve Ledger is less than the Partnership Expenses Reserve Ledger Maximum Balance, except to the extent that there would be a shortfall in respect of the amounts payable under items (f) to (i) (inclusive) below;
- (f) sixth, (except to the extent satisfied by set-off as set out below) in or towards satisfaction, pro rata and pari passu according to the respective amounts due in respect of:
- (i) all interest payable to the Issuer in respect of the Partnership Loan on that Loan Interest Payment Date and, on the first Loan Interest Payment Date, the Partnership First Loan Interest Payment Date Fee; and
 - (ii) the amount (if any) payable to the Issuer under the Partnership Swap Agreement on that Loan Interest Payment Date other than any Partnership Swap Termination Amount;
- (g) seventh, (except to the extent satisfied by set-off as set out below) in or towards satisfaction of amounts due in respect of any principal payable to the Issuer in respect of the Partnership Loan on that Loan Interest Payment Date;

- (h) eighth, (except to the extent satisfied by set-off as set out below) in or towards satisfaction of any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to item (e) of the Issuer Pre-Enforcement Priority of Payments;
- (i) ninth, in or towards satisfaction of any amount payable by the Partnership in respect of the fees and other amounts due to the Property Pool Manager pursuant to the Property Pool Management Agreement on that Loan Interest Payment Date;
- (j) tenth, in or towards satisfaction of any Partnership Swap Termination Amount payable to the Issuer under the Partnership Swap Agreement on that Loan Interest Payment Date;
- (k) eleventh, to be retained in the Partnership Transaction Account in an amount equal to the amount by which the balance recorded on the Partnership Expenses Reserve Ledger is less than the Partnership Expenses Reserve Ledger Maximum Balance;
- (l) twelfth, in or towards satisfaction of any Alteration Adjustment Rent and any Substitution Adjustment Rent due in respect of the Mortgaged Properties;
- (m) thirteenth:
 - (i) on or before the third anniversary of the Closing Date, all amounts up to an amount equal to all amounts owing but not yet payable to the Subordinated Loan Facility Provider under the Subordinated Loan Agreement to be retained in the Partnership Transaction Account and recorded on the Subordinated Loan Reserve Ledger; and
 - (ii) after the third anniversary of the Closing Date, in or towards satisfaction of any amount due and payable by the Partnership to the Subordinated Loan Facility Provider under the Subordinated Loan Agreement on that Loan Interest Payment Date; and
- (n) fourteenth, to pay any excess to the Partnership by depositing such excess into the Partnership Distribution Account to be applied by the Partnership first to make all payments then payable pursuant to the terms of the Partnership Agreement and thereafter as the Partnership may elect.

"Partnership Available Funds" means, in respect of any Loan Interest Payment Date, the aggregate of:

- (a) the Rental Income received by the Partnership during the immediately preceding Calculation Period and which is to be transferred from the Partnership Rent Account to the Partnership Transaction Account on such Loan Interest Payment Date;
- (b) the amount (if any) payable to the Partnership by the Issuer under the Partnership Swap Agreement on such Loan Interest Payment Date;
- (c) any amount transferred from the Partnership VAT Account to the Partnership Transaction Account during the immediately preceding Calculation Period;
- (d) any amount to be transferred from the Partnership Disposal Proceeds Account to the Partnership Transaction Account on such Loan Interest Payment Date;
- (e) any amount to be transferred from the Partnership Insurance Proceeds Account to the Partnership Transaction Account on such Loan Interest Payment Date;

- (f) any interest received by the Partnership on the Partnership Accounts (other than the Partnership Distribution Account) and the Partnership Rent Account and credited or transferred to the Partnership Transaction Account during the immediately preceding Calculation Period;
- (g) any earnings and proceeds from the Partnership making Eligible Investments and credited or transferred to the Partnership Transaction Account during the immediately preceding Calculation Period;
- (h) any advance of Partnership Expenses Loan due to be made by Tesco to the Partnership under the Subordinated Loan Agreement on such Loan Interest Payment Date;
- (i) any net proceeds in respect of a CPO Disposal of a Mortgaged Property not required to be credited or transferred to the Partnership Disposal Proceeds Account and credited to the Partnership Transaction Account during the immediately preceding Calculation Period;
- (j) any net proceeds in respect of a disposal of a Mortgaged Property not required to be credited or transferred to the Partnership Disposal Proceeds Account and credited to the Partnership Transaction Account during the immediately preceding Calculation Period; and
- (k) any other sums standing to the credit of the Partnership Transaction Account (other than sums credited to the Partnership Expenses Reserve Ledger) on the Business Day immediately preceding the immediately preceding Calculation Date.

"Calculation Period" means each period from (and including) a Calculation Date (or, in the case of the first Calculation Period, the Closing Date) to (but excluding) the immediately following Calculation Date (or, in the case of the first Calculation Period, the first Calculation Date).

"Loan Interest Period" means the period from (and including) the Closing Date to (but excluding) the first Loan Interest Payment Date and each successive period from (and including) a Loan Interest Payment Date to (but excluding) the next succeeding Loan Interest Payment Date.

Prior to the service of a Partnership Enforcement Notice, any amount due and payable by the Issuer to the Partnership on any Loan Interest Payment Date pursuant to the Partnership Swap Agreement (other than any Issuer Partnership Swap Termination Amount) will be set-off against the amounts due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under items (b), (d)(viii), (f), (g) and (h) of the Partnership Pre-Enforcement Priority of Payments above in such order of priority provided that such set-off will not be made to the extent that there would then be a shortfall in the amounts available to meet item (a) above (in the case of the amount due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under items (b), (d)(viii), (f), (g) and (h) above), items (c), (d)(i) to (vii) (inclusive) and/or (d)(ix) above (in the case of the amount due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under items (d)(viii), (f), (g) and (h) above), item (f) above (in the case of the amount due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under items (g) and (h) above) or item (g) above (in the case of the amount due and payable by the Partnership to the Issuer on that Loan Interest Payment Date under item (h) above).

All moneys standing to the credit of the Partnership Accounts (other than the Partnership VAT Account), General Partner VAT Transaction Account, the General Partner Corporation Tax Reserve Account, the Partnership Rent Account the Woolwich Development Reserve Account or received by the Partnership Security Trustee upon enforcement of the Partnership Level Security following a Partnership Enforcement Notice will be applied in accordance with the Partnership Post-Enforcement Priority of Payments.

Application of funds following Partnership Enforcement Notice

Following service of a Partnership Enforcement Notice, all moneys standing to the credit of the Partnership Accounts (other than the Partnership VAT Account), General Partner VAT Transaction Account, the General Partner Corporation Tax Reserve Account, the Partnership Rent Account, the Woolwich Development Reserve Account or received by the Partnership Security Trustee upon enforcement of the Partnership Level Security will be applied in the following order of priority (the "**Partnership Post-Enforcement Priority of Payments**" and, together with the Partnership Pre-Enforcement Priority of Payments the "**Partnership Priorities of Payments**" and each, a "**Partnership Priority of Payments**"), in each case, only if and to the extent that payments and provisions of a higher priority have been made in full:

- (a) first, in or towards satisfaction of any fees and other remuneration, costs, expenses and any other amounts payable by the Partnership to the Partnership Security Trustee and any receiver appointed by the Partnership Security Trustee and the appointees (if any) of the Partnership Security Trustee under the provisions of the Partnership Security Documents;
- (b) second, in or towards satisfaction of any amounts payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to items (a) and (b) of the Issuer Pre-Enforcement Priority of Payments or, as the case may be, item (a) of the Issuer Post-Enforcement Priority of Payments;
- (c) third, in or towards satisfaction, pro rata and pari passu according to the respective amounts due in respect of:
 - (i) any amounts payable by the Partnership (in respect of itself and on behalf of the Nominees) to the Property Advisor in respect of the fees and other amounts payable to the Property Advisor pursuant to the Property Advisor Agreement;
 - (ii) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Account Bank pursuant to the Account Bank Agreement;
 - (iii) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Cash Manager pursuant to the Cash Management Agreement;
 - (iv) any amount payable by the Partnership (in respect of itself and the amount payable by it on behalf of the Nominees) in respect of the fees and other amounts payable to the Woolwich Cash Manager pursuant to the Cash Management Agreement;
 - (v) any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to item (c) of the Issuer Pre - Enforcement Priority of Payments or, as the case may be, item (b) of the Issuer Post-Enforcement Priority of Payments;
 - (vi) any amount payable by the Partnership to the Nominees/Nominees Holdco Corporate Services Provider in respect of the fees and other amounts payable to the Nominees/Nominees Holdco Corporate Services Provider pursuant to the Nominees/Nominees Holdco Corporate Services Agreement; and

- (vii) any amounts due in respect of any ground rent or other sum (excluding any Alteration Adjustment Rent or Substitution Adjustment Rent referred to in item (j) below) due under any Head Lease in respect of a Mortgaged Property;
- (d) fourth, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
 - (i) all interest payable to the Issuer in respect of the Partnership Loan and, on the first Loan Interest Payment Date, the Partnership First Loan Interest Payment Date Fee; and
 - (ii) the amount (if any) payable to the Issuer under the Partnership Swap Agreement other than any Partnership Swap Termination Amount;
- (e) fifth, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
 - (i) all principal payable to the Issuer in respect of the Partnership Loan; and
 - (ii) any Partnership Swap Termination Amount payable to the Issuer under the Partnership Swap Agreement;
- (f) sixth, in or towards satisfaction of any amount payable by the Partnership to the Issuer by way of Ongoing Partnership Facility Fee under the Partnership Loan Agreement in respect of the amount payable by the Issuer pursuant to item (e) of the Issuer Pre-Enforcement Priority of Payments;
- (g) seventh, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
 - (i) any amounts payable by the Partnership to the Partnership Operator in respect of fees and other amounts payable to the Partnership Operator pursuant to the Partnership Operating Agreement; and
 - (ii) any amounts payable by the Partnership to the Nominees and Nominees Holdco in respect of fees and other amounts payable to the Nominees and Nominees Holdco pursuant to the Nominees Side Letter and the Nominees Holdco Side Letter;
- (h) eighth, in or towards satisfaction of any amounts payable by the Partnership to the Property Pool Manager in respect of the fees and other amounts due to the Property Pool Manager pursuant to the Property Pool Management Agreement;
- (i) ninth, in or towards satisfaction of any amounts payable by the Partnership in respect of operating expenses incurred by the Partnership (other than as provided elsewhere in this priority of payments), excluding any amounts payable by the General Partner in respect of United Kingdom corporation tax and other tax for which the General Partner is primarily liable under the laws of any jurisdiction;
- (j) tenth, in or towards satisfaction of any Alteration Adjustment Rent and any Substitution Adjustment Rent in respect of the Mortgaged Properties;
- (k) eleventh, in or towards satisfaction, *pro rata* and *pari passu*, of any amounts payable by the Partnership to each of Nominee 1, Nominee 2, Nominees Holdco and the General Partner under the Junior Loans;

- (l) twelfth:
 - (i) on or before the third anniversary of the Closing Date, all amounts up to an amount equal to all amounts owing but not yet payable to the Subordinated Loan Facility Provider under the Subordinated Loan Agreement to be retained in the Partnership Transaction Account and recorded on the Subordinated Loan Reserve Ledger; and
 - (ii) after the third anniversary of the Closing Date, in or towards satisfaction of any amount due and payable by the Partnership to the Subordinated Loan Facility Provider under the Subordinated Loan Agreement; and
- (m) thirteenth, to pay any excess to the Partnership by depositing such excess into the Partnership Distribution Account to be applied by the Partnership first to make all payments then payable pursuant to the terms of the Partnership Agreement and thereafter as the Partnership may elect.

Application of Issuer Available Funds

Prior to service of a Bond Acceleration Notice, (A) on each Loan Interest Payment Date, all Issuer Available Funds will be applied in satisfaction of items (d)(ii), (d)(iii), (f) and (g) and in providing for the remaining items payable on the immediately following Bond Interest Payment Date in the following order of priority (the "**Issuer Pre-Enforcement Priority of Payments**"), in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full and (B) on the immediately following Bond Interest Payment Date, in satisfaction of such items provided for on that Loan Interest Payment Date in the same order of priority, in each case, only if and to the extent that the payments of a higher priority have been made in full:

- (a) first, in or towards satisfaction of amounts due in respect of the fees and other remuneration, costs, expenses and any other amounts payable by the Issuer to the Bond Trustee, the Issuer Security Trustee and their appointees (if any) under the provisions of the Trust Deed and the Issuer Deed of Charge (respectively) on that Bond Interest Payment Date;
- (b) second, in or towards satisfaction of any amounts payable by the Issuer in the following Bond Interest Period in respect of operating expenses incurred by the Issuer (other than as provided elsewhere in this priority of payments) on or following the Closing Date, including any amounts payable by the Issuer in respect of the establishment, maintenance and good standing of the Issuer;
- (c) third, in or towards satisfaction, pro rata and pari passu according to the respective amounts due in respect of:
 - (i) any amount payable by the Issuer in respect of the fees and other amounts payable to the Issuer/Issuer Holdco Corporate Services Provider pursuant to the Issuer/Issuer Holdco Corporate Services Agreement on that Bond Interest Payment Date;
 - (ii) any amount payable by the Issuer in respect of the fees and other amounts payable to the Paying Agents and the Registrar under the Agency Agreement on that Bond Interest Payment Date;
 - (iii) any amount payable by the Issuer in respect of the Issuer's share of the fees and other amounts payable to the Account Bank pursuant to the Account Bank Agreement on that Bond Interest Payment Date; and

- (iv) any amount payable by the Issuer in respect of the Issuer's share of the fees and other amounts payable to the Cash Manager pursuant to the Cash Management Agreement on that Bond Interest Payment Date;
- (d) fourth, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
- (i) all interest, all principal and any premium payable in respect of the Bonds on that Bond Interest Payment Date;
 - (ii) the amount (if any) due and payable to the Issuer Swap Provider under the Issuer Swap Agreement on that Loan Interest Payment Date, but excluding (a) any amount due and payable from the Issuer to the Issuer Swap Provider due to a termination of the Issuer Swap on the basis of an event of default under the Issuer Swap Agreement in respect of which the Issuer Swap Provider is the defaulting party or on the basis of a termination event under the Issuer Swap Agreement in respect of which the Issuer Swap Provider is the sole affected party, (b) any amount due and payable from the Issuer to the Issuer Swap Provider in circumstances where the Occupational Tenant and the Occupational Tenant Guarantor have both failed to make a payment due and payable under an Occupational Lease, whether in whole or in part, on the immediately preceding Rent Payment Date (irrespective of whether the Issuer is the defaulting party in respect of an event of default under the Issuer Swap Agreement that resulted in such termination or whether the Issuer Swap Provider is the sole affected party in respect of a termination event under the Issuer Swap Agreement that resulted in such termination) and (c) any amount due and payable from the Issuer to the Issuer Swap Provider in circumstances where the Subordinated Loan Facility Provider and Tesco (as provider of the Plc Indemnity) have both failed to make a payment due and payable under the Subordinated Loan Agreement, whether in whole or in part, on or before such Loan Interest Payment Date (irrespective of whether the Issuer is the defaulting party in respect of an event of default under the Issuer Swap Agreement that resulted in such termination or whether the Issuer Swap Provider is the sole affected party in respect of a termination event under the Issuer Swap Agreement that resulted in such termination) (each a "**Swap Subordinated Amount**" and together, the "**Swap Subordinated Amounts**"); and
 - (iii) (except to the extent satisfied by set-off as set out below) the amount (if any) due and payable to the Partnership under the Partnership Swap Agreement, other than (a) any amount due and payable to the Partnership due to a termination of the Partnership Swap and (b) any amount due and payable to the Partnership in respect of a reduction in the notional amount of a Partnership Swap (an "**Issuer Partnership Swap Termination Amount**");
- (e) fifth, the amount of £750 quarterly ("**Issuer Profit**") to be retained as profit by the Issuer pursuant to the Taxation of Securitisation Companies Regulations 2006 (and from which amount the Issuer shall discharge its liability to corporation tax in respect of that retained profit);
- (f) sixth, in or towards satisfaction of any Swap Subordinated Amounts due and payable by the Issuer to the Issuer Swap Provider under the Issuer Swap Agreement on that Loan Interest Payment Date;
- (g) seventh, in or towards satisfaction of any Issuer Partnership Swap Termination Amount payable to the Partnership under the Partnership Swap Agreement; and

- (h) eighth, the surplus (if any) to the Issuer or any other persons entitled thereto (out of which the Issuer will discharge any additional liability to UK corporation tax in excess of the UK corporation tax payable under item (e) above and which arises in connection with the retention or distribution of such surplus).

"Issuer Available Funds" means, in respect of any Loan Interest Payment Date and the immediately following Bond Interest Payment Date, the aggregate of:

- (a) any amount payable to the Issuer under the Partnership Swap Agreement on such Loan Interest Payment Date;
- (b) (except to the extent satisfied by way of a set-off in accordance with the Partnership Pre-Enforcement Priority of Payments) all interest, principal and other amounts payable to the Issuer in respect of the Partnership Loan on such Loan Interest Payment Date;
- (c) any amount payable to the Issuer under the Issuer Swap Agreement on such Loan Interest Payment Date;
- (d) interest received by the Issuer on the Issuer Transaction Account during the immediately preceding Calculation Period; and
- (e) the earnings and proceeds from the Issuer making any Eligible Investments during the immediately preceding Calculation Period.

Application of funds following Bond Acceleration Notice

Following service of a Bond Acceleration Notice, all moneys standing to the credit of the Issuer Transaction Account or received by the Issuer Security Trustee upon enforcement of the Issuer Security (including any amounts received from the Obligors in respect of the Partnership Loan or following enforcement of the Partnership Level Security) will be applied in the following order of priority (the **"Issuer Post-Enforcement Priority of Payments"** and, together with the Issuer Pre-Enforcement Priority of Payments, the **"Issuer Priorities of Payments"** and each, an **"Issuer Priority of Payments"**), in each case, only if and to the extent that payments and provisions of a higher priority have been made:

- (a) first, in or towards satisfaction, pro rata and pari passu according to the respective amounts due in respect of the fees and other remuneration, costs, expenses and any other amounts payable by the Issuer to the Bond Trustee, the Issuer Security Trustee, any receiver appointed by the Issuer Security Trustee and the appointees (if any) of the Bond Trustee and the Issuer Security Trustee (respectively) under the provisions of the Trust Deed and the Issuer Deed of Charge;
- (b) second, in or towards satisfaction, pro rata and pari passu according to the respective amounts due in respect of:
 - (i) any amount payable by the Issuer in respect of the fees and other amounts payable to the Issuer/Issuer Holdco Corporate Services Provider pursuant to the Issuer/Issuer Holdco Corporate Services Agreement;
 - (ii) any amount payable by the Issuer in respect of the fees and other amounts payable to the Paying Agents and the Registrar under the Agency Agreement;

- (iii) any amount payable by the Issuer in respect of the Issuer's share of the fees and other amounts payable to the Account Bank pursuant to the Account Bank Agreement; and
 - (iv) any amount payable by the Issuer in respect of the Issuer's share of the fees and other amounts payable to the Cash Manager pursuant to the Cash Management Agreement;
- (c) third, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts due in respect of:
 - (i) all interest, all principal and any premium payable in respect of the Bonds; and
 - (ii) the amount (if any) due and payable to the Issuer Swap Provider under the Issuer Swap Agreement, but excluding any Swap Subordinated Amounts;
- (d) fourth, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts due in respect of:
 - (i) any Swap Subordinated Amounts due and payable by the Issuer to the Issuer Swap Provider under the Issuer Swap Agreement; and
 - (ii) any amount due and payable to the Partnership under the Partnership Swap Agreement; and
- (e) fifth, the surplus (if any) to the Issuer or any other persons entitled thereto (out of which the Issuer will discharge any liability to UK corporation tax).

USE OF PROCEEDS

The proceeds from the issue of the Bonds will be £450,500,000.

On the Closing Date, the Issuer will, subject to and in accordance with the Partnership Loan Agreement, as described in the section entitled "*Summary of Transaction Documents – The Partnership Loan Agreement*", apply the proceeds from the issue of the Bonds in the manner described in "*Transaction Overview*".

The expenses to be paid in relation to the admission of the Bonds to trading are estimated to be approximately £17,500.

TESCO PROPERTY FINANCE 5 PLC (THE ISSUER)

Introduction

Tesco Property Finance 5 Plc (the "**Issuer**") was incorporated in England and Wales on 15 November 2011 (registered number 07848593) as a public limited company under the Companies Act 2006. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44 (0)20 7398 6300. The share capital of the Issuer is £50,000, divided into 50,000 ordinary shares of £1 each, all of which are issued and paid up (49,999 as to £0.25 each and 1 fully paid up) and held by Issuer Holdco, a limited liability company not affiliated with Tesco. The Issuer has no subsidiaries.

Principal activities

The principal business of the Issuer is to raise or borrow money and to grant security over its assets for such purposes and to lend money with or without security.

Since its incorporation, the Issuer has not engaged in any activities other than those incidental to its incorporation and registration under the Companies Act 2006 and the authorisation of the issue of the Bonds and of the other documents and matters referred to or contemplated in this document and matters which are incidental or ancillary to the foregoing.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in Condition 3 (Covenants).

Directors and secretary

The directors and a secretary of the Issuer and their respective business addresses and other principal activities are:

Name	Role	Business address	Other principal activities
SFM Corporate Services Limited	Secretary	35 Great St. Helen's London EC3A 6AP	Acting as a secretary for special purpose companies
SFM Directors Limited	Director	35 Great St. Helen's London EC3A 6AP	Acting as corporate directors for special purpose companies
SFM Directors (No.2) Limited	Director	35 Great St. Helen's London EC3A 6AP	Acting as corporate directors for special purpose companies
Claudia Wallace	Director	35 Great St. Helen's London EC3A 6AP	Director of Structured Finance Management Limited

The Issuer has no employees.

SARUM ISSUER HOLDCO LIMITED (ISSUER HOLDCO)

Introduction

Sarum Issuer Holdco Limited ("**Issuer Holdco**") was incorporated in England and Wales on 15 November 2011 (registered number 07848574) as a limited liability company under the Companies Act 2006. The registered office of Issuer Holdco is at 35 Great St. Helen's, London EC3A 6AP. The telephone number of Issuer Holdco's registered office is +44 (0)20 7398 6300.

Principal activities

The business of Issuer Holdco is to hold the share capital of the Issuer.

Directors

The directors and a secretary of Issuer Holdco and their respective business addresses and other principal activities are:

Name	Role	Business address	Other principal activities
SFM Corporate Services Limited	Secretary	35 Great St. Helen's London EC3A 6AP	Acting as a secretary for special purpose companies
SFM Directors Limited	Director	35 Great St. Helen's London EC3A 6AP	Acting as corporate directors for special purpose companies
SFM Directors (No.2) Limited	Director	35 Great St. Helen's London EC3A 6AP	Acting as corporate directors for special purpose companies
Claudia Wallace	Director	35 Great St. Helen's London EC3A 6AP	Director of Structured Finance Management Limited

Issuer Holdco has no employees.

THE TESCO SARUM LIMITED PARTNERSHIP (THE PARTNERSHIP)

General

The Tesco Sarum Limited Partnership (the "**Partnership**") was established in England and Wales as an English limited partnership under the terms of a short form partnership agreement dated 1 December 2011 as amended and restated on or shortly after the Closing Date (the "**Partnership Agreement**") with a registered number of LP014787. The Partnership was established with two partners, the Tesco Limited Partner, as a limited partner, and the General Partner, as the general partner. As at the Closing Date, the Tesco Limited Partner will have a 99.9% partnership interest in the Partnership. The Tesco Limited Partner is wholly owned indirectly by Tesco. It is anticipated that at some point following the sale of the Bonds on the Closing Date, the Tesco Limited Partner will sell half of its interest in the Partnership to the JV Investor (in such capacity "**2LP**"), and at such time the Tesco Limited Partner and 2LP will each have an equal 49.95% interest in the Partnership. The Tesco Limited Partner will not be restricted from selling more than half of its interest in the Partnership, subject to the requirement that Tesco maintain a minimum indirect economic interest in the Partnership. Following such sale, the Partnership Agreement shall be amended and restated with 2LP as a party. As at the Closing Date, the General Partner will be owned by Tesco Property Holdings (No. 2) Limited and the General Partner has a 0.1% participation in the Partnership. The Partnership (acting by the General Partner) owns 100% of the issued share capital of Nominees Holdco.

Summary of the Partnership Agreement

Purpose

The purpose of the Partnership is to acquire and beneficially hold the Property Portfolio as an investment pursuant to the Partnership Agreement. The purpose of the Partnership may only be changed with the unanimous consent of the Limited Partners and the General Partner.

Partnership interests

As at the Closing Date, the Tesco Limited Partner will hold a participation in the Partnership comprising a capital contribution of £20,000 and the General Partner will hold a participation in the Partnership comprising a capital contribution of £20.02. Any changes to participations in the Partnership will, subject to certain provisions specified in the Partnership Agreement, require unanimous consent.

Subject to obtaining the consent of the Limited Partners and to complying with the provisions of the Transaction Documents, the Partnership Operator may, for the purposes of financing Alterations, Substitution Disposals or Adjoining Land Developments in respect of the Mortgaged Properties, request each Limited Partner to make additional capital contributions and/or arrange borrowing on behalf of the Partnership from third parties or from members of the Tesco Group.

Profits and distributions

Distributions of amounts standing to the credit of the Partnership Distribution Account, after payment of interest and principal on the Partnership Loan and other amounts due on each Loan Interest Payment Date will be made to the Partners quarterly. The Partnership Agreement provides that distributions will be applied, first, in repayment of any default loan (see below) and, secondly, in payment to the Partners as follows to each of the Partners in the following shares:

- (a) following the anticipated transfer of the relevant partnership interest at some point following the sale of the Bonds on the Closing Date, to each of 2LP and the Tesco Limited Partner: 49.95%; and
- (b) to the General Partner: 0.1%,

although it is not expected that any distributions will be made throughout the life of the Partnership.

Where a Mortgaged Property is sold during the term of the Partnership Agreement (other than in connection with a substitution), the net realisation proceeds (after application of the disposal proceeds in accordance with the Transaction Documents) may, at the discretion of the Partnership Operator and subject to approval by the General Partner, not be distributed and may be retained by the Partnership for investment purposes.

Management and operation

The Partnership (acting by the General Partner) has appointed State Street Fund Services (UK) Limited as the Partnership Operator to be the operator of the Partnership, in accordance with the terms of the Partnership Operating Agreement and as described below. The Partnership Operator is not a partner and will not be entitled to any share in the profits, nor be liable for any losses, of the Partnership.

The Partnership Operator has the power and authority to monitor and enforce performance of all rights and obligations of the Partnership pursuant to the Partnership Transaction Documents. In addition, the Partnership Operator has all customary powers, where appropriate, to execute documents, pay fees, maintain bank accounts and delegate powers where appropriate, as specified in more detail in the Partnership Operating Agreement.

As at the Closing Date, the Partnership, acting by the Partnership Operator, has appointed Spen Hill Management Limited as the Property Pool Manager, to provide advice in relation to the management of the Mortgaged Properties. The Property Pool Manager is not a partner and will not be entitled to any share in the profits, nor be liable for any losses, of the Partnership.

The Partnership, acting by the Partnership Operator, will on the Closing Date also appoint Cushman & Wakefield LLP as Property Advisor. The Property Advisor is not a partner and will not be entitled to any share in the profits, nor be liable for any losses, of the Partnership.

The Partnership, acting by the Partnership Operator, will on the Closing Date also appoint HSBC Bank plc as the Account Bank to maintain certain accounts on behalf of the Partnership.

The Partnership, acting by the Partnership Operator, will on the Closing Date also appoint HSBC Bank plc as the Cash Manager to provide cash management services in respect of the Partnership Accounts and the determinations and payments to be made on each Calculation Date and the related Loan Interest Payment Date.

The operation of the Partnership's day-to-day business is delegated to the Account Bank, the Cash Manager, the Woolwich Cash Manager and the Property Pool Manager under the supervision of the Partnership Operator. The consent of the Partnership and the Partnership Security Trustee will be required for the removal of the existing Partnership Operator and the appointment of a new Partnership Operator, the appointment or removal of the Property Pool Manager or the Property Advisor, the Partnership Operator's proposed appointment of any professional advisors and the approval of any additional funding commitments which the Partnership is to undertake.

Transfer of partnership interests

The Limited Partners are entitled to transfer all or part of their interests in the Partnership to a third party subject to, among other conditions, obtaining the consent of the Partnership Security Trustee and notifying the Rating Agencies.

If, after the anticipated transfer to 2LP following the sale of the Bonds on the Closing Date, a transfer of 2LP's interest in the Partnership is proposed, then such transfer may only take place if, among other conditions, the transferee either (i) is entitled to the income of the Partnership for UK tax purposes and has its usual place of abode in the UK; or (ii) is the trustee of a UK registered pension scheme and its usual place of abode is in the UK; or (iii) has received an HM Revenue & Custom notice of approval permitting payments of rent under each Occupational Lease to be made to him without deduction or withholding; or (iv) in the event of a change in law, is a person entitled to receive payments of rent under each Occupational Lease without deduction or withholding. Any proposed transfer by a Limited Partner is subject to a right of pre-emption in favour of the other Limited Partner. Any transfer by a Limited Partner of all of its interest in the Partnership must involve the concurrent transfer of that Limited Partner's interest in the General Partner.

The General Partner may not transfer its interest in the Partnership without, among other things, the consent of the Partnership Security Trustee (where required by the Partnership Finance Documents). A transfer by a Limited Partner will, amongst other things, require consent of the Partnership Security Trustee.

Under the Partnership Agreement (as amended on the Closing Date), the Tesco Limited Partner will have an option to acquire 2LP's interest in the Partnership in year ten and at the end of the life of the Partnership at the option price. The option price in year ten will be determined in accordance with the Partnership Agreement, but shall be broadly equal to 50% of the market value of the reversionary interests in the Property Portfolio.

Limited Partner event of default

If a Limited Partner commits an event of default (as defined in the Partnership Agreement and including, *inter alia*, becoming insolvent, committing a material breach of the Partnership Agreement or relevant members of that Limited Partner's corporate group committing a material breach of the shareholders' agreement which regulates the operation of the General Partner (see below)), the other Limited Partner has the right to acquire the defaulting Limited Partner's partnership interest for an amount equal to 50% of the value of the difference between the assets and the liabilities of the Partnership at the date of service of the default notice.

TESCO SARUM (GP) LIMITED (THE GENERAL PARTNER)

General

Tesco Sarum (GP) Limited (the "**General Partner**") is a limited liability company incorporated in England and Wales on 16 November 2011 with company registration number 07849882. The registered office of the General Partner is Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL, telephone number: 01992 632222.

Principal activity

The principal business of the General Partner is to act as the general partner of the Partnership and to conduct the business, affairs and management of the Partnership in accordance with the Partnership Agreement pursuant to section 4(2) of the Limited Partnerships Act 1907.

Ownership

As at the Closing Date, the issued share capital of the General Partner will be 5,000 A ordinary shares of £1 each held by Tesco Property Holdings (No.2) Limited and 5,000 B ordinary shares of £1 each held by Tesco Property Holdings (No.2) Limited. At some point following the sale of the Bonds on the Closing Date, Tesco Property Holdings (No.2) Limited may transfer such 5,000 B ordinary shares of £1 each to the JV Investor (or an orphan vehicle).

Management

Following the sale of the 5,000 B ordinary shares the operation and management of the General Partner will be regulated by a shareholders' agreement between Tesco Property Holdings (No.2) Limited, the JV Investor (or an orphan vehicle) and the General Partner dated immediately after the time at which the JV Investor acquires the B ordinary shares in the General Partner (the "**Shareholders' Agreement**").

Each shareholder is entitled to appoint up to four directors to the board of the General Partner.

All matters to be decided by the General Partner will (save as otherwise stated in clause 4 of the Shareholders' Agreement) be by unanimous decision of those directors present in meeting, which, to be quorate, must have at least one director appointed by each shareholder present. As referred to above, although the operation of the Partnership's day-to-day business is delegated to the Property Pool Manager, the Account Bank and the Cash Manager under the supervision of the Partnership Operator, certain matters will require the consent of the General Partner.

If a shareholder is subject to a material conflict of interest in respect of a matter to be decided by the board of the General Partner, such matter will be referred to a suitable conflict expert for determination.

TESCO SARUM (1LP) LIMITED (THE TESCO LIMITED PARTNER)

Tesco Sarum (1LP) Limited (the "**Tesco Limited Partner**") is a limited liability company incorporated in England and Wales on 16 November 2011 with company registration number 07849948, established for the principal purpose of acting as the limited partner of the Partnership. The registered office of the Tesco Limited Partner is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL. The Tesco Limited Partner is a wholly-owned indirect subsidiary of Tesco.

TESCO SARUM (NOMINEE HOLDCO) LIMITED (NOMINEES HOLDCO)

General

Tesco Sarum (Nominee Holdco) Limited ("**Nominees Holdco**") is a limited liability company incorporated in England and Wales on 17 November 2011 with company registration number 07851190. The registered office of Nominees Holdco is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL. Nominees Holdco is a wholly-owned subsidiary of the General Partner (who holds the entire issued share capital of Nominees Holdco on behalf of the Partnership).

Principal activity

The business of Nominees Holdco is to hold the share capital of Nominee No. 1 and Nominee No. 2.

Management

Nominees Holdco is managed by a board consisting of 6 directors, including two directors appointed by the Nominees/Nominees Holdco Corporate Services Provider subject to and in accordance with the Nominees/Nominees Holdco Corporate Services Agreement. As at the Closing Date, the directors and secretary of Nominees Holdco will be:

- Alistair Clark;
- Richard Brasher;
- Michael Iddon;
- Scilla Grimble;
- Steven Scally;
- Jason Bingham; and
- Secretary: Claudine O'Connor.

TESCO SARUM (NOMINEE 1) LIMITED (NOMINEE NO. 1)

General

Tesco Sarum (Nominee 1) Limited ("**Nominee No. 1**") is a limited liability company incorporated in England and Wales on 17 November 2011 with company registration number 07851854. The registered office of Nominee No. 1 is Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. Nominee No. 1 is a wholly-owned subsidiary of Nominees Holdco.

Principal activity

The business of Nominee No. 1 is to hold the legal title to the Head Leases of the Mortgaged Properties jointly with Nominee No. 2.

Management

Nominee No. 1 is managed by a board consisting of 6 directors, including two directors appointed by the Nominees/Nominees Holdco Corporate Services Provider subject to and in accordance with the Nominees/Nominees Holdco Corporate Services Agreement. As at the Closing Date, the directors and secretary of Nominee No. 1 will be:

- Alistair Clark;
- Richard Brasher;
- Michael Iddon;
- Scilla Grimble;
- Steven Scally;
- Jason Bingham; and
- Secretary: Claudine O'Connor.

TESCO SARUM (NOMINEE 2) LIMITED (NOMINEE NO. 2)

General

Tesco Sarum (Nominee 2) Limited ("**Nominee No. 2**") is a limited liability company incorporated in England and Wales on 17 November 2011 with company registration number 07851858. The registered office of Nominee No. 2 is Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. Nominee No. 2 is a wholly-owned subsidiary of Nominees Holdco.

Principal activity

The business of Nominee No. 2 is to hold the legal title to the Head Leases of the Mortgaged Properties jointly with Nominee No. 1.

Management

Nominee No. 2 is managed by a board consisting of 6 directors, including two directors appointed by the Nominees/Nominees Holdco Corporate Services Provider subject to and in accordance with the Nominees/Nominees Holdco Corporate Services Agreement. As at the Closing Date, the directors and secretary of Nominee No. 2 will be:

- Alistair Clark;
- Richard Brasher;
- Michael Iddon;
- Scilla Grimble;
- Steven Scally;
- Jason Bingham; and
- Secretary: Claudine O'Connor.

TESCO PLC (TESCO)¹

Introduction

Tesco was incorporated on 27 November 1947 with limited liability in England and Wales with registered number 445790 and operates as a public limited company under the Companies Act 1985. The registered office of Tesco is located at Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.

The objects of Tesco are set out in clause 4 of its memorandum of association and include carrying on the business of a holding company.

Tesco and its consolidated subsidiaries (the "**Group**") has operations in the United Kingdom and the Republic of Ireland, and also in Central Europe, Asia and, since November 2007, in the United States of America. Over the past fifteen years the Group has expanded its traditional supermarket base in the United Kingdom into twelve overseas markets (in addition to a franchise agreement in India) and also into non-food and retailing services such as personal finance, catalogue and internet shopping as part of its strategy for growth.

Tesco is the overall holding company of the Group. As the holding company of the Group, Tesco is dependent on the performance of its operating subsidiaries and the payment of dividends by them.

In the 26 weeks ended 27 August 2011, Tesco announced its plans to dispose of its operations in Japan, which are expected to be sold by 27 August 2012. Accordingly, these operations have been classified as a disposal group, and excluded from the applicable sales, store and space numbers provided in this section.

As at 27 August 2011, the Group operated 5,630 stores with a total sales area of 106.149 million sq. ft.

For the 26 weeks ended 27 August 2011, Group sales (including value added tax and excluding IFRIC 13) were £35.53 billion, an increase of 8.8 per cent. on the same period in the previous year, and underlying profit before taxation was £1.92 billion², an increase of 6.2 per cent. on the previous half year.

¹ All UK figures exclude Tesco Personal Finance PLC

² Underlying profit before tax is not defined by IFRS and is used by management to internally measure and analyse performance. Underlying profit excludes the impact of non-cash elements of IAS 17,19, 32 and 39 (principally impact of annual uplifts in rents and rent-free periods, pension costs and the marking to market of financial instruments); the amortisation charge on intangible assets arising on acquisition and acquisition costs, and the accounting impact of IFRIC 13 (Customer Loyalty Programmes) but includes the Group's share of its interest in joint ventures and associates. Prior year comparatives also exclude costs relating to restructuring (USA) and closure costs (Vin Plus).

Share capital

Tesco's ordinary shares are admitted to the Official List of the London Stock Exchange and are traded on the regulated market of the London Stock Exchange. The market capitalisation of Tesco on the London Stock Exchange at the close of business on 27 August 2011 was £29.3 billion ranking it, as at that date, the largest quoted food retailer in the United Kingdom and one of Europe's 100 largest companies in terms of market capitalisation. The share capital of Tesco, as at the dates specified below, was as follows:

	<i>At 27th August, 2011 £</i>	<i>At 26th February, 2011 £</i>
Allotted, called up and fully paid: ordinary shares of 5.0p each	400,794,846	402,323,405

United Kingdom core business

As at 27 August 2011, the Group operated 2,865 stores in the United Kingdom. These range in formats from the Tesco Express convenience store and the Tesco Metro town and city centre store through to the Tesco Extra hypermarket (typically over 60,000 sq. ft.). Tesco also offers many non-food items online, via telephone and through selected stores under the Tesco Direct banner. During the 26 weeks ended 27 August 2011, 161 new stores (including acquisitions) were opened.

United Kingdom sales (including value added tax and excluding IFRIC 13) were £23.43 billion in the 26 weeks ended 27 August 2011 (an increase of 7.1 per cent. over the previous years 26 week period). The United Kingdom business contributed £1,273 million of trading profit, an increase of 4.5 per cent. over the previous half year.

International business

As at 27 August 2011, the international business represented 64.9 per cent. of the Group sales area and comprised 2,765 stores with a total selling space of 68.9 million sq. ft., in 11 countries.

In the half year ended 27 August 2011, sales (including value added tax and excluding IFRIC 13) in Europe excluding the United Kingdom were £5,673 million, an increase of 12.4 per cent. on the previous half year, and contributed trading profit of £237 million, representing an increase in profit of 11.8 per cent over the same period. As at 27 August 2011, the Group had 131 stores in the Republic of Ireland, 209 in Hungary, 383 in Poland, 215 in the Czech Republic, 103 in Slovakia and 131 in Turkey.

During the half year ended 27 August 2011, sales (including value added tax and excluding IFRIC 13) in Asia were £5,602 million, up 11.7 per cent. on the previous half year and contributed trading profits of £292 million, representing an increase of 18.7 per cent. over the same period. As at 27 August 2011, the Group's Asian business comprised 887 stores in Thailand, 377 in South Korea, 43 in Malaysia and 109 in China.

During the half year ended 27 August 2011, sales (including value added tax and excluding IFRIC 13) in the United States were £304 million, up 23.1 per cent. on the previous half year. Trading losses decreased to £73 million, representing an improvement of 23.2 per cent. over the same period. As at 27 August 2011 the United States Business comprised 177 stores, up from 159 stores at 28 August 2010.

Retailing and Financial services

Tesco's retailing services business includes Tesco Bank, telecoms, dunnhumby (its customer research business) and its online businesses, including tesco.com and Tesco Direct. Tesco sells its groceries online through tesco.com, and non-food items through Tesco Direct.

Tesco Personal Finance plc ("**Tesco Bank**") sells a range of products and services through multiple channels including stores, primarily in the United Kingdom, by telephone and online. The bulk of Tesco Bank's activities are focused in the United Kingdom. Tesco also delivers financial services products with partner banks in other countries in which it has a presence.

Tesco Bank's key products and services include general insurance (such as motor, home, pet, travel, dental, health and life insurance), credit cards and personal loans, personal saving products, travel money and ATM services, and Tesco Compare, an online insurance and utilities comparison. Customers can purchase personal finance services in-store, by telephone or at tescobank.com.

Since Tesco increased its stake in Tesco Personal Finance to 100% from 50% in the 53 weeks ended February 28, 2009, it has introduced three new products: the Fixed Rate Saver, launched in autumn 2010, a seven-year retail bond, launched in 2011 and an eight-year retail bond, also launched in 2011. Tesco plans to introduce additional products, including mortgages in 2012 and current accounts at a later date, which will further diversify its funding base and increase the proportion of long-term funding available to the bank.

Tesco Personal Finance plc is subject to regulatory supervision by the FSA.

Tesco.com is the largest grocery e-tailer in the world, with over one million active customers.

Tesco Direct offers a wide range of non-food products both on-line and in the catalogue to consumers covering homeware, furniture, toys, electronics and sporting goods. Customers can choose the product they want on a website or from a catalogue and can order online, by telephone or at Tesco Direct desks in selected stores.

Capital expenditure

During the half year ended 27 August 2011 Group capital expenditure was £2.1 billion. UK capital expenditure amounted to £1.0 billion while Tesco Bank capital expenditure was £0.1 billion. Total international capital expenditure was £1.0 billion, comprising £0.6 billion in Asia, £0.3 billion in Europe and £0.1 billion in the US.

STATE STREET FUND SERVICES (UK) LIMITED (THE PARTNERSHIP OPERATOR)

General

State Street Fund Services (UK) Limited (the "**Partnership Operator**") is a private limited company incorporated in England and Wales on 5 January 2006 with company registration number 5666576. The registered office of the Partnership Operator is 1st Floor, Phoenix House, 18 King William Street, London EC4N 7BP.

Principal activity

The Partnership Operator is authorised by the FSA to establish, operate and wind-up unregulated collective investment schemes. Its principal activity in the transaction will be operating the Partnership.

STRUCTURED FINANCE MANAGEMENT LIMITED (THE CORPORATE SERVICES PROVIDER)

Structured Finance Management Limited (registered number 3853947), having a place of business at 35 Great St Helen's, London EC3A 6AP will be appointed on the Closing Date to provide corporate services to the Issuer and Issuer Holdco pursuant to the Issuer/Issuer Holdco Corporate Services Agreement.

Structured Finance Management Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Issuer/Issuer Holdco Corporate Services Provider will be entitled to terminate its respective appointments under the Issuer/Issuer Holdco Corporate Services Agreement on 90 days' written notice to the Issuer or Issuer Holdco respectively, the Issuer Security Trustee and each other party to the Issuer/Issuer Holdco Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Issuer/Issuer Holdco Corporate Services Agreement.

The Issuer Security Trustee can terminate the appointment of the Issuer/Issuer Holdco Corporate Services Provider on 90 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Issuer/Issuer Holdco Corporate Services Agreement.

In addition, the appointment of the Issuer/Issuer Holdco Corporate Services Provider may be terminated immediately upon notice in writing given by the Issuer Security Trustee, if the Issuer/Issuer Holdco Corporate Services Provider breaches its obligations under the terms of the Issuer/Issuer Holdco Corporate Services Agreement and/or certain insolvency related events occur in relation to the Issuer/Issuer Holdco Corporate Services Provider.

VALUATION REPORT

A. Valuation Report

**Tesco Sarum (GP) Limited on behalf of The Tesco Sarum Limited Partnership
("Partnership")**

Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

**Tesco Sarum (Nominee 1) Limited and Tesco Sarum (Nominee 2) Limited
("Nominees")**

Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

HSBC Bank plc ("Joint Lead Arranger")

8 Canada Square, London E14 5HQ

Goldman Sachs International ("Joint Lead Arranger")

Peterborough Court, 133 Fleet Street, London EC4A 2BB

Lloyds TSB Bank plc ("Joint Lead Arranger")

10 Gresham Street, London EC2V 7AE

The Royal Bank of Scotland plc ("Joint Lead Arranger")

135 Bishopsgate, London, EC2M 3UR

Tesco Property Finance 5 Plc ("Issuer")

35 Great St Helens, London, EC3A 3AP

PORTFOLIO OF 11 SUPERSTORES/EXTRA STORES

(as described in Section C ('PROPERTIES'))

THE TESCO SARUM LIMITED PARTNERSHIP ('PARTNERSHIP')

Report Date: 25 January 2012

Valuation Date: 25 January 2012

1. Instructions

Appointment

We are instructed to prepare this valuation of the Properties by the Partnership for inclusion in the Offering Circular to be published in connection with an issue of Bonds by the Issuer and the making of a secured loan by the Issuer to the Partnership (the "Transaction").

The Properties and interests valued are summarised in Section C. We confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently.

The valuation has been carried out in accordance with instructions confirmed in our letter dated 19 January 2012. Our Terms and Conditions of Appointment (July 2011) ("Terms and



Conditions") have been forwarded to you with our letter confirming instructions. Clauses 18 and 19 of our Terms and Conditions respectively set out the limit of our liability to you and our quality control procedures.

However, with regard to clauses 6 and 18.12 we agree that the indemnity owed to us, as stipulated in these clauses, will not be applicable. Further, Clause 18.11 of our Principal Terms and Conditions shall be replaced by the following:

"Where you provide a copy of and/or permit another party or parties to rely upon our valuation report (in accordance with clause 18.10 above), you agree to direct that party or parties to enter a separate reliance letter between any such party and ourselves as if it/they had been party to the original letter of instruction between us."

Other than those parties to whom this report is addressed (or any person to whom we have issued a reliance letter and who has accepted the terms contained therein), any third party seeking to rely on this report shall only be entitled to do so for the purposes of determining whether or not to invest in the initial public offering of securities of Tesco Property Finance 5 Plc.

To the fullest extent permitted by the law (including any mandatory responsibility arising from the listing rules of any stock exchange) we do not assume any responsibility to and we hereby exclude all liability arising from use of and/or reliance on this report by any person or persons for the purposes of determining whether or not to invest in the securities of Tesco Property Finance 5 Plc other than those parties to whom this report is addressed and to whom we have issued a reliance letter.

2. Background to the Valuation

The portfolio comprises a group sale and leaseback of 11 Tesco Superstores or Tesco Extra Stores, including the property at Woolwich, comprising a Tesco Extra Store with 7 unit shops (and residential flats, excluded from the property valued), (together the "Properties") which are owned in a joint venture partnership known as The Tesco Sarum Limited Partnership.

The Properties are generally held for terms of 999 years (175 years for the Scottish properties)

The Properties are subject either to leases to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited who hold the properties on trust for Tesco Stores Limited or, in the case of the property in Woolwich, to Tesco Stores Limited (together the "Tesco Occupational Tenants"). The occupational leases are for terms of 29 years and 329 days commencing on the date of grant and expiring on 24 December 2041 assuming the lease terms commence 30 January 2012 (date of lease commencement is subject to closing date of the Transaction).

We understand our valuation is required for inclusion in the Offering Circular to be published in connection with an issue of Bonds by the Issuer and in respect of a secured loan by the Issuer to the Partnership.



The occupational leases to the Tesco Occupational Tenants include a tenant's option to terminate on 30 January 2022 subject to conditions being satisfied, the principal one being that the landlord must be the Nominees holding on trust for the Partnership and the Partnership must be wholly owned by Tesco Plc or a group company of Tesco Plc. In addition the operation of the break is dependent on the Issuer Secured Obligations, as defined in the Offering Circular, (i.e. including all of the outstanding bonds issued by the Issuer) having been unconditionally and irrevocably paid or repaid and discharged in full.

Bases of Valuation

The valuation and report has been prepared in accordance with the relevant provisions of the UKLA Listing Rules issued by the FSA and in accordance with the RICS Valuation Standards, 7th Edition as amended (the "Red Book") by a valuer acting as an Independent Valuer, as defined within the Red Book. We confirm that the valuer conforms to the stipulated requirements.

We have provided our opinion of Market Rent and Market Value for the Properties in accordance with the following definitions:

Market Value

As instructed, and in accordance with the requirements of the Red Book, we have prepared a valuation of the long leasehold interests held in the Properties in their existing state on the basis of Market Value, defined in the Red Book as:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market Rent

Our opinion of Market Rent has been given in accordance with the provisions of the Red Book, defined therein as:

"The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".

3. Assumptions, Departures and Reservations

We have prepared our valuation on the basis of the assumptions detailed within our Terms and Conditions of Appointment.

Your instructions have required us to make Special Assumptions in respect of the valuations assuming vacant possession as further described in the Valuation summary schedule in Section B and as recited when providing our opinion of value on the various bases specified.



The Glossary within the Red Book defines a Special Assumption as an assumption that either:

- requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or
- is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances.

You should note that if the Special Assumptions above were not adopted there could be a material difference in value.

We have made no Departures from the Red Book. Our valuation is made without any reservations or special instructions.

4. Inspections

The Properties were inspected during the last 12 months.

We have not measured the Properties and as instructed have relied on the floor areas supplied by G L Hearn or Plowman Craven who were instructed by the Partnership to reference each property. We have assumed that these have been calculated in accordance with The Code of Measuring Practice (Sixth Edition) prepared by the Royal Institution of Chartered Surveyors. Should these areas prove to be incorrect or incomplete then the accuracy of our valuation may be affected.

5. Sources of Information

We have based our valuation on our inspection of the Properties and the information which either the Partnership or its advisors have supplied to us or which we have obtained from our enquiries. We have relied on this being correct and complete and on there being no undisclosed matters which would affect our valuation. We have not had access to Title Deeds or Leases but have reviewed the draft form of occupational lease to be granted to Tesco.

We set out in Section D a summary of information regarding tenure, tenancies, planning consents, structural surveys, environmental reports, plans, floor areas etc supplied to us and taken into account in preparing this valuation.

6. General Comment

A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.



We strongly recommend that you keep the valuation of the Properties under review.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

We also recommend that no disposal of the Properties should be undertaken without proper exposure to the market.

General Provisions

Our opinion of Market Value has been provided having allowed for purchaser's costs at 5.8% of the consideration.

The purpose of the valuation does not alter the approach to the valuation.

We have not been instructed to value the benefit or detriment of any contractual arrangements or the benefit in any options held in respect of any of the Properties.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

7. Valuation

We set out the Market Rent and Market Value ascribed to each property in Section B of this report. We have included details of the Properties in Section C.

We have reported below the aggregated figures of the individual values for each property in the portfolio. If the portfolio was to be sold as a single lot or in groups of properties, the total value could differ significantly.

Market Rent

Subject to the foregoing, and based on values current as at the valuation date, we are of the opinion that the Market Rent of the Properties, as described in Section C, is the total sum of:

£22,857,210

(Twenty Two Million, Eight Hundred and Fifty Seven Thousand Two Hundred and Ten Pounds)

Market Value assuming the occupational leases have been granted

As instructed, we have valued on the Special Assumption the leases to Tesco set out in the property details have been completed.

Our opinion of the market value of the long leasehold interests in the Properties, as described in Section C, is the total sum of:



£440,460,000

(Four Hundred and Forty Million, Four Hundred and Sixty Thousand Pounds)

Market Value assuming full vacant possession

As instructed, we have valued on the special assumption the Properties, as described in Section C, are available with full vacant possession.

Our opinion of the Market Value of the long leasehold interests in the Properties is the total sum of:

£348,990,000

(Three Hundred and Forty Eight Million, Nine Hundred and Ninety Thousand Pounds)

8. Valuation for a Regulated Purpose

This valuation is classified by the Red Book as a Regulated Purpose Valuation and we are therefore required to disclose the following information.

The valuation was prepared by Mr D V Tittle FRICS and reviewed by Mr R N H Dodson FRICS. The signatories to this report have not previously been signatory to valuations of the Properties addressed to you for the same purpose.

Cushman & Wakefield LLP has no other material relationship with you. In our most recent financial year, Cushman & Wakefield LLP received less than 5% of its total fee income from you.

9. Confidentiality

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

10. Disclosure and Publication

This report or any part of it may not be modified, altered (including altering the context in which the report is displayed) or reproduced without the written consent of Cushman and Wakefield LLP (having first been obtained) and any person who contravenes this provision shall be responsible for all of the consequences of the same including indemnifying Cushman and Wakefield LLP for all of the consequences of the contravention. Cushman & Wakefield LLP accepts no liability for any use of the Report which is in contravention of this section.

Notwithstanding the foregoing this Valuation Report may be disclosed on a non-reliance basis to professional advisers of the addressees, to the rating agencies and any other party connected with the transaction.

Signed for and on behalf of Cushman & Wakefield LLP



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B. Schedule of Values

TESCO - SARUM PORTFOLIO

31-Dec-11

LOCATION (Town/City)	Rental Income	Market Rent	Market Value	Net initial yield	Net yield Dec 12 (estimated)	Market Value VP
ARBROATH	£719,410	£719,410	£13,880,000	4.90%	5.05%	£10,380,000
BATHGATE BLACKBURN RD	£1,561,569	£1,561,570	£30,610,000	4.82%	4.97%	£24,000,000
BRADFORD EXTRA	£2,806,923	£2,806,920	£55,020,000	4.82%	5.12%	£41,780,000
DONCASTER EXTRA	£2,474,057	£2,474,060	£48,890,000	4.78%	5.07%	£39,630,000
GREAT YARMOUTH EXTRA	£2,295,753	£2,295,750	£45,000,000	4.82%	5.12%	£35,570,000
HAVERFORDWEST EXTRA	£2,411,784	£2,411,780	£46,890,000	4.86%	5.16%	£36,470,000
INVERURIE EXTRA	£1,682,233	£1,682,230	£32,710,000	4.86%	5.16%	£25,850,000
KIDSGROVE	£995,522	£995,520	£19,360,000	4.86%	5.16%	£15,430,000
WATH-UPON-DEARNE EXTRA	£2,372,521	£2,372,520	£46,500,000	4.82%	5.12%	£36,760,000
WICK	£1,538,077	£1,538,080	£29,910,000	4.86%	5.16%	£23,260,000
WOOLWICH	£0	£3,999,370	£71,690,000	0.00%	5.43%	£59,860,000
TOTALS	£18,857,849	£22,857,210	£440,460,000	4.05%	5.03%	£348,990,000



C. Property Schedule

Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.8% £
Tesco Store Stobcross ARBROATH DD11 3BQ	<p>Town centre foodstore with a gross internal floor area of 3,603.2 m² (38,784 ft²) with 221 parking spaces.</p> <p>Site area approx. 1.3 hectares (3.23 acres).</p> <p>Built in 2008.</p> <p>Leasehold: 175 years from 31 January 2012 at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041.</p> <p>The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises.</p> <p>The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>	£719,410	£719,410	£13,880,000
Tesco Store Blackburn Road BATHGATE West Lothian	<p>Edge of town foodstore with a gross internal floor area of 6,956.3 m² (74,878 ft²), petrol filling station and 555 parking spaces.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041.</p>	£1,561,569	£1,561,570	£30,610,000



Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.8% £
EH48 2ES	<p>Site area approx. 3.5 hectares (8.6 acres). Built in 2000.</p> <p>Leasehold: 175 years from 17 November 2006 at a rent of £2, fixed throughout the term.</p>	<p>The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises.</p> <p>The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>			
<p>Tesco Store Great Horton Street BRADFORD West Yorkshire BD7 4EY</p>	<p>Suburban foodstore with a gross internal floor area of 10,850.5 m² (116,793 ft²), petrol filling station and 509 parking spaces.</p> <p>Site area approx. 4.1 hectares (10.13 acres). Built in 2006.</p> <p>Leasehold: 999 years from 31 January 2012 at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041.</p> <p>The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord.</p> <p>The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises.</p> <p>The tenant has an option to take 3 further leases of the</p>	£2,806,923	£2,806,920	£55,020,000



Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.8% £
		premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.			
Tesco Store Woodfield Plantation, Woodfield Way Balby DONCASTER South Yorkshire DN4 8SN	Edge of town centre foodstore with a gross internal floor area of 9,473.8 m ² (101,976 ft ²), petrol filling station and 713 parking spaces. Site area approx. 4.9 hectares (12.06 acres). Built in 2002. Leasehold: 999 years from 31 January 2012 at a rent of £2, fixed throughout the term.	Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041. The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord. The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises. The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.	£2,474,057	£2,474,060	£48,890,000
Tesco Store Pasteur Road Southdown GREAT YARMOUTH	Edge of town foodstore with a gross internal floor area of 9,486.9 m ² (102,116 ft ²), petrol filling station and 470 parking spaces.	Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041.	£2,295,753	£2,295,750	£45,000,000



Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.8% £
Norfolk NR31 0DW	Site area approx. 3.2 hectares (8 acres). Built in 2002. Leasehold: 999 years from 31 January 2012 at a rent of £2, fixed throughout the term.	The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord. The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises. The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.			
Tesco Store Fenton Trading Estate, Portfield HAVERFORD- WEST Dyfed SA61 1DU	Fringe town centre foodstore with a gross internal floor area of 10,687.70 m ² (115,043 ft ²), petrol filling station and 503 parking spaces. Site area approx. 3.5 hectares (8.68 acres). Built in 2000. Leasehold: 999 years from 31 January 2012 at a rent of £2, fixed throughout the term.	Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041. The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord. The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises. The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10	£2,411,784	£2,411,780	£46,890,000



Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.8% £
		years. The first renewal will be at market rent.			
Tesco Store Harlaw Road INVERURIE Grampian AB51 4SR	Town centre location with a gross internal floor area of 8,461.78 m ² (91,083 ft ²), petrol filling station and 401 parking spaces. Site area approx. 2.38 hectares (5.89 acres). Built in 2001. Leasehold: 175 years from 13 November 2006 at a rent of £2, fixed throughout the term.	Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041. The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord. The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises. The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.	£1,682,233	£1,682,230	£32,710,000
Tesco Store Liverpool Road KIDSGROVE Newcastle-under-Lyme Staffordshire ST7 1DX	Edge of town centre foodstore with a gross internal floor area of 4,106.09 m ² (44,198 ft ²), petrol filling station and 342 parking spaces. Site area approx. 2.1 hectares (5.13 acres). Built in 1997. Leasehold: 999 years from 16	Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041. The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord. The principal rent is subject to an index linked annual rent	£995,522	£995,520	£19,360,000



Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.8% £
	October 2006 at a rent of £2, fixed throughout the term.	review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises. The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.			
Tesco Store Biscay Way WATH-UPON- DEARNE Rotherham South Yorkshire S63 7DA	Edge of town foodstore with a gross internal floor area of 10,764.63 m ² (115,870 ft ²), petrol filling station and 539 parking spaces. Site area approx. 3.0 hectares (7.40 acres). Built in 2004. Leasehold: 999 years from 16 October 2006 at a rent of £2, fixed throughout the term.	Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041. The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord. The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises. The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.	£2,372,521	£2,372,520	£46,500,000



Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.8% £
Tesco Store North Road WICK KW1 4QS	Edge of town foodstore with a gross internal floor area of 7,334.04 m ² (78,944 ft ²), petrol filling station and 496 parking spaces. Site area approx. 3.5 hectares (8.66 acres). Built in 2006. Leasehold: 175 years from 31 January 2012 at a rent of £2, fixed throughout the term.	Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041. The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord. The principal rent is subject to an index linked annual rent review, the first on 25 December 2012 linked to the Retail Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises. The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.	£1,538,077	£1,538,080	£29,910,000
Tesco Store, car parking and service area at Woolwich Central, Grand Depot Road WOOLWICH London SE18 6HF	Town centre foodstore under construction, due to be completed in November 2012. The store will have a gross internal floor area of 16,645.6 m ² (179,174 ft ²), seven retail units will have a gross internal floor area of 546.5 m ² (5,883 ft ²), and 613 parking spaces.	Entirely sublet to Tesco Stores Limited, guaranteed by Tesco Plc on a full repairing and insuring basis for a term of 29 years and 329 days expiring 24 December 2041. The tenant has a break option exercisable 30 January 2022 subject to specified conditions including the Nominees still being the landlord. The principal rent is subject to an index linked annual rent review, the first on 25 December 2013 linked to the Retail	Peppercorn until 24 December 2012; then £3,999,371	£3,999,370	£71,690,000



Property	Description, Age and Tenure	Tenancy	Current Income £ per annum	Market Rent £ per annum	Market Value costs @ 5.8% £
	<p>Site area approx. 1.4 hectares (3.48 acres).</p> <p>Under construction with completion due for November 2012.</p> <p>Leasehold: 999 years from 31 January 2012 at a rent of £2, fixed throughout the term.</p>	<p>Prices Index. The review is upward only subject to a maximum annual increase of 5% and a minimum of nil regardless of actual RPI rises.</p> <p>The tenant has an option to take 3 further leases of the premises. The subsequent further leases will each be for 10 years. The first renewal will be at market rent.</p>			

D. Information Supplied

We have been supplied with the following information:

Source	Document	Date
G L Hearn Limited	Floor Area Data Capture Reports	April 2008 to November 2011
Plowman Craven Limited	Floor Area Data Capture Reports	February 2011
Berwin Leighton Paisner LLP	The City of London Law Society Land Law Committee Long Form Certificate of Title (Sixth Edition 2007)	January 2012
Semple Fraser LLP	Certificates of Title based on The City of London Law Society Land Law Committee Long Form Certificate of Title (Sixth Edition 2008)	January 2012
Tuffin Ferraby Taylor LLP	Building Inspection Reports prepared for Tesco	February 2011 to July 2011
GVA Grimley Limited	Building Inspection Reports prepared for Tesco	February 2011 to November 2011
ENVIRON UK Limited	Phase I Environmental Review	March 2011 to December 2011
Delta-Simons Environmental Consultants Limited	Environmental Risk Assessment Report	May 2006
Scott White and Hookins	Flood Risk Assessment	June 2006

PROVISIONS RELATING TO BONDS WHILST IN GLOBAL FORM

General

At the Closing Date the Bonds will be represented by a Global Bond. The Bonds will be deposited on or about the Closing Date with the Common Depositary as the depositary for both Euroclear and Clearstream, Luxembourg. The Bonds will be registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as the nominee for the Common Depositary. The Registrar will maintain a register in which HSBC Issuer Services Common Depositary Nominee (UK) Limited is registered as the owner of the Bonds.

Upon confirmation by the Common Depositary that it has custody of the Bonds, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interest in the Bonds ("**Book-Entry Interests**"), attributable thereto.

Book-Entry Interests in respect of Bonds are recorded in denominations of £100,000 and integral multiples of £1,000 in excess thereof (an "**Authorised Denomination**"). Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Joint Lead Arrangers. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as HSBC Issuer Services Common Depositary Nominee (UK) Limited is the registered holder of the Bonds underlying the Book-Entry Interests, HSBC Issuer Services Common Depositary Nominee (UK) Limited will be considered the sole Bondholder of the Bonds for all purposes under the Trust Deed. Except as set out in the Conditions, Participants or Indirect Participants will not be entitled to have Bonds registered in their names, will not receive or be entitled to receive physical delivery of Bonds in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Bonds under the Trust Deed. See "*Action in Respect of the Global Bond and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Bonds, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Bondholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, as the case may be, and, if applicable, their Participants. There can be

no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default under the Bonds, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Bonds in definitive registered form are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of the Bonds, unless and until Book-Entry Interests are exchanged for Bonds in definitive registered form, the Bonds held by the Common Depositary may not be transferred except as a whole by the Common Depositary to a successor of the Common Depositary.

Purchasers of Book-Entry Interests in a Bond will hold Book-Entry Interests in the Bonds relating thereto. Investors may hold their Book-Entry Interests in respect of a Bond directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Bond on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Lead Structuring Agent, the Joint Lead Arrangers, the Bond Trustee, the Issuer Security Trustee or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

Payments on Global Bond

Payment of principal and interest on, and any other amount due in respect of, the Global Bond will be made in Sterling by or to the order of HSBC Bank plc, as principal paying agent (the "**Principal Paying Agent**") on behalf of the Issuer to (i) the Common Depositary or its nominee as the registered holder thereof with respect to the Bonds. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Depositary or its nominee in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect

Participants. None of the Issuer, any agent of the Issuer, the Joint Lead Arrangers, the Bond Trustee or the Issuer Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Bond Trustee or the Issuer Security Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Issuer Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that the Global Bond (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of the Global Bond to the nominee of the Common Depositary and, upon final payment, will surrender the Global Bond (or portion thereof) to or to the order of the Issuer for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Bond (or portion thereof) relating thereto. For any redemptions of a Bond in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by

Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to the Global Bond by the principal amount so redeemed.

Cancellation

Cancellation of any Bond represented by the Global Bond and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the Global Bond on the relevant schedule thereto and the corresponding entry on the Register.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See " — *General*", above.

Action in Respect of the Global Bond and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notices in respect of the Bonds or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Bonds, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Bonds and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Bonds in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under " — *General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The following are the Terms and Conditions of the Bonds in the form (subject to amendment) in which they will be set out in the Trust Deed (the "Conditions" and any reference to a "Condition" shall be construed accordingly). The Conditions will apply to the Bonds whether they are in definitive or in global form.

The £450,500,000 Secured 5.6611 per cent. Bonds due 13 October 2041 (the "**Bonds**") of Tesco Property Finance 5 Plc (the "**Issuer**"), issued on or about 31 January 2012 (the "**Closing Date**") are constituted in accordance with the trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated the Closing Date and made between the Issuer and the Bond Trustee, which expression includes its successor or any further or other trustee under the Trust Deed as trustee for the holders for the time being of the Bonds (the "**Bondholders**").

Any reference to Bonds in these Conditions shall include the Global Bond and the Definitive Bonds. In addition, any reference in these Conditions to "**Bondholder**" shall be a reference to the holders of the Bonds.

The security for the Bonds is created pursuant to, and on terms set out in, the deed of charge and assignment (the "**Issuer Deed of Charge**", which expression includes such deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated the Closing Date and made between, *inter alios*, the Issuer and HSBC Corporate Trustee Company (UK) Limited (the "**Issuer Security Trustee**", which expression includes any successor appointed under the Issuer Deed of Charge).

By an agency agreement to be dated the Closing Date (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer, HSBC Corporate Trustee Company (UK) Limited (the "**Bond Trustee**"), HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed in respect of the Bonds) and any such additional or other paying agents, if any, appointed from time to time in respect of the Bonds pursuant to the Agency Agreement, the "**Paying Agents**") and HSBC Bank plc as registrar (the "**Registrar**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Bonds.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the master definitions and construction schedule (the "**Issuer Master Definitions and Construction Schedule**") signed by, *inter alios*, the Issuer, the Principal Paying Agent, the Registrar, the Bond Trustee and the Issuer Security Trustee on or about the Closing Date.

Copies of the Trust Deed, the Agency Agreement, the Cash Management Agreement, the Issuer Deed of Charge and the Issuer Master Definitions and Construction Schedule are available for inspection by the Bondholders at the specified offices of the Paying Agents. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the Issuer Master Definitions and Construction Schedule.

Capitalised terms not otherwise defined in these Conditions shall have the meanings given to them in the Issuer Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Issuer Master Definitions and Construction Schedule.

The credit ratings assigned by each of Moody's Investors Service Ltd. ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**" and, together with Moody's, the "**Rating Agencies**") are not recommendations to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency. By acquiring the Bonds, investors will be deemed to acknowledge and agree that a credit rating is an assessment of credit and does not address other matters that may be of relevance to Bondholders, including, without limitation, whether any action proposed to be taken by the Issuer, the Partnership, the Partnership Operator, the Property Pool Manager, the Cash Manager, the Bond Trustee, the Issuer Security Trustee or the Partnership Security Trustee or any other party to a Transaction Document is either (i) permitted by the terms of the relevant Transaction Document or (ii) in the best interests of, or not materially prejudicial to the interests of, some or all of the Bondholders.

1. Form, Denomination and Title

1.1 The Bonds are represented by a global bond (the "**Global Bond**") in registered form in the aggregate principal amount on issue of £450,500,000. The Global Bond will be deposited on behalf of the subscribers of the Bonds with a common depository (the "**Common Depository**") for Clearstream, Luxembourg, société anonyme ("**Clearstream Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**" and, together with Clearstream, Luxembourg, the "**Clearing Systems**") and registered in the name of HSBC Issuer Services Common Depository Nominee (UK) Limited as nominee for the Common Depository on or about the Closing Date. Upon deposit of the Global Bond, Clearstream, Luxembourg or Euroclear (as the case may be) will credit each subscriber of the Bonds with the principal amount of Bonds equal to the aggregate principal amount thereof for which it had subscribed and paid. Title to the Global Bond shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar.

The registered holder of any Global Bond may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Global Bond regardless of any notice of ownership, theft or loss of any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Interests in the Global Bond will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

For so long as the Bonds are represented by the Global Bond and the Clearing Systems so permit, the Bonds will be tradeable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Bonds will be issued with a denomination above £199,000.

1.2 If, while the Bonds are represented by the Global Bond, (i) either of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Bond Trustee is then in existence or (ii) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Bond Interest Payment Date be required to make any

withholding or deduction from any payment in respect of the Bonds for or on account of any Taxes imposed, levied, collected, withheld or assessed by or on behalf of any United Kingdom Tax Authority (other than by reason of the relevant holder having some connection with the United Kingdom, other than the holding of the Bonds) or the Issuer suffers or will suffer any other disadvantage as a result of such change, which withholding or deduction would not be required or other disadvantage would not be suffered (as the case may be) if the Bonds were in definitive registered form ("**Definitive Bonds**") and a certificate to such effect signed by two directors of the Issuer is given to the Bond Trustee, then the Issuer will issue Definitive Bonds in exchange for the Global Bond (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. These Conditions and the Transaction Documents will be amended in such manner as the Bond Trustee and the Issuer Security Trustee may require to take account of the issue of Definitive Bonds.

Definitive Bonds, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No Definitive Bonds will be issued with a denomination above £199,000. Such Bonds will be serially numbered and will be issued in registered form.

Title to a Definitive Bond shall only pass by and upon registration in the Register. Such Definitive Bonds may be transferred in whole (but not in part) upon the surrender of the relevant Definitive Bond, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar.

- 1.3 "**Bondholders**" means each person (other than the Clearing Systems themselves) who is for the time being shown in the records of the Clearing Systems as the holder of a particular Principal Amount Outstanding (as defined in Condition 5.5 (Redemption, Purchase and Cancellation – Principal Amount Outstanding)) of the Bonds (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of the Bonds standing to the account of any person shall be conclusive and binding for all purposes) and such person shall be treated by the Issuer, the Bond Trustee, the Issuer Security Trustee and all other persons as the holder of such Principal Amount Outstanding of such Bonds for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Issuer, the Bond Trustee, the Issuer Security Trustee and all other persons, solely in the registered holder of the Global Bond in accordance with and subject to its terms and for which purpose "**Bondholders**" means the registered holder of the Global Bond and related expressions shall be construed accordingly.

2. **Status, Security and Priority**

2.1 **Status and relationship between the Bonds**

- (a) The Bonds constitute direct, secured and limited recourse obligations of the Issuer. The Bonds rank *pari passu* and *pro rata* without preference or priority amongst themselves.
- (b) The Trust Deed contains provisions requiring the Bond Trustee to have regard to the interests of the Bondholders equally, as a single class, as regards all rights, powers, trusts, authorities, duties and discretions of the Bond Trustee.

2.2 Relationship between the Bond Trustee, the Issuer Security Trustee and the Partnership Security Trustee

Subject to the terms of the Issuer Deed of Charge and the Trust Deed, the Bond Trustee has the exclusive right, power and authority to direct, or refrain from directing, the Issuer Security Trustee in the exercise of the Issuer Security Trustee's rights to enforce the Issuer Deed of Charge or to direct the Partnership Security Trustee in the exercise of the Partnership Security Trustee's rights to enforce the Partnership Security Documents and in the exercise, or direction of the exercise, of certain other of its, the Issuer Security Trustee's or the Partnership Security Trustee's, as the case may be, rights under the Transaction Documents.

2.3 Relationship between the Issuer Security Trustee and the Partnership Security Trustee

Subject to the terms of the Issuer Deed of Charge and the Partnership Security Documents, the Issuer Security Trustee (as assignee of the assigned rights under the Partnership Security Documents) has the exclusive right, power and authority to direct, or to refrain from directing, the Partnership Security Trustee in the exercise of the Partnership Security Trustee's rights to enforce the Partnership Security Documents and in the exercise of certain other of its rights in respect of the Partnership Loan Agreement and the other Partnership Transaction Documents.

2.4 Security

- (a) The security constituted by or pursuant to the Issuer Security Documents is granted to the Issuer Security Trustee, on trust for the Bondholders and certain other creditors of the Issuer, upon and subject to the terms and conditions thereof.
- (b) The Bondholders will share in the benefit of the security constituted by or pursuant to the Issuer Security Documents, upon and subject to the terms and conditions thereof.

3. Covenants

3.1 General covenants

Save with the prior written consent of the Bond Trustee or unless otherwise provided in or envisaged by these Conditions or any of the Issuer Transaction Documents, the Issuer shall not, so long as any Bond remains outstanding:

(a) Negative pledge

create or permit to subsist any encumbrance or security interest whatsoever (unless arising by operation of law) over any of its assets or undertaking, present or future (including any uncalled capital);

(b) Restrictions on activities

- (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage;

- (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 2006) or any employees or premises; or
 - (iii) acquire any leasehold, freehold or heritable property;
- (c) **Disposal of assets**

use, invest, transfer, convey, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire, any of its assets or undertaking (including any uncalled capital) or any interest, estate, right, title or benefit therein, present or future;
- (d) **Dividends or distributions**

pay any dividend or make any other distribution to its shareholders (except as may be required to comply with paragraph 11 of the Taxation of Securitisation Companies Regulations 2006 or to enable Issuer Holdco to repay the Issuer/Issuer Holdco Corporate Service Provider the money advanced to it) or issue any further shares;
- (e) **Borrowings**

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, except in respect of the Bonds, or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any person;
- (f) **Merger**

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (g) **No variation or waiver**

permit the validity or effectiveness of any of the Issuer Transaction Documents, or the priority of the security interests created or evidenced thereby or pursuant thereto, to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise, any powers of consent or waiver pursuant to the terms of, these Conditions, the Trust Deed or any of the other Issuer Transaction Documents, or permit any party to any of the Issuer Transaction Documents or the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations, or dispose of any part of the Issuer Security;
- (h) **Bank accounts**

have an interest in any bank account other than the Issuer Transaction Account, unless such account or interest therein is charged to the Bond Trustee on terms acceptable to it;
- (i) **Tax residence**

do any act or thing, the effect of which would be to make the Issuer resident for Tax purposes in any jurisdiction other than the United Kingdom;
- (j) **Group payment arrangements**

enter into arrangements with any other company or companies and/or any Tax Authority providing for the discharge of any other company's Tax liability by it; and

(k) **Additional issuances**

issue any further bonds, replacement bonds or new bonds or any other securities, debentures or any similar instruments.

3.2 Separateness covenants

Save with the prior written consent of the Bond Trustee, or unless otherwise permitted under any of the Transaction Documents, the Issuer shall, so long as any Bond remains outstanding:

- (a) maintain its books and records, accounts and financial statements separate from any other person or entity and use separate stationery, invoices and cheques;
- (b) hold itself out as a separate entity, conduct its business in its own name and maintain an arm's-length relationship with its affiliates (if any);
- (c) pay its own liabilities out of its own funds;
- (d) not commingle its assets with those of any other entity; and
- (e) observe all formalities required by its Memorandum and Articles of Association.

4. Interest

4.1 Period of accrual

The Bonds bear interest on their Principal Amount Outstanding from (and including) the Closing Date. Each Bond (or, in the case of the redemption of part only of a Bond, that part only of such Bond) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (as well after as before any judgment or decree) at the rate applicable to such Bond up to (but excluding) the date on which, on presentation of such Bond, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given to the holder thereof (in accordance with Condition 15 (Notices to the Bondholders)) that, upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

4.2 Bond Interest Payment Dates and Bond Interest Periods

The Bonds bear interest on their respective Principal Amount Outstanding from and including the Closing Date at the rate of 5.6611 per cent. per annum, payable quarterly in arrear on 13 January, 13 April, 13 July and 13 October (each a "**Bond Interest Payment Date**") in respect of the Bond Interest Period ended immediately prior thereto. The first Bond Interest Payment Date shall be on 13 April 2012. The period from (and including) the Closing Date to (but excluding) the first Bond Interest Payment Date and each successive period from (and including) a Bond Interest Payment Date to (but excluding) the next succeeding Bond Interest Payment Date is called a "**Bond Interest Period**".

4.3 Calculation of Interest Amounts

Interest in respect of the Bonds shall be calculated by applying the relevant rate of interest to the aggregate Principal Amount Outstanding of the Bonds and on the basis of (i) the actual number of days in the period from and including the date from which interest begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Bond Interest Payment Date multiplied by four.

The resulting figure shall be rounded downwards to the nearest penny.

5. Redemption, Purchase and Cancellation

5.1 Final redemption

Unless previously redeemed in full as provided in this Condition 5 (Redemption, Purchase and Cancellation) the Issuer shall redeem the Bonds at their Principal Amount Outstanding on the Bond Interest Payment Date falling on 13 October 2041 (the "**Final Maturity Date**"), together (if applicable) with accrued but unpaid interest on their Principal Amount Outstanding up to but excluding the Final Maturity Date.

The Issuer may not redeem the Bonds in whole or in part prior to the Final Maturity Date, except as provided in Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part), Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or in part) and Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) but without prejudice to Condition 9 (Bond Events of Default).

5.2 Scheduled mandatory redemption in part

Prior to the service of a Bond Acceleration Notice, the Bonds shall, subject to Condition 5.3 below (Redemption, Purchase and Cancellation – Early redemption in whole or part) and Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality), be repaid in instalments on each relevant Bond Interest Payment Date in the amortisation amount set out opposite the relevant Bond Interest Payment Date below (each an "**Amortisation Amount**"). If any partial redemption of the Bonds is made at any time otherwise than in accordance with this Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part), then each Amortisation Amount which falls to be paid after the date of such partial redemption shall be reduced by a proportion of such Amortisation Amount which is the same proportion as the partial redemption so made bore to the Principal Amount Outstanding of Bonds immediately prior to such partial redemption being made but after deducting any redemption made in accordance with this Condition 5.2 (Redemption, Purchase and Cancellation – Scheduled mandatory redemption in part) on the date such partial redemption is made.

13 April 2012	1,429,949.42	13 October 2018	268,599.37
13 July 2012	189,025.62	13 January 2019	272,400.79
13 October 2012	191,700.85	13 April 2019	276,256.01
13 January 2013	194,413.94	13 July 2019	280,165.79
13 April 2013	197,165.44	13 October 2019	284,130.90
13 July 2013	199,955.87	13 January 2020	288,152.14
13 October 2013	202,785.80	13 April 2020	292,230.28
13 January 2014	205,655.77	13 July 2020	296,366.15
13 April 2014	208,566.37	13 October 2020	300,560.54
13 July 2014	211,518.15	13 January 2021	304,814.30
13 October 2014	214,511.72	13 April 2021	309,128.26
13 January 2015	217,547.65	13 July 2021	313,503.28
13 April 2015	220,626.55	13 October 2021	317,940.21
13 July 2015	223,749.02	13 January 2022	1,934,058.94
13 October 2015	226,915.68	13 April 2022	1,961,431.19
13 January 2016	230,127.16	13 July 2022	1,989,190.84
13 April 2016	233,384.10	13 October 2022	2,017,343.36
13 July 2016	236,687.12	13 January 2023	2,045,894.31
13 October 2016	240,036.90	13 April 2023	2,074,849.34
13 January 2017	243,434.08	13 July 2023	2,104,214.17
13 April 2017	246,879.34	13 October 2023	2,133,994.58
13 July 2017	250,373.36	13 January 2024	2,164,196.48
13 October 2017	253,916.83	13 April 2024	2,194,825.81
13 January 2018	257,510.45	13 July 2024	2,225,888.63
13 April 2018	261,154.94	13 October 2024	2,257,391.07
13 July 2018	264,851.00	13 January 2025	2,289,339.37

13 April 2025	2,321,739.81	13 January 2032	6,313,569.12
13 July 2025	2,354,598.82	13 April 2032	6,402,923.48
13 October 2025	2,387,922.86	13 July 2032	6,493,542.46
13 January 2026	2,421,718.54	13 October 2032	6,585,443.94
13 April 2026	2,455,992.52	13 January 2033	6,678,646.08
13 July 2026	2,490,751.57	13 April 2033	6,773,167.29
13 October 2026	2,526,002.55	13 July 2033	6,869,026.24
13 January 2027	2,561,752.43	13 October 2033	6,966,241.85
13 April 2027	2,598,008.27	13 January 2034	7,064,833.33
13 July 2027	2,634,777.24	13 April 2034	7,164,820.15
13 October 2027	2,672,066.58	13 July 2034	7,266,222.05
13 January 2028	2,709,883.67	13 October 2034	7,369,059.08
13 April 2028	2,748,235.98	13 January 2035	7,473,351.53
13 July 2028	2,787,131.07	13 April 2035	7,579,120.01
13 October 2028	2,826,576.64	13 July 2035	7,686,385.40
13 January 2029	2,866,580.47	13 October 2035	7,795,168.89
13 April 2029	2,907,150.47	13 January 2036	7,905,491.96
13 July 2029	2,948,294.64	13 April 2036	8,017,376.41
13 October 2029	2,990,021.12	13 July 2036	8,130,844.34
13 January 2030	3,032,338.14	13 October 2036	8,245,918.15
13 April 2030	3,075,254.07	13 January 2037	8,362,620.56
13 July 2030	3,118,777.37	13 April 2037	8,480,974.64
13 October 2030	3,162,916.64	13 July 2037	8,601,003.76
13 January 2031	3,207,680.61	13 October 2037	8,722,731.61
13 April 2031	3,253,078.12	13 January 2038	8,846,182.25
13 July 2031	3,299,118.12	13 April 2038	8,971,380.06
13 October 2031	3,345,809.71	13 July 2038	9,098,349.76

13 October 2038	9,227,116.43	13 July 2040	10,180,980.58
13 January 2039	9,357,705.50	13 October 2040	10,325,069.45
13 April 2039	9,490,142.77	13 January 2041	10,471,197.58
13 July 2039	9,624,454.38	13 April 2041	10,619,393.82
13 October 2039	9,760,666.88	13 July 2041	10,769,687.45
13 January 2040	9,898,807.16	13 October 2041	10,917,993.83
13 April 2040	10,038,902.50		

5.3 Early redemption in whole or part

- (a) Except in circumstances where Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) applies, on the receipt by the Issuer of a notice of prepayment from the Partnership under the Partnership Loan Agreement of its intention to make a prepayment in whole or in part of any of the Partnership Loan, as the case may be, the Issuer shall give not less than 20 days and not more than 40 days' prior written notice to the Bondholders, the Bond Trustee and the Paying Agents that it will, to the extent it receives such prepayment proceeds, apply the same to redeem the Bonds on the Bond Interest Payment Date immediately following the date of such prepayment.
- (b) Any Bond redeemed pursuant to Condition 5.3(a) (Redemption, Purchase and Cancellation – Early redemption in whole or part), will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Bond (or, as the case may be, the relevant part of it) to be redeemed multiplied by the Redemption Percentage (rounding the resulting figure to the nearest penny, half a penny being rounded upwards) together with, in each case, accrued and unpaid interest on the Principal Amount Outstanding of the relevant Bond up to (but excluding) the Bond Interest Payment Date on which such redemption occurs.

"Redemption Percentage" means, the greater of:

- (i) 100 per cent.; and
- (ii) that price (as reported in writing to the Issuer and the Bond Trustee by a financial advisor (who can be any bank which is a London gilt-edged market maker (as defined by the Debt Management Office or any successor thereto) approved in writing by the Bond Trustee) expressed as a percentage (and rounded, if necessary, to the third decimal place (with 0.0005 being rounded upwards)) at which the Gross Redemption Yield on the whole or, as the case may be, the relevant part of the Bonds, on the Relevant Date is equal to the Gross Redemption Yield at 3.00 p.m. (London time) on the Relevant Date of the Relevant Treasury Stock on the basis of the arithmetic mean (rounded, if necessary as aforesaid) of the offered prices of the Relevant Treasury Stock quoted by the Reference Market Makers (on a dealing basis for settlement on the next following dealing day in London) at or about 3.00 p.m. (London time) on the Relevant Date;

"Reference Market Makers" means any three banks which are London gilt-edged market makers (as defined by the Debt Management Office or any successor thereto);

"Relevant Date" means the date which is the third business day in London prior to the date of redemption pursuant to Condition 5.3(a) (Redemption, Purchase and Cancellation – Early redemption in whole or part);

"Gross Redemption Yield" means a yield calculated on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 5, Section One: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (third edition published 16/03/2005); and

"Relevant Treasury Stock" means such United Kingdom government stock as the Bond Trustee, with the advice of Reference Market Makers or such other three persons operating in the gilt-edged market as the Bond Trustee may approve, shall determine to be a benchmark gilt, the average life of which most closely matches the then average life of the Bonds as calculated by a financial adviser (who can be any bank which is a London gilt-edged market maker (as defined by the Debt Management Office or any successor thereto) approved in writing by the Bond Trustee).

5.4 Optional redemption due to change of tax law and illegality

If:

- (i) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer would, on the next Bond Interest Payment Date, be required to withhold or deduct an amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by any Tax Authority from any payment of principal or interest in respect of any Bond; or
- (ii) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Issuer Swap Provider becomes entitled to terminate the Issuer Swap Agreement in accordance with its terms as a result of the Issuer Swap Provider being required to gross-up or either party being required to deduct or withhold from any payment thereunder, any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by any Tax Authority; or
- (iii) by reason of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, the Partnership becomes a person that is primarily liable to pay Tax on its income, profits and gains and it has certified to the Issuer and the Issuer Security Trustee that the effect of such changes is materially prejudicial to the interests of the Issuer; or
- (iv) by reason of a change in law which change becomes effective on or after the Closing Date, it would be unlawful for the Issuer to make, fund or allow to remain outstanding, advances made or to be made under the Partnership Loan Agreement and such event is materially prejudicial to the interests of the Bondholders in the opinion of the Bond Trustee; or

- (v) by reason of an agreement entered into by the Issuer or any Paying Agent under FATCA or otherwise pursuant to the provisions of FATCA on or after the Closing Date, the Issuer or any Paying Agent would be required to deduct or withhold any amount from any payment in respect of the Bonds (other than any withholding or deduction which arises because the relevant holder has not entered into an agreement under the provisions of FATCA), or
- (vi) by reason of an agreement entered into by the Partnership or the Nominees under FATCA or otherwise pursuant to the provisions of FATCA on or after the Closing Date, the Partnership would be required to deduct or withhold any amount from any payment in respect of the Partnership Loan (other than any withholding or deduction which arises because the Issuer has not entered into an agreement under the provisions of FATCA),

then the Issuer shall inform the Bond Trustee promptly upon becoming aware of the same and shall, where relevant to the Issuer, use its reasonable endeavours (but at no material cost) to mitigate the effects of the occurrence of the relevant event described in (i), (ii), (iii), (iv), (v) or (vi) above, including, without limitation and where appropriate, by way of arranging for the substitution of another company (approved in writing by the Bond Trustee) as principal debtor under the Bonds and as lender under the Partnership Loan Agreement.

If the Issuer is unable to arrange a substitution as described above or otherwise to mitigate the effects of the occurrence of the relevant event in each case at a cost which is not material, or to do so would not avoid the relevant event described in (i), (ii), (iii), (iv), (v) or (vi) above, then the Issuer may, on any Bond Interest Payment Date on which the relevant event described in (i), (ii), (iii), (iv), (v) or (vi) above, is continuing, and having given not more than 40 days' nor less than 20 days' notice to the Bond Trustee and to the Bondholders in accordance with Condition 15 (Notices to the Bondholders), redeem all (but not some only) of the Bonds on the immediately following Bond Interest Payment Date at their Principal Amount Outstanding, together with any accrued but unpaid interest on their Principal Amount Outstanding up to (but excluding) such Bond Interest Payment Date, provided that, prior to the publication of each notice of redemption the Issuer has provided to the Bond Trustee:

- (a) evidence satisfactory to the Bond Trustee that the optional redemption may be exercised under this Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) (including such legal opinions and certificates of the directors or other authorised persons of each relevant entity, if any, as the Bond Trustee may require); and
- (b) a certificate signed by two directors of the Issuer to the effect that it has or will have the funds on the relevant Bond Interest Payment Date, not subject to the interest of any other person, required to redeem the Bonds pursuant to this Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) and meet its payment obligations of a higher priority under the Issuer Pre-Enforcement Priority of Payments.

"FATCA" means sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, as of the date of this Prospectus and any current or future regulations promulgated thereunder or official interpretations thereof.

5.5 Principal Amount Outstanding

The "**Principal Amount Outstanding**" of a Bond on any date shall be its original principal amount less the aggregate amount of all principal payments (excluding any premium payable in accordance with Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) in respect of such Bond which have become due and payable since the Closing Date, except if and to the extent that any such payment has been improperly withheld or refused.

The principal amount (if any) to be redeemed in respect of each Bond on any Bond Interest Payment Date under Condition 5 (Redemption, Purchase and Cancellation – Redemption, Purchase and Cancellation) shall, in relation to the Bonds, be a *pro rata* share of the aggregate amount required to be applied in redemption of the Bonds on such Bond Interest Payment Date under Condition 5 (Redemption, Purchase and Cancellation – Redemption, Purchase and Cancellation) (rounded down to the nearest penny), provided always that no such payment may exceed the Principal Amount Outstanding of the relevant Bond.

5.6 Notice of redemption

Any such notice given by the Issuer, as is referred to in Condition 5.3 (Redemption, Purchase and Cancellation – Early redemption in whole or part) or Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Bonds in the amounts specified in such notice.

5.7 No purchase by the Issuer

None of the Issuer, any holding company of the Issuer or any subsidiary of such holding company will be permitted to purchase any of the Bonds (for which purpose, "subsidiary" and "holding company" shall have the meanings given to them in the Companies Act 2006).

5.8 Cancellation

All Bonds redeemed in full pursuant to the foregoing provisions will be cancelled upon redemption and may not be resold or re-issued.

6. Payments

6.1 Payments in respect of the Bonds

Payments in respect of principal, premium (if any) and interest in respect of any Global Bond will be made only to the registered holder of the Global Bond shown on the Register as at the Record Date as defined in Condition 6.5 (Record Date). A record of each payment of principal, premium or interest made in respect of a Global Bond will be made by the Registrar in the Register and such record shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Bond shall have any claim directly against the Issuer in respect of payments due on such Bond whilst such Bond is represented by the Global Bond and the Issuer shall be discharged by payment of the relevant amount to the registered holder of the Global Bond.

6.2 Method of payment

Payments will be made by credit or transfer to an account in pounds sterling maintained by the payee with or, at the option of the payee, by a cheque in pounds sterling drawn on, a bank in London.

6.3 Change of Paying Agent

The Principal Paying Agent and the Registrar and their initial specified offices are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Bond Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or any Paying Agent (including in circumstances where the Principal Paying Agent or any Paying Agent does not become, or ceases to be, a Participating FFI at a time when the Issuer would be required to withhold or deduct any amount from any payment made by it to the Principal Paying Agent or any Paying Agent pursuant to FATCA) and/or the Registrar and to appoint additional or other Agents and/or Registrar. The Issuer will at all times maintain a Paying Agent with a specified office in London. The Issuer will at all times maintain a Registrar. The Issuer will maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct any amount for or on account of any Tax pursuant to the European Union Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, that Directive (if there is any such Member State). The Issuer will use all reasonable endeavours to ensure that, to the extent relevant, it maintains a Principal Paying Agent and/or any Paying Agent which is a Participating FFI. In general, the Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents and/or the Registrar or their specified offices to be given in accordance with Condition 15 (Notices to the Bondholders).

"**FFI**" means a "foreign financial institution" as such term is defined pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code 1986 and any regulations thereunder or official interpretations thereof; and

"**Participating FFI**" means an FFI that is a "participating foreign financial institution" as from the effective date of withholding on "passthru payments" (as such terms are defined pursuant to the FATCA).

6.4 Payments subject to applicable laws

Payments in respect of principal, premium (if any) and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

6.5 Record Date

Each payment in respect of a Bond will be made to the persons shown as the holder in the Register at the opening of business in the place of the Registrar's registered office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Bond is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the opening of business on the relevant Record Date.

6.6 Non-Business Days

Any payment in respect of the Bonds which is due on a day which is not a Business Day, shall be made on the next Business Day in the calendar month (if there is one) or on the preceding Business Day (if there is not).

"**Business Day**" means a day which is both a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Dublin.

7. Taxation

All payments in respect of the Bonds will be made without withholding or deduction for or on account of any Tax, unless the Issuer or any Paying Agent is required by applicable law or by agreement of the Issuer or any Paying Agent under or pursuant to the provisions of FATCA to make any payment in respect of the Bonds subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person will be obliged to make any additional payments to the Bondholders in respect of any amounts so withheld or deducted.

8. Prescription

Claims for principal shall become void unless the Bonds are presented for payment within a period of 10 years from the relevant date in respect thereof. Claims for interest shall become void unless the Bonds are presented for payment within a period of five years from the relevant date in respect thereof. After the date on which a Bond becomes void in its entirety, no claim may be made in respect thereof. In this Condition 8 (Prescription), the "**relevant date**" is the date on which the payment in question first becomes due or (if the full amount of the monies payable has not been duly received by the Principal Paying Agent or the Bond Trustee on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 15 (Notices to the Bondholders).

9. Bond Events of Default

9.1 Bond Acceleration Notice

The Bond Trustee at its absolute discretion may, and if so requested in writing by the holders of at least one-fifth in aggregate Principal Amount Outstanding of the Bonds or if so directed by a resolution of the Bondholders passed as an extraordinary resolution under the terms of the Trust Deed (an "**Extraordinary Resolution**") shall, (subject, in each case, to being indemnified and/or pre-funded and/or secured to its satisfaction), but, in the case of the happening of any of the events described in sub-paragraph (b), only if the Bond Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders, give notice (a "**Bond Acceleration Notice**") to the Issuer that the Bonds are immediately due and repayable at their respective Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed, in any of the following events (each, a "**Bond Event of Default**"):

- (a) if default is made in the payment of any principal, premium or interest due in respect of the Bonds and the default continues for a period of three Business Days; or

- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Bond Trustee or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Bond Trustee may permit) following the service by the Bond Trustee or, as the case may be, the Issuer Security Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding-up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Bond Trustee or by Extraordinary Resolution of the Bondholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Bond Trustee or by Extraordinary Resolutions of the Bondholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer or a distress, execution, diligence, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii), in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 14 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (g) if any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date declared due) of Tesco Plc ("**Tesco**") or any Material Subsidiary shall be or be declared due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an

event of default (howsoever described) in relation thereto or Tesco or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date of maturity) at the maturity thereof or at the expiry of any applicable grace period or any guarantee of any such indebtedness given by Tesco or any Material Subsidiary shall not be paid when due and called upon save in any such case where there is a bona fide dispute as to whether payment or repayment is due.

For this purpose:

"Material Subsidiary" means (i) a subsidiary of Tesco whose profits before tax and extraordinary items or whose net assets (in each case attributable to Tesco) calculated by reference to its latest audited accounts represent ten per cent. or more of the consolidated profits before tax and extraordinary items or net assets (in each case attributable to Tesco), as the case may be, of Tesco and its subsidiaries similarly calculated and (ii) a subsidiary of Tesco which has outstanding any notes, bonds or other like securities of which Royal Exchange Trust Company Limited (or any successor trustee to Tesco's £15,000,000,000 Euro Note Programme) is trustee. A certificate of any two directors of Tesco that in their opinion a subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive, binding on all parties; and

"Moneys Borrowed" means (i) borrowed moneys, and (ii) liabilities under any note, bond, bill, debenture, loan stock or other security, in each case issued for cash or in respect of acceptance credit facilities or as consideration for assets or services but excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading; or

- (h) if a Partnership Enforcement Notice is served pursuant to the Partnership Loan Agreement.

9.2 Consequences of Bond Acceleration Notice

Upon the giving of a Bond Acceleration Notice in accordance with Condition 9.1 (Bond Events of Default - Bond Acceleration Notice), the Bonds then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed and the Issuer Security shall become enforceable by the Issuer Security Trustee in accordance with the Issuer Deed of Charge.

10. Enforcement

The Bond Trustee may, at any time, at its discretion and without notice, take such action under or in connection with the Transaction Documents as it may think fit (including, without limitation, directing the Issuer Security Trustee to take any action under or in connection with any of the Transaction Documents or, after the giving of a Bond Acceleration Notice, to take steps to enforce the security constituted by the Issuer Security Documents or directing the Issuer Security Trustee to direct the Partnership Security Trustee to take action under or in connection with any of the Transaction Documents or, after giving a Partnership Enforcement Notice, to take steps to enforce the security constituted by the Partnership Security Documents) provided that:

- (a) the Bond Trustee shall not be bound to take any such action unless it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-fifth in aggregate Principal Amount Outstanding of the Bonds;
- (b) the Issuer Security Trustee shall not, and shall not be bound to, take any such action unless it shall have been so directed by (i) the Bond Trustee or (ii) if there are no Bonds outstanding, all of the other Issuer Secured Creditors;
- (c) neither the Bond Trustee nor the Issuer Security Trustee shall be bound to take any such action unless it shall have been indemnified and/or secured and/or pre-funded to its satisfaction; and
- (d) neither the Bond Trustee nor the Issuer Security Trustee shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Notwithstanding the foregoing, the Issuer Deed of Charge will provide that the Issuer Security Trustee shall enforce the security constituted by the Issuer Deed of Charge by appointing an administrative receiver in respect of the Issuer if it has actual notice of (i) an application for the appointment of an administrator in respect of the Issuer or (ii) the giving of a notice of intention to appoint an administrator in respect of the Issuer, such appointment of an administrative receiver to take effect not later than the final day by which the appointment must be made in order to prevent an administration proceeding unless, in any such case, to do so would in the opinion of the Issuer Security Trustee be materially prejudicial to the interests of the Bondholders and the Rating Agencies have confirmed that not so appointing an administrative receiver of the Issuer would not have an adverse effect on their then current ratings of any of the Bonds.

The Issuer Deed of Charge will further provide that (i) the Issuer Security Trustee will not be liable for any failure to appoint an administrative receiver in respect of the Issuer, save in the case of its own gross negligence, wilful default or fraud and (ii) in the event that the Issuer Security Trustee appoints an administrative receiver in respect of the Issuer under the Issuer Deed of Charge in the circumstances set out in the paragraph above, then the Issuer shall waive any claims against the Issuer Security Trustee in respect of the appointment of the administrative receiver.

11. Limited recourse and non-petition

No Bondholder shall be entitled to proceed directly against the Issuer or any other party to any of the Transaction Documents to enforce the performance of any of the provisions of the Transaction Documents and/or to take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Bond Trustee or, as the case may be, the Issuer Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, provided that no Bondholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

If:

- (a) there is no Issuer Charged Property remaining which is capable of being realised or otherwise converted into cash;

- (b) all amounts available from the Issuer Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Security Documents; and
- (c) there are insufficient amounts available from the Issuer Charged Property to pay in full, in accordance with the provisions of the Issuer Security Documents, the amounts outstanding under the Bonds (including payments of principal, premium (if any) and interest),

then the Bondholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any) and/or interest in respect of the Bonds) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

12. Meetings of Bondholders, Modifications and Waivers

- 12.1 The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution of a Basic Terms Modification or any breach of these Conditions or the provisions of any of the Transaction Documents.
- 12.2 The quorum at any meeting of the Bondholders for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds then outstanding or, at any adjourned meeting, one or more persons being or representing Bondholders whatever the aggregate Principal Amount Outstanding of the Bonds then outstanding so held or represented.
- 12.3 The quorum at any meeting of Bondholders for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any Bonds or which would have the effect of postponing any day for payment of interest or principal thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds, altering the currency of payment of the Bonds or altering the quorum or majority required in relation to this exception or modifying this exception (each, a "**Basic Terms Modification**") shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Bonds.
- 12.4 The Bond Trustee may agree with, or direct the Issuer Security Trustee to agree with, or to direct the Issuer Security Trustee to direct the Partnership Security Trustee to agree with, the Issuer, an Obligor or any other person, without the consent of the Bondholders to any modification (except a Basic Terms Modification) or to any waiver or authorisation of any breach or proposed breach of these Conditions or any of the Transaction Documents:
 - (a) which in the opinion of the Bond Trustee, is not materially prejudicial to the interests of the Bondholders; or
 - (b) which, in the opinion of the Bond Trustee, is to correct a manifest error or is of a formal, minor or technical nature.
- 12.5 The Bond Trustee shall, without the consent or sanction of any of the Bondholders concur with the Issuer, and/or direct the Issuer Security Trustee and/or direct the Issuer Security Trustee to direct the Partnership Security Trustee to concur with the Issuer, in making any

modification to the Transaction Documents and/or the Conditions that is requested by the Issuer in order to comply with any criteria of the Rating Agencies which may be published after the Closing Date and which modifications the Issuer certifies to the Bond Trustee, the Issuer Security Trustee and the Partnership Security Trustee in writing are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to the Bonds, provided that the Bond Trustee, the Issuer Security Trustee and Partnership Security Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Bond Trustee, the Issuer Security Trustee and the Partnership Security Trustee, as applicable, would have the effect of (i) exposing the Bond Trustee or the Issuer Security Trustee or the Partnership Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Bond Trustee or the Issuer Security Trustee or the Partnership Security Trustee, as applicable in respect of the Bonds, in the Transaction Documents and/or the Conditions.

- 12.6 The Bond Trustee may also, without the consent of the Bondholders, determine that a Bond Event of Default shall not or shall not subject to specified conditions, be treated as such. Any such modification, abrogation, waiver, authorisation or determination shall be binding on the Bondholders and, unless the Bond Trustee agrees otherwise, any such modification, abrogation, waiver, authorisation or determination shall be notified to the Bondholders as soon as practicable thereafter in accordance with Condition 15 (Notices to the Bondholders).
- 12.7 Where the Bond Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Bondholders, it shall have regard to the interests of the Bondholders as a class and, in particular but without prejudice to the generality of the foregoing, the Bond Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Bond Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.
- 12.8 The Trust Deed contains provisions under which any company may, without the consent of the Bondholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds provided that certain conditions specified in the Trust Deed are fulfilled. No Bondholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder.

13. Indemnification and exoneration of the Bond Trustee

- 13.1 The Trust Deed, the Issuer Deed of Charge and certain of the Issuer Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of each of the Bond Trustee and the Issuer Security Trustee and for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing (or, in the case of the Bond Trustee, directing the Issuer Security Trustee to enforce) the Issuer Security or directing the Partnership Security Trustee to enforce the Partnership Level Security unless indemnified and/or secured and/or prefunded to its satisfaction. The Bond Trustee and the Issuer Security Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any

assets comprised in the Issuer Security or Partnership Level Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, depositories, warehousemen or other similar persons on behalf of the Bond Trustee or the Issuer Security Trustee.

- 13.2 The Trust Deed and the Issuer Deed of Charge also contain provisions pursuant to which the Bond Trustee and the Issuer Security Trustee are entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any other person who is party to the Issuer Transaction Documents or whose obligations are comprised in the Issuer Security and/or the Partnership Level Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Bondholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. Replacement of Global Bond

If the Global Bond is mutilated, defaced, lost or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Global Bond will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and/or the Paying Agents and/or Registrar may reasonably require. Mutilated or defaced Global Bonds must be surrendered before new ones will be issued.

15. Notices to the Bondholders

Any notice shall be deemed to have been duly given to the relevant Bondholders if sent to the Clearing Systems for communication by them to the holders of the Bonds and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Bonds are admitted to the Irish Stock Exchange's Official List and trading on its regulated market) any notice shall also be published in accordance with the relevant rules and regulations (which includes delivering a copy of such notice to the Irish Stock Exchange).

The Bond Trustee shall be at liberty to sanction some other method of giving notice to the Bondholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Bonds are then admitted to trading and provided that notice of such other method is given to the Bondholders in such manner as the Bond Trustee shall require.

16. Contracts (Rights of Third Parties) Act 1999

No Bond confers any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of any Bond, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

17. European Economic and Monetary Union

17.1 Notice of redenomination

The Issuer may, after the date (if any) on which the United Kingdom adopts the euro as its lawful currency, without the consent of the Bondholders, on giving at least 30 days' prior notice to the Bondholders and the Paying Agents, designate a Bond Interest Payment Date as the date on which the currency of the Bonds is redenominated to euro (the "**Redenomination Date**").

17.2 Redenomination

With effect from the Redenomination Date:

- (a) the Bonds shall be deemed to be redenominated into euro with the Principal Amount Outstanding of each Bond being equal to the Principal Amount Outstanding of that Bond in sterling, converted into euro at the rate for conversion of sterling into euro established by the Council of the European Union pursuant to the Treaty establishing the European Community (as amended) (including compliance with rules relating to rounding in accordance with European Union regulations); and
- (b) notwithstanding Condition 17.2(a) (European Economic and Monetary Union – Redenomination), if the Issuer determines, with the agreement of the Bond Trustee, that the then market practice in respect of the redenomination into euro of internationally offered securities is different from that specified above, such provision shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bondholders, the Irish Stock Exchange and the Paying Agents of such deemed amendments in accordance with Condition 15 (Notices to the Bondholders).

17.3 Notice of Redenomination Date

The Issuer will notify the Bondholders of the intended Redenomination Date in accordance with Condition 15 (Notices to the Bondholders).

17.4 Effect of redenomination

With effect from the Redenomination Date:

- (a) the payment obligations contained in all Bonds denominated in sterling will become void, but all other obligations of the Issuer thereunder (including the obligation to exchange such Bonds in accordance with this Condition 17 (European Economic and Monetary Union)) shall remain in full force and effect;
- (b) new Bonds denominated in euro will be issued in exchange for Bonds denominated in sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Bondholders in accordance with Condition 15 (Notices to the Bondholders); and
- (c) all payments in respect of the Bonds (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by credit or transfer to a euro account (or any

other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of a member state of the European Union that has adopted the euro as its lawful currency.

18. Governing law

The Trust Deed, the Issuer Deed of Charge, the Agency Agreement, the other Issuer Transaction Documents, these Conditions and the Bonds (and, in each case, any non-contractual obligations arising out of or in connection with the same) are governed by, and shall be construed in accordance with, English law (other than certain terms of the Issuer Deed of Charge, which shall be construed in accordance with Scots law).

UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of the law and published practice in the United Kingdom as at the date of this document in relation to certain aspects of the United Kingdom taxation of payments in respect of, and of the issue and transfers of, the Bonds. The comments do not deal with all United Kingdom tax aspects of acquiring, holding or disposing of the Bonds and relate only to the position of persons who are absolute beneficial owners of the Bonds and may not apply to certain classes of taxpayers (such as dealers). The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future. The comments are made on the assumption that there will be no substitution of the Issuer pursuant to the Trust Deed or Condition 5.4 (Redemption, Purchase and Cancellation – Optional redemption due to change of tax law and illegality) and do not consider the tax consequences of any such substitution.

The following is a general guide and should be treated with appropriate caution. Bondholders who are in any doubt as to their tax position should consult their own professional advisors. Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

United Kingdom withholding tax on payments of interest on the Bonds

Interest payments on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**"). The Irish Stock Exchange is a recognised stock exchange for these purposes. The Bonds will satisfy this requirement if they are admitted to trading on that exchange and they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in European Economic Area States.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In all other cases, interest on the Bonds may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty.

Provision of information

Bondholders should note that where any interest on the Bonds is paid to them (or to any person acting on their behalf) by any person in the United Kingdom acting on behalf of the Issuer (a "**Paying Agent**"), or is received by any person in the United Kingdom acting on behalf of the

relevant Bondholder (other than solely by clearing or arranging the clearing of a cheque) (a "**Collecting Agent**"), then the Paying Agent or the Collecting Agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the Bondholder (including the Bondholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Bondholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Bondholder is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the Bondholder is resident for taxation purposes.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Bonds or on the transfer of a Bond.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

HSBC Bank plc, Goldman Sachs International, Lloyds TSB Bank plc and The Royal Bank of Scotland plc (the "**Joint Lead Arrangers**") have, pursuant to a subscription agreement dated on or around 30 January 2012 between the Joint Lead Arrangers, the Issuer, the Obligors and Tesco (the "**Subscription Agreement**"), agreed, jointly and severally, subject to certain conditions, to procure subscribers and failing which themselves to subscribe and pay for the Bonds at an issue price of 100 per cent. of the initial principal amount thereof.

The Issuer, failing whom Tesco, has agreed to pay to the Joint Lead Arrangers a selling commission. On the Closing Date, pursuant to the terms of the Partnership Loan Agreement, the Partnership will pay the Initial Partnership Facility Fee to the Issuer, which will be equal to all fees, costs and expenses properly and reasonably incurred by the Issuer on or before the Closing Date in connection with the issue of the Bonds, including the selling commissions referred to above.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Joint Lead Arrangers in certain circumstances prior to payment to the Issuer. The Issuer, failing which Tesco, has agreed to indemnify the Joint Lead Arrangers against certain liabilities in connection with the offer and sale of the Bonds.

The Joint Lead Arrangers have, directly or indirectly through affiliates, provided investment and commercial banking, financial advisory and other services to Tesco and its affiliates from time to time, for which they have received monetary compensation. The Joint Lead Arrangers may from time to time also enter into swap and other derivative transactions with Tesco and its affiliates, including in relation to the Bonds. In addition, the Joint Lead Arrangers and their affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Issuer, Tesco or their affiliates.

United Kingdom

Each Joint Lead Arranger has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

United States

The Bonds have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Bonds are being offered and sold in offshore transactions in reliance on Regulation S.

The purchaser of the Bonds will agree that, except as permitted by the Subscription Agreement, it will not offer or sell the Bonds as part of its distribution at any time or otherwise until 40 days after

the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

Each purchaser of the Bonds (which term for the purposes of this section will be deemed to include any interests in the Bonds, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Bonds have not been and will not be registered under the Securities Act and such Bonds are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Bonds, then it agrees that it will offer, resell, pledge or transfer such Bonds only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Bonds for the account or benefit of a U.S. person and who is acquiring the Bonds in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States, provided that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control; and
- (b) unless the relevant legend set out below has been removed from the Bonds such purchaser shall notify each transferee of Bonds (as applicable) from it that (i) such Bonds have not been registered under the Securities Act, (ii) the holder of such Bonds is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Bonds in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing.

The Issuer, the Registrar, the Joint Lead Arrangers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Bonds will bear a legend to the following effect:

"THIS BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE BONDS AND THE CLOSING OF THE OFFERING OF THE BONDS, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

General

Except for the approval of this document as a prospectus by the Central Bank, no action has been or is being taken by the Issuer or the Joint Lead Arrangers in any jurisdiction which would or is intended to permit a public offering of the Bonds, or the possession, circulation or distribution of this document or any other material relating to the Issuer in any country or jurisdiction where action for that purpose is required.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this document nor any other circular, prospectus, form of application, advertisement or other material in connection with the Bonds may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations of any such country or jurisdiction.

Each Joint Lead Arranger has undertaken to the Issuer that it will not, directly or indirectly, offer or sell any Bonds, or distribute this document or any other material relating to the Bonds, in or from any country or jurisdiction except in circumstances that will result in compliance with applicable law and regulation.

GENERAL INFORMATION

1. The issue of the Bonds will be authorised by resolution of the board of directors of the Issuer passed on or before 26 January 2012.
2. It is expected that the admission of the Bonds to the Irish Stock Exchange's Official List and trading on its regulated market will be granted on or about the Closing Date, subject only to issue of the Global Bond. The listing of the Bonds will be cancelled if the Global Bond is not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.
3. It is expected that the Bonds will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code and the ISIN for the Bonds is as follows:

ISIN	Common Code
XS0735866583	073586658

4. So long as the Bonds are admitted to the Irish Stock Exchange's Official List and trading on its regulated Market, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified office of the Principal Paying Agent. The Issuer does not publish interim accounts.
5. None of the Issuer, the Partnership and the General Partner is nor has been involved in any governmental, legal or arbitration proceedings which may have, or have had since the date of its incorporation, a significant effect on its financial position, nor is the Issuer, the Partnership or the General Partner aware that any such proceedings are pending or threatened against it.
6. Since the date of their incorporation, each of the Issuer, the Partnership and the General Partner has not commenced operations and has not prepared any audited accounts.
7. Berwin Leighton Paisner LLP, Semple Fraser LLP, Tods Murray LLP, Tuffin Ferraby Taylor LLP, GL Hearn Limited, GVA Grimley Limited, Delta-Simons Environmental Consultants Limited, Scott White and Hookins, Cushman & Wakefield LLP and Environ UK Limited have each given and not withdrawn their written consent to, as the case may be, the inclusion in this document of their reports, reference to their reports in this document and references to their respective names in the form and context in which they are included and have authorised the contents of those parts of the Prospectus.
8. Save as disclosed in this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages, standard securities, charges or given any guarantees.
9. Save as disclosed in this document, the Partnership has no partnership contributions, borrowings or indebtedness or contingent liabilities, nor has the Partnership created any mortgages, standard securities, charges or given any guarantees.
10. Save as disclosed in this document, the General Partner has no outstanding loan capital, borrowings or indebtedness or contingent liabilities, nor has the General Partner created any mortgages, standard securities, charges or given any guarantees.

11. Copies of the following documents may be inspected in physical form during usual business hours on any week day (excluding Saturdays and public holidays) at the registered offices of the Issuer from the date of this Prospectus and for so long as the Bonds are listed on the Irish Stock Exchange:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Memorandum and Articles of Association of the General Partner;
 - (c) the Partnership Agreement;
 - (d) copies of the execution versions of the following Transaction Documents:
 - (i) the Trust Deed;
 - (ii) the Agency Agreement;
 - (iii) the Cash Management Agreement;
 - (iv) the Issuer Deed of Charge; and
 - (v) the Issuer Master Definitions and Construction Schedule;
 - (e) the Valuation Report; and
 - (f) the auditor's report and audited annual financial statements for the year ended 27 February 2010 and 26 February 2011 and the interim financial statements for the 26 weeks ended 27 August 2011 in respect of Tesco.
12. No website referred to in this Prospectus forms part of the document for the purposes of the listing of the Bonds on the Irish Stock Exchange.
13. The Issuer will provide post-issuance transaction information (including the balance of the Accounts and the payments made under the Partnership Priorities of Payments and the Issuer Priorities of Payments) on a quarterly basis in relation to the Bonds and the Partnership Loan and on an annual basis in relation to value of the Mortgaged Properties. Such information will be sent to the Rating Agencies and made available to Bondholders on Bloomberg (or such other information service as is notified to Bondholders from time to time).

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