

OFFERING CIRCULAR



TESCO PLC

(incorporated with limited liability in England with registered number 445790)

£3,000,000,000
Euro Note Programme

On 17th July, 1997 Tesco PLC (the "Issuer") established its Euro Note Programme (the "Programme"). This Offering Circular (the "Offering Circular") supersedes all previous offering circulars issued in connection with the Programme with respect to Notes (as defined below) issued under the Programme on or after the date of this Offering Circular.

Under the Programme the Issuer may from time to time issue notes (the "Notes") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Application has been made to the London Stock Exchange Limited (the "London Stock Exchange") for Notes issued during the period of 12 months from the date of this Offering Circular to be admitted to the Official List of the London Stock Exchange and application may (in certain circumstances as described herein) also be made to list Notes on the ParisBourse^{SBF} SA (the "Paris Bourse") ("Paris Listed Notes"). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined on page 24) of Notes will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be admitted to the Official List of the London Stock Exchange, will be delivered to the London Stock Exchange and, with respect to Paris Listed Notes, will be delivered to the Commission des Opérations de Bourse (the "COB"), in each case on or before the date of issue of the Notes of such Tranche or such later date as the London Stock Exchange or the COB, as the case may be, may agree.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

For the sole purpose of Paris Listed Notes, this Offering Circular has been submitted to the clearance procedures of the COB and has been registered by the COB under no. P99-335 dated 19th July, 1999.

Notes issued under the Programme have been rated Aa3 by Moody's Investors Service Limited ("Moody's") and have been given a senior unsecured (formerly long term) debt rating of AA- and a short term debt rating of F1+ by Fitch IBCA Limited ("Fitch IBCA"). Tranches of Notes issued under the Programme may be rated or unrated. Where a tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

MORGAN STANLEY DEAN WITTER

Dealers

BARCLAYS CAPITAL
DEUTSCHE BANK
HSBC MARKETS
PARIBAS

CREDIT SUISSE FIRST BOSTON
GOLDMAN SACHS INTERNATIONAL
MORGAN STANLEY DEAN WITTER
WARBURG DILLON READ

The date of this Offering Circular is 21st July, 1999.

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 8 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers"). References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

The Notes of each Tranche will initially be represented by a temporary global Note which will be deposited on the issue date thereof with a common depositary on behalf of Cedelbank and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and/or any other agreed clearance system (including, in the case of Paris Listed Notes, Sicovam S.A. and the *Intermédiaires financiers habilités* authorised to maintain accounts therein (together "Sicovam")) and which will be exchangeable, as specified in the applicable Pricing Supplement, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable for definitive Notes upon request (unless otherwise specified in the applicable Pricing Supplement), all as further described in "Form of the Notes" below.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (except in the case of unlisted Notes) supplementary listing particulars or further listing particulars, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Issuer accepts responsibility for the information contained in this Offering Circular. 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 Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below) (provided, however, that such incorporated documents do not form part of the Listing Particulars). This Offering Circular shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular but not part of the Listing Particulars.

Copies of this Offering Circular, which comprises listing particulars approved by the London Stock Exchange as required by the Financial Services Act 1986 (the "Listing Particulars") in relation to Notes listed on the London Stock Exchange and issued during the period of 12 months from the date of this Offering Circular, have been delivered for registration to the Registrar of Companies in England and Wales as required by Section 149 of that Act. Copies of each Pricing Supplement (in the case of Notes to be admitted to the Official List of the London Stock Exchange) will be available from FT Business Research Centre, operated by FT Electronic Publishing, at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL and from the office set out below of the Trustee (as defined herein) and the specified office of each of the Paying Agents (as defined herein).

Neither any Dealer nor the Trustee has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any Dealer or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer, any Dealer or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes

should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of the Issuer or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

The delivery of this Offering Circular does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Issuer when deciding whether or not to purchase any Notes.

The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee (save for the approval of this document (and all previous offering circulars relating to the Programme) as Listing Particulars by the London Stock Exchange and delivery of copies of this document (and all such previous offering circulars) to the Registrar of Companies in England and Wales) which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented or, as the case may be, will be required to represent that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, Japan, France and Germany (see "Subscription and Sale" below).

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

Investors in France may only participate in the issue of the Notes for their own account in accordance with the conditions set out in décret no. 98-880 dated 1st October, 1998. Notes may only be issued, directly or indirectly, to the public in France in accordance with articles 6 and 7 of ordonnance no. 67-833 dated 28th September, 1967 (as amended). Where an issue of Notes is effected as an exception to the rules relating to an *appel public à l'épargne* in France (public offer rules) by way of an offer to a restricted circle of investors, such investors, to the extent that Notes are offered to 100 or more of such investors, must provide certification as to their personal, professional or family relationship with a member of the management of the Issuer. Persons into whose possession offering material comes must inform themselves about and observe any such restrictions. This Offering Circular does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such offer or a solicitation by anyone not authorised so to act.

All references in this document to "Sterling" and "£" refer to the currency of the United Kingdom, those to "U.S. dollars", "U.S.\$" and "\$" refer to the currency of the United States of America, those to "Japanese Yen" and "Yen" refer to the currency of Japan, those to "Swiss francs" refer to the currency of Switzerland and those to "euro" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union.

In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement may over-allot or effect transactions which stabilise or maintain the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time. Such stabilising shall be in compliance with all relevant laws and regulations.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular (provided however that such incorporated documents do not form a part of the Listing Particulars):

- (a) the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the Issuer; and
- (b) all supplements to this Offering Circular circulated by the Issuer from time to time in accordance with the provisions of the Dealer Agreement as described below,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular (but not the Listing Particulars) to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its registered office set out at the end of this Offering Circular. In addition, such documents will be available from the principal office in England of Morgan Stanley & Co. International Limited in its capacity as listing agent (the "London Listing Agent") for Notes listed on the London Stock Exchange and, if and for so long as any Notes are listed on the *Paris Bourse*, from the principal office of Morgan Stanley S.A. in its capacity as listing agent (the "Paris Listing Agent") for Paris Listed Notes.

The documents deemed to be incorporated herein by reference have not been submitted to the clearance procedures of the COB.

The Issuer has undertaken to the Dealers in the Dealer Agreement (as defined in "Subscription and Sale" below) to comply with sections 147 and 149 of the Financial Services Act 1986.

The Issuer has given an undertaking to the COB that, if and for so long as any of the Notes are listed on the *Paris Bourse*, any material adverse change in the business or financial condition of the Issuer will be notified to the COB and published in accordance with its rules.

If the terms of the Programme are modified in a manner which would make this Offering Circular, as so modified, inaccurate or misleading in a material respect, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer has issued and may from time to time issue Notes denominated in any currency and having a minimum maturity of one month, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes have been or will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and have been or will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "Form of the Notes" below.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £3,000,000,000 (or its equivalent in other currencies calculated as described herein). A description of the restrictions applicable at the date of this Offering Circular relating to the maturity or denominations of certain Notes is set out on pages 9 and 11, respectively.

This Offering Circular and any supplement to it will only be valid for listing Notes on the London Stock Exchange during the period of 12 months from the date of this Offering Circular and/or on the Paris *Bourse* in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed £3,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Sterling equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the Sterling equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement, see under "Form of the Notes" on page 13) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of Sterling against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the Sterling amount of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement, see under "Form of the Notes" on page 13) shall be calculated (where relevant, in the manner specified in (a) above) by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the Sterling amount of Zero Coupon Notes (as specified in the applicable Pricing Supplement, see under "Form of the Notes" on page 13) and other Notes issued at a discount or a premium shall be calculated (where relevant, in the manner specified in (a) above) by reference to the net proceeds received by the Issuer for the relevant Notes.

SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

Issuer: Tesco PLC

Description: Euro Note Programme

Arranger: Morgan Stanley & Co. International Limited

Dealers: Barclays Bank PLC
Credit Suisse First Boston (Europe) Limited
Deutsche Bank AG London
Goldman Sachs International
Midland Bank plc
Morgan Stanley & Co. International Limited
Paribas
UBS AG, acting through its division Warburg Dillon Read

The Issuer may, from time to time, terminate the appointment of any Dealer under the Programme or appoint Dealers either in relation to the Programme as a whole or in relation to specific issues under the Programme.

Trustee: Royal Exchange Trust Company Limited

Issuing and Principal Paying Agent: Midland Bank plc

Size: Up to £3,000,000,000 (or its equivalent in other currencies calculated as described herein on page 7) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

Distribution: Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis in accordance with the terms of the Dealer Agreement.

Currencies: Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement).

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale" on page 50).

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

Issues of Notes denominated in Sterling shall comply with all applicable laws and regulations (as amended from time to time) of United Kingdom authorities. See "Banking Act 1987 (Exempt Transactions) Regulations 1997" under "General Information".

Maturities:

Such maturities as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

At the date of this Offering Circular, the minimum maturity of all Notes is one month.

Issue Price:

Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes:

Each Tranche of Notes will initially be represented by a temporary global Note which will be deposited on the relevant Issue Date with a common depositary for Cedelbank and Euroclear and/or any other agreed clearing system (including Sicovam) and which will be exchangeable, upon request, as described therein for either a permanent global Note or definitive Notes (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement) in each case not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Pricing Supplement will specify that a permanent global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days' notice or (ii) is exchangeable (in whole but not in part) for definitive Notes only upon the occurrence of an Exchange Event, as described in "Form of the Notes" below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Cedelbank, Euroclear and/or any other agreed clearing system (including Sicovam), as appropriate.

Fixed Rate Notes:	Interest on Fixed Rate Notes will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement) and on redemption, and will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under an interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 1991 ISDA Definitions, as supplemented by the 1998 Supplement and the 1998 ISDA Euro Definitions (each as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer, as indicated in the applicable Pricing Supplement. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as the Issuer and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement). Index Linked Notes which are issued as a public offer (<i>appel public à l'épargne</i>) in France (including, without limitation, Paris Listed Notes) must be issued in compliance with the <i>Principes Généraux</i> from time to time as set by the COB and the <i>Conseil des Marchés Financiers</i> or any successor body thereto.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Pricing Supplement). Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Pricing Supplement and will be calculated on the basis of such Floating Day Count Fraction as selected by the Issuer and the relevant Dealer.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree (as indicated in the applicable Pricing Supplement).

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes of such Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement.

The Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom must have a minimum redemption amount of £100,000 (or its equivalent in other currencies), unless such Notes may not be redeemed until the third anniversary of their Issue Date and are to be listed on the London Stock Exchange.

Denomination of Notes: Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer and as indicated in the applicable Pricing Supplement save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom will have a minimum denomination of £100,000 (or its equivalent in other currencies), unless such Notes may not be redeemed until the third anniversary of their Issue Date and are to be listed on the London Stock Exchange.

Taxation: All payments in respect of Notes listed on a "recognised stock exchange" (for United Kingdom taxation purposes) will be made without deduction for or on account of withholding taxes imposed within the United Kingdom, subject as provided in Condition 7. Different taxation considerations apply in the case of unlisted Notes (see "United Kingdom Taxation").

Negative Pledge:	The terms and conditions of the Notes contain a negative pledge provision as described in Condition 3.
Cross Default:	The terms and conditions of the Notes contain a cross-default provision as described in Condition 9.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain debts preferred by law) equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	Unless otherwise specified in the applicable Pricing Supplement, Notes issued or to be issued under the Programme have been rated Aa3 by Moody's and have been given a senior unsecured (formerly long term) debt rating of AA- and a short term debt rating of F1+ by Fitch IBCA.
Listing:	Application has been made to list on the London Stock Exchange Notes issued during the period of 12 months from the date of this Offering Circular. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series including, without limitation, the <i>Paris Bourse</i>. It is strongly recommended by the French Ministry of the Economy, Finance and Industry that Notes denominated in French francs or euro should be listed on the <i>Paris Bourse</i> particularly, but not exclusively, where such Notes are to be offered publicly in France. Paris Listed Notes will be issued subject to the requirements of the COB and the <i>Paris Bourse</i>. Unlisted Notes may also be issued (but see "United Kingdom Taxation" for certain important taxation implications of unlisted Notes). The Pricing Supplement relating to each Tranche of Notes will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed.
Governing Law:	The Programme documentation, including the Notes, will be governed by, and construed in accordance with, English law.
Selling Restrictions:	There are selling restrictions in relation to the offering and sale of Notes and the distribution of offering material. See "Subscription and Sale" on page 50.

FORM OF THE NOTES

Each Tranche of Notes will initially be represented by a temporary global Note without receipts, interest coupons or talons, which will be delivered to a common depositary for Cedelbank and Euroclear. Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the temporary global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Cedelbank and/or Euroclear and Cedelbank and/or Euroclear, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Any reference in this section "Form of the Notes" to Cedelbank and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system including *Sicovam S.A.* and the *Intermédiaires financiers habilités* authorised to maintain accounts therein (together "Sicovam") approved by the Issuer, the Agent and the Trustee.

On and after the date (the "Exchange Date") which is 40 days after the date on which any temporary global Note is issued, interests in such temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note without receipts, interest coupons or talons or for definitive Notes with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement) in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a temporary global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the temporary global Note is improperly withheld or refused. Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes" below) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Cedelbank and Euroclear which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a permanent global Note will be made through Cedelbank and/or Euroclear against presentation or surrender (as the case may be) of such permanent global Note without any requirement for certification. The applicable Pricing Supplement will specify that either (i) a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon not less than 60 days' written notice from Cedelbank and/or Euroclear (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. "Exchange Event" means (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified by the Agent that either Cedelbank or Euroclear has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by such permanent global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Cedelbank and/or Euroclear (acting on the instructions of any holder of an interest in such permanent global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

Global Notes and definitive Notes will be constituted by, or pursuant to, the Trust Deed and issued in accordance with the provisions of the Agency Agreement.

The following legend will appear on all global Notes, definitive Notes, receipts, interest coupons and talons relating to such Notes:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The Sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme:

“[Date]

Tesco PLC

Issue of
[Aggregate Nominal Amount of Tranche] [Title of Notes]
under the
£[3],000,000,000 Euro Note Programme

[The Notes constitute [commercial paper¹/shorter term debt securities/longer term debt securities]² issued in accordance with regulations made under section 4 of the Banking Act 1987. The Issuer of the Notes is not an authorised institution or a European authorised institution (as such terms are defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997). Repayment of the principal and payment of any interest or premium in connection with the Notes has not been guaranteed].³

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated []. This Pricing Supplement must be read in conjunction with such Offering Circular.

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

1. (i) Series Number: []
(ii) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
— Tranche: []
— Series: []
4. Issue Price of Tranche: [] per cent.
5. Specified Denominations: []
[]
6. (i) Issue Date: []
(ii) Interest Commencement Date: []

¹ “Commercial paper” will not be offered to the public in France.

² Include “commercial paper” if Notes must be redeemed before their first anniversary. Include “shorter term debt securities” if Notes may not be redeemed before their first anniversary but must be redeemed before their third anniversary. Include “longer term debt securities” if Notes may not be redeemed before their third anniversary.

³ Unless otherwise permitted, text to be included for all Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are accepted by the Company in the United Kingdom.

7. Maturity Date: *[Fixed rate — specify date/
Floating rate— Interest Payment Date falling in [specify month]]*
8. Interest Basis: *[[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[specify other]
(further particulars specified below)*
9. Redemption/Payment Basis: *[Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[specify other]*
10. Change of Interest Basis or Redemption/
Payment Basis: *[Specify details of any provision for change of
Notes into another Interest Basis or Redemption/Payment
Basis]*
11. Put/Call Options: *[Investor Put]
[Issuer Call]
[(further particulars specified below)]*
12. Listing: *[London/Paris/specify other/None]*
13. Method of distribution: *[Syndicated/Non-syndicated]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions *[Applicable/Not Applicable]
If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate{(s)} of Interest: *{ } per cent. per annum [payable
[annually/semi-annually/quarterly] in arrear]*
- (ii) Interest Payment Dates(s): *[] in each year*
- (iii) Fixed Coupon Amount(s): *[] per [] in nominal amount*
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest
amounts which do not correspond with the Fixed Coupon
Amount]*
- (v) Fixed Day Count Fraction: *[Actual/Actual - ISMA or 30/360 or specify other]*
- (vi) Other terms relating to the method of
calculating interest for Fixed Rate
Notes: *[None/Give details]*

15. Floating Rate Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (vi) Screen Rate Determination:
 - Reference Rate: []
(Either LIBOR, EURIBOR or other, although additional information is required if other — including any amendment to fallback provisions in the Agency Agreement)
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if non-Sterling LIBOR, first day of the Interest Period if Sterling LIBOR and second TARGET day prior to the start of each Interest Period if EURIBOR)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Telerate 248 ensure it is a page which shows a composite rate)
- (vii) ISDA Determination:
 - Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (viii) Margin(s): [+/-] [] per cent. per annum
- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Floating Day Count Fraction: []

- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Terms and Conditions: []
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
(Consider applicable day count fraction if euro denominated)
17. Index Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: []
- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
- (iv) Specified Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
18. Dual Currency Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]

- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

19. Issuer Call [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: []
 - (b) Higher Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []

20. Investor Put [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) Notice period (if other than as set out in the Conditions): []

21. Final Redemption Amount [Par/specify other/see Appendix]

22. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(e)): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes (on 60 days' notice given at any time/only upon an Exchange Event).]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
24. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
[Note that this item relates to the place of payment and not Interest Period end dates to which item 15(iii) relates]
25. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and, if different from those specified in the Temporary Global Note, consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
27. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
28. Redenomination: Redenomination [not] applicable
(if Redenomination is applicable, specify full details)
29. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

30. (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilising Manager (if any): [Not Applicable/give name]
31. If non-syndicated, name of relevant Dealer: []
32. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

33. Any clearing system(s) other than Euroclear and Cedelbank and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
34. Delivery: Delivery [against/free of] payment
35. Additional Paying Agent(s) (if any): []

36. If Paris Bourse listed, insert:

- (a) Sicovam SA numbers(s): []
- (b) Paying Agent in France: *[insert name and address]*
- (c)
 - (i) address in Paris where relevant documents will be made available for inspection or receipt (free of charge): *[insert address]*
 - (ii) list of such documents available for inspection or receipt (free of charge): *[insert list]*
- (d) Specialist broker: []
- (e) A Summary in French of the principal terms of the Notes ("*Caracteristiques Principales*"): []
- (f) A statement in French signed manually by a person duly authorised on behalf of the Issuer and the relevant Dealer or, in the case of a syndicated issue of Notes, the Lead Manager or other Dealer accepting responsibility for the information contained in the Pricing Supplement, in the following form:

PERSONNES QUI ASSUMENT
LA RESPONSABILITÉ DE LA PRÉSENTE NOTE D'INFORMATION
COMPOSÉE DE LA PRÉSENTE NOTE D'OPÉRATION (PRICING SUPPLEMENT)
[DE LA NOTE D'INFORMATION AYANT RECU DE LA COB LE VISA NO. []
DU [DATE]] ET DU DOCUMENT DE BASE (OFFERING CIRCULAR)

1. Au nom de l'émetteur

A la connaissance de l'émetteur, les données de la présente Note d'Information sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

Aucun élément nouveau [(autres que ceux mentionnés dans la présente Note d'Operation)] intervenu depuis:

le [] date d'enregistrement no. [] apposé par la Commission des Opérations de Bourse sur le Document de Base,

[le [], date du visa no. [] apposé par la Commission des Opérations de Bourse sur la Note d'Information,]

n'est susceptible d'affecter de manière significative la situation financière de l'émetteur dans le contexte de la présente émission.

Tesco PLC

By:

[Name and title of signatory]

2. Au nom de la banque présentatrice

Personne assumant la responsabilité de la Note d'Information.

[Name of the relevant Dealer/Lead Manager]

By:

[Name and title of signatory]

La notice légale sera publiée au *Bulletin des Annonces Légales Obligatoires* (BALO) du [date]. La présente Note d'Information ne peut pas être distribuée en France avant la date effective de cotation de l'emprunt à la Bourse de Paris et la publicité légale au BALO.

. COMMISSION DES OPERATIONS DE BOURSE

En vue de la cotation à Paris des obligations éventuellement émises dans le cadre de ce Programme, et par application des articles 6 et 7 de l'ordonnance no. 67-833 du 28 septembre 1967, la Commission des Opérations de Bourse a enregistré le Document de Base sous le no. [] du [date], et a apposé sur la présente Note d'Information le visa no. [] du [date].

[37. Notes in respect of which the issue proceeds are accepted by the Issuer in the United Kingdom and which are to be listed. The text set out below may be deleted if the Issuer is relying on any of Regulation 13(4)(c) to (g).

The Issuer confirms that it:

- (a) has complied with its obligations under the relevant rules (as defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997) in relation to the admission to and continuing listing of the Programme and of any previous issues made under it and listed on the same exchange as the Programme;
- (b) will have complied with its obligations under the relevant rules in relation to the admission to listing of such Notes by the time when such Notes are so admitted; and

- (c) has not, since the last publication, if any, in compliance with the relevant rules of information about the Programme, any previous issues made under it and listed on the same exchange as the Programme, or the Notes, having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as Issuer in respect of the Notes as they fall due.]

ISIN:	[	]
Common Code:	[	]

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the £[3],000,000,000 Euro Note Programme of Tesco PLC.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:.....

Duly authorised

If the Pricing Supplement relating to a Tranche of Notes specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 4, 5, 6 (except Condition 6(b)), 10, 11, 12, 13 (insofar as Notes are not listed on any stock exchange) and 15, they will not necessitate the preparation of a supplementary Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplementary Offering Circular or a further Offering Circular describing the modification will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued on or after 21st July, 1999 and which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each temporary global Note, permanent global Note and definitive Note. Reference should be made to "Form of the Notes" above for the form of Pricing Supplements which will include the meaning of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Tesco PLC (the "Issuer") constituted by a Trust Deed (as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 17th July, 1997 made between the Issuer and Royal Exchange Trust Company Limited (the "Trustee", which expression shall include any successor as trustee).

References herein to the "Notes" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency;
- (ii) definitive Notes issued in exchange for a global Note; and
- (iii) any global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an amended and restated Agency Agreement (as modified and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 21st July, 1999, and made among, the Issuer, Midland Bank plc, as issuing and principal paying agent and agent bank (the "Agent", which expression shall include any successor agent specified in the applicable Pricing Supplement), the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons ("Coupons") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "applicable Pricing Supplement" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders of the Notes (the "Noteholders", which expression shall, in relation to any Notes represented by a global Note, be construed as provided below), the holders of the Receipts (the "Receiptholders") and the holders of the Coupons (the "Couponholders", which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, "Tranche" means Notes which are identical in all respects (including as to listing) and "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i)

expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The following statements include summaries of, and are subject to, the detailed provisions of the Trust Deed and the applicable Pricing Supplement. Copies of the Trust Deed, the Agency Agreement and the Pricing Supplement applicable to this Note are available for inspection at the principal office of the Trustee, being at 21st July, 1999 at 155 Bishopsgate, London EC2M 3TG, and at the specified office of each of the Paying Agents save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a Noteholder and such Noteholder must produce evidence satisfactory to the Trustee or the relevant Paying Agent, as the case may be, as to identity. The Noteholders, the Receipholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Agency Agreement or the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Trustee, the Agent and any Paying Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Cedelbank and/or Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") each person (other than Cedelbank or Euroclear or, in the case of Notes listed on the Paris *Bourse*, Sicovam (as defined below)) who is for the time being shown in the records of Cedelbank or of Euroclear as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Cedelbank or Euroclear as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly. Notes which are represented by a

global Note will be transferable only in accordance with the rules and procedures for the time being of Cedelbank or of Euroclear, as the case may be.

References to Cedelbank and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system including, in the case of Notes listed on the Paris Bourse, *Sicovam S.A.* and the *Intermédiaires financiers habilités* authorised to maintain accounts therein (together "Sicovam") approved by the Issuer, the Trustee and the Agent.

2. Status of the Notes

The Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Trust Deed) neither the Issuer nor any of its Subsidiaries (as defined in the Trust Deed) will create any mortgage, charge, pledge, lien or other security interest on any of its present or future undertaking or assets or enter into any arrangement, the practical effect of which is to grant similar security, in either case in respect of (i) any Obligation of the Issuer or any other person or (ii) any guarantee or indemnity in respect of any Obligation of the Issuer or any other person, without at the same time securing the Notes, the Receipts and the Coupons and all amounts payable under the Trust Deed equally and rateably therewith to the satisfaction of the Trustee or providing such other security therefor which the Trustee in its absolute discretion shall deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

"Obligation" means any present or future indebtedness evidenced by notes, bonds, debentures (as defined in Section 744 of the Companies Act 1985) or other securities which, except where it is the intention of the Issuer or the relevant Subsidiary that such securities will not be so quoted or traded, are, at the request or with the concurrence of the Issuer or such Subsidiary, quoted or traded for the time being on any stock exchange or other generally recognised market for securities, excluding any secured loan stock listed on the London Stock Exchange Limited denominated or payable in Sterling and initially distributed primarily to investors in the United Kingdom.

4. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount(s) so specified.

If interest is required to be calculated for a broken period ending on a payment date other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Terms and Conditions, "Fixed Day Count Fraction" means:

- (i) if "Actual/Actual – ISMA" is specified in the applicable Pricing Supplement, the actual number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date divided by the product of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) scheduled Interest Payment Date (an "Interest Period") and the number of Interest Payment Dates that would occur in one year assuming interest was to be payable in respect of the whole of that year; and
- (ii) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month,

in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, "Business Day" means a day which is both:

- (A) 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 any Additional Business Centre specified in the applicable Pricing Supplement; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland or Sydney, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open. In these Terms and Conditions, "TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 1991 ISDA Definitions (as supplemented by the 1998 Supplement and the 1998 ISDA Euro Definitions), each as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), (i) "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions, (ii) the definition of "Banking Day" in the ISDA Definitions shall be amended to insert after the words "are open for" in the second line the word "general" and (iii) "Euro-zone" means the region comprised of Member States of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as further amended from time to time.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) *Minimum and/or Maximum Interest Rate*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"Floating Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if "Actual/365" or "Actual/Actual – ISDA" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (v) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) *Determination or Calculation by Trustee*

If for any reason the Agent or, as the case may be, the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case

may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent (and, where practicable, in accordance with this Condition).

(vii) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Trustee, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, the Trustee or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(d) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

5. Payments

(a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland or Sydney, respectively); and
- (ii) payments in euro will be made by credit or transfer a euro account (or any other account to which euro may be credited or transferred) specified by the payee or by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7. References to "Specified Currency" will include any successor currency under applicable law.

(b) Presentation of Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against surrender of the relevant Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Linked Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by such Paying Agent and such record shall be *prima facie* evidence that the payment in question has been made.

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Cedelbank or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such global Note must

look solely to Cedelbank or Euroclear, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(c) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 8) is:

- (i) 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:
 - (A) the relevant place of presentation;
 - (B) London; and
 - (C) any Additional Financial Centre specified in the applicable Pricing Supplement; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Business Centre and which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland or Sydney, respectively) or (2) in relation to any sum payable in euro a day on which the TARGET system is open.

(d) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(c)(iii)); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

6. Redemption and Purchase

(a) At Maturity

Unless previously redeemed or purchased and surrendered for cancellation as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of the aforementioned notice that:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer shall, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee;

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant

Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Higher Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Cedelbank and/or Euroclear, in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least 5 days prior to the Selection Date.

(d) Redemption at the Option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable unless the Issuer otherwise agrees.

(e) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") equal to the sum of:

(A) the Reference Price; and

(B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (I) in the case of a Zero Coupon Note other than a Zero Coupon Note payable in euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (II) in the case of a Zero Coupon Note payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (in either case) on such other calculation basis as may be specified in the applicable Pricing Supplement.

(f) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and surrendered for cancellation pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amount shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (i) by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; or
- (ii) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (iii) in the United Kingdom.

As used herein, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

8. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

9. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall, (but, in the case of the happening of any of the events mentioned in sub-paragraphs (ii) to (viii) inclusive below (other than the winding-up of, or the appointment of an administrative or other receiver of the whole or any part of the undertaking or assets of, the Issuer), only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and payable at the Early Redemption Amount (as defined in Condition 6(e)), together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing:

- (i) if default is made for a period of seven days or more in the payment of any principal in respect of the Notes or any of them or for a period of 14 days or more in the payment of any interest in respect of the Notes or any of them; or
- (ii) if an order is made or an effective resolution passed for winding-up the Issuer or any Material Subsidiary (as defined below) (except, in the case of a Material Subsidiary, a winding-up for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in

writing by the Trustee, or a voluntary solvent winding-up in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to the Issuer or a Subsidiary); or

- (iii) if the Issuer or any Material Subsidiary stops or threatens to stop payment generally or ceases or threatens to cease to carry on its business or a substantial part of its business (except, in the case of a Material Subsidiary, a cessation or threatened cessation for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee, or in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to the Issuer or a Subsidiary); or
- (iv) if an encumbrancer takes possession or an administrative or other receiver is appointed of the whole or any material part of the undertaking or assets of the Issuer or any Material Subsidiary or if a distress, execution or any similar proceeding is levied or enforced upon or sued out against any of the chattels or property of the Issuer or any Material Subsidiary and is not discharged within 21 days; or
- (v) if the Issuer or any Material Subsidiary is deemed unable to pay its debts within the meaning of Section 123(1)(b), (c) or (d) of the Insolvency Act 1986, or the Issuer or any Material Subsidiary becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or the Issuer or any Material Subsidiary otherwise becomes insolvent, or the Issuer or any Material Subsidiary suspends making payments (whether of principal or interest) with the respect to all or any class of its debts or announces an intention to do so or if an administration order in relation to the Issuer or any Material Subsidiary is made; or
- (vi) if any kind of composition, scheme of arrangement, compromise or other similar arrangement involving the Issuer or any Material Subsidiary and the creditors of any of them generally (or any class of such creditors) is entered into or made; or
- (vii) if any indebtedness for Moneys Borrowed (as defined below) having an aggregate outstanding principal amount of at least £5,000,000 (or its equivalent in any other currency or currencies at the date declared due) of the Issuer 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 the Issuer or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £5,000,000 (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 the Issuer 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; or
- (viii) if default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and, except where, in the opinion of the Trustee, such default is not capable of remedy (in which case the Notes will become due and repayable subject to, and immediately upon, the Trustee certifying and giving notice as aforesaid), such default continues for 30 days after written notice thereof by the Trustee to the Issuer requiring the same to be remedied.

"Material Subsidiary" means (a) a Subsidiary of the Issuer whose profits before tax and extraordinary items or whose net assets (in each case attributable to the Issuer) calculated by reference to any of its latest three years' 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 the Issuer), as the case may be, of the Issuer and its Subsidiaries similarly calculated, all as more particularly defined in the Trust Deed, and (b) in addition, for the purposes of subparagraph (vii) above, a Subsidiary which has outstanding any notes, bonds or other like securities of which the Trustee is trustee. A report by the Auditors 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.

At any time after the Notes become due and repayable and have not been repaid, the Trustee may at its discretion and without further notice take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Notes and the relative Receipts and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Notes or so requested in writing by holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction. No holder of a Note, or of a Receipt or Coupon appertaining thereto, shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

10. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. Agent and Paying Agents

The names of the initial Agent in respect of the Notes and the other initial Paying Agents in respect of the Notes and their initial specified offices are set out below.

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee outside the United Kingdom and there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in a country in western continental Europe which is not a member of the European Community; and
- (iii) there will at all times be an Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) if not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

12. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or

any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. Notices

All notices regarding the Notes will be valid if published (i) in a leading English language daily newspaper of general circulation in London and (ii) (in respect of any Notes listed on the *Paris Bourse* (so long as that exchange requires)) in a French language daily newspaper of general circulation in Paris. It is expected that such publication will be made in the *Financial Times* or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and *Les Echos* in Paris. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication has been made in all the required newspapers.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange, such stock exchange permits), so long as the global Note(s) is or are held in its/their entirety on behalf of Cedelbank and Euroclear, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Cedelbank and Euroclear for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Cedelbank and Euroclear.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Cedelbank and/or Euroclear, as the case may be, in such manner as the Agent and Cedelbank and/or Euroclear, as the case may be, may approve for this purpose.

14. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Terms and Conditions, the Notes, the Receipts, the Coupons or certain provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Terms and Conditions, the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than three-quarters, or at any adjourned such meeting not less than a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these

Terms and Conditions, the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders 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 Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder 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 Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. Substitution

The Trustee may, without the consent of the Noteholders, the Receiptholders or the Couponholders, agree with the Issuer to the substitution of any Subsidiary of the Issuer in place of the Issuer (or of any previous substitute under this provision) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, subject to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions set out in the Trust Deed being complied with (including the Issuer unconditionally and irrevocably guaranteeing that Subsidiary's obligations in respect of the Notes, the Receipts and the Coupons).

17. Indemnification

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

18. Governing law

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

TESCO PLC

Introduction

The Issuer and its consolidated subsidiaries, (the "Group"), is the leading food retailer in the United Kingdom and Republic of Ireland, and also has smaller operations in France, Central Europe, Thailand and South Korea. The market capitalisation of the Company as at the close of business on 27th February, 1999 was approximately £11.8 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. Tesco PLC is the overall holding company of the Group.

As at 27th February, 1999 the Group operated 821 stores including 639 stores in the UK and 182 stores overseas giving a total sales area of 21.4 million sq. ft.

For the financial year ended 27th February, 1999, Group turnover was £18.55 billion, an increase of 6.3 per cent. over the prior year and underlying profit before taxation was £881 million, an increase of 7.8 per cent. over the prior year.

History

Tesco Stores Limited was founded as a private limited company in 1931 by the late Sir John Cohen. In 1947, Tesco PLC, which had become the holding company for the Group, was floated as a public company.

In the late 1940s, the Group played a leading role in the self-service revolution in the United Kingdom. In 1947, the Group traded from about 100 small grocery shops mostly in and around London and, in the same year, the first self-service store was opened in St. Albans, Hertfordshire. By 1950, 20 self-service stores had been established.

In 1956, the first supermarket store (with a sales area of over 10,000 sq.ft) was opened in Maldon, Essex and the Group expanded its range to include fresh foods.

The modern business

In the late 1970s and throughout the 1980s, Tesco developed its modern U.K. superstore business. This involved a heavy investment in new larger superstores, the closure of many smaller stores, the evolution of a quality, own brand range of products (today over 50 per cent. of grocery sales), all backed by modern electronic checkout systems, centralised distribution and, in the 1990s, semi-automatic reordering.

Today, Tesco operates the largest number of superstores in the U.K. and has a market leading share of 15.8 per cent. (at December 1998). It is one of the best known retail brand names in the U.K. Its Clubcard, a card which offers its holders/members a discount on their Tesco purchases as well as other benefits, was launched in 1995 and now has 10 million holders, making it the U.K.'s biggest club. Clubcard has also assisted Tesco in its plans to be one of the first U.K. food retailers to offer its customers personal financial services. In February 1997, a joint venture with the Royal Bank of Scotland offering personal financial services was announced and now offers customers payment and credit cards and savings, insurance and loan products.

In the 1990s, Tesco has begun to invest abroad in a series of acquisitive moves. Global and Savia (chains of smaller stores operating in Hungary and Poland respectively) were acquired in 1994 and 1995. In 1996, Tesco purchased the 13 department stores of K-Mart, the U.S. retailer, in the Czech Republic and Slovakia. In March 1997, Tesco acquired, at a cost of £643 million, the market leading Irish food retail business of AB Foods, which trades as Quinnsworth and Crazy Prices in the Republic of Ireland and Stewarts and Crazy Prices in Northern Ireland. In May 1998, Tesco acquired a controlling interest in Lotus, one of the leading retailers in Thailand, which then operated 13 large hypermarkets with a total selling area of around 1.6 million sq. ft. In April 1999 Tesco formed a partnership company with Samsung Corporation to acquire two hypermarkets in South Korea.

As at February, 1999, Tesco had 1 store in France, 44 stores in Hungary, 32 stores in Poland, 8 stores in the Czech Republic, 7 stores in Slovakia, 76 supermarkets in the Republic of Ireland and (through Lotus) 14 stores in Thailand.

Store development

In the U.K., the main vehicle for the Group's historic development programme was the superstore. These were typically single storey buildings of 25-55,000 sq. ft net selling area, located on edge-of-town sites of eight acres or more with ample, flat, free car-parking, usually with a petrol station, operated by Tesco, on the site. However, in the 1990s, Tesco has also evolved three parallel formats: the in-town Metro store (normally 10-15,000 sq. ft.), the Express petrol forecourt/convenience store and the 'Compact' superstore. The latter is typically a 15-25,000 sq. ft store designed for smaller catchments/towns.

Abroad, whilst the bulk of the existing presence is in the Republic of Ireland, the main current development plans are in Central Europe and Asia where Tesco plans to develop hypermarkets (typically 60-100,000 sq. ft. net selling area) offering a full range of food and non-food products.

Store opening programme

United Kingdom

During the last financial year Tesco opened a total of 25 stores: 4 superstores, 16 Compacts, 1 Metro, 2 Expresses and 2 Extras, a total of 635,000 sq. ft. In addition there were 202,000 sq. ft of extensions to existing stores. In 1999/2000 Tesco plans to add around 713,000 sq. ft. of new space (11 superstores, 12 Compacts, 1 Metro and 2 Expresses) as well as around 250,000 sq. ft. of extensions.

Overseas

In 1998 Tesco opened 7 hypermarkets outside the UK. These included 3 in Hungary, 2 in the Czech Republic, 1 in Poland and 1 in Thailand, giving a total of 713,000 sq. ft. In 1999 Tesco plans to open 13 stores overseas comprising 4 in Hungary, 3 in Poland, 2 in Slovakia, 1 in the Czech Republic and 3 in Thailand giving a total of almost 1.5 million sq. ft.

Capital Expenditure and Financing

During the financial year ended 27th February, 1999, Group capital expenditure was £1.1 billion (compared to £841 million in the financial year ended 28th February, 1998). This comprised £848 million in the United Kingdom, £192 million in Europe and £27 million in Thailand. In the current financial year, Group capital expenditure is expected to be slightly higher, reflecting maintained expenditure in the United Kingdom and a higher level in Europe and Asia relating to the build up of the Group's new store development programmes in those regions.

Other recent developments

As part of his address at the Annual General Meeting on 4th June, 1999, John Gardiner, the Chairman, made the following statement: "In the first quarter of our new financial year Group sales have increased by 9.6 per cent. and UK sales are ahead by 7.1 per cent. with like-for-like stores contributing 3.7 per cent. These sales are in line with our expectations and represent a solid start to the year".

Board of Directors of the Issuer

The directors, as at 21st July, 1999 are:

J. A. Gardiner	<i>Chairman</i>
T. P. Leahy	<i>Chief Executive</i>
D. E. Reid, CA	<i>Deputy Chairman</i>
R. S. Ager	<i>Company Secretary</i>
C. L. Allen	<i>Non-Executive Director</i>
P. A. Clarke	<i>Supply Chain and Distribution</i>
Dr. H. Einsmann	<i>Non-Executive Director</i>
J. Gildersleeve	<i>Commercial and Trading Director</i>
A. T. Higginson	<i>Finance Director</i>
T. J. R. Mason	<i>Marketing Director</i>
J. Melbourn, CBE	<i>Non-Executive Director</i>
Baroness O'Cathain, OBE	<i>Non-Executive Director</i>
G. F. Pimlott	<i>Non-Executive Director</i>
D. T. Potts	<i>Head of Operations in Northern Ireland and the Republic of Ireland</i>
J. M. Wemms	<i>Retail Director</i>

The business address of each of the above is Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL.

Their principal activities outside the Group which are significant with respect to the Group are:

J. Melbourn, CBE	<i>Non-Executive Director of National Westminster Bank Plc</i>
G. F. Pimlott	<i>Chairman, Corporate Finance Division of Barclays Bank PLC (formerly Barclays de Zoete Wedd Limited)</i>

CAPITALISATION AND INDEBTEDNESS OF TESCO PLC

The following table sets out the audited consolidated share capital and reserves and indebtedness of the Group at 27th February, 1999.

	<i>£m</i>
Share capital and reserves at 27th February, 1999	
Issued Ordinary shares of 5p each (authorised £135,500,000)	339
Share premium account	1,577
Other reserves	40
Profit and loss account	2,426
Total share capital and reserves	<u>4,382</u>
Indebtedness at 27th February, 1999	
Amounts falling due within one year	
Secured	
Bank loans (Note 2)	<u>9</u>
Unsecured	
Bank loans and overdrafts (Note 1)	802
Finance leases	19
	<u>821</u>
Amounts falling due after more than one year	
Secured	
Other loans (Note 2)	<u>22</u>
Unsecured	
4% unsecured deep discount loan stock 2006 (Note 3)	87
Finance leases	8
10 ³ / ₈ % bonds 2002	200
8 ³ / ₄ % bonds 2003	200
7 ¹ / ₂ % bonds 2007	325
5 ¹ / ₈ % bonds 2009	150
Medium term notes	226
	<u>1,196</u>
TOTAL	<u><u>2,048</u></u>

Notes

1. Bank deposits at subsidiary undertakings of £767m have been offset against debts in the parent company under a legal right of set-off.
2. £9 million of bank loans due within one year and £22m of other loans due after more than one year are secured on various properties.
3. The 4% unsecured deep discount loan stock is redeemable at a par value of £125m in 2006.
4. Save as set out above and excluding inter-company arrangements the Group did not have outstanding at 27th February, 1999 any loan capital (either issued or created but unused), term loans or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits, mortgages, hire purchase commitments, material guarantees or material contingent liabilities.
5. There has been no material change in borrowings or indebtedness in the nature of borrowings or contingent liabilities or in share capital and reserves of the Group since 27th February, 1999.

UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to the taxation of the Notes. It applies to persons who beneficially own the Notes and some aspects do not apply to certain classes of taxpayer (such as dealers). Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Interest on the Notes

1. Where interest is payable on Notes which have a maturity of less than one year, the interest is not "yearly interest" for the purposes of section 349 of the Income and Corporation Taxes Act 1988 (the "Act"), and accordingly, payments of interest on those Notes may be made without withholding on account of United Kingdom income tax.

2. Paragraphs 3 to 9 below are subject to paragraphs 10 to 13 below, which deal with the treatment of amounts which are distributions. Amounts which are distributions are not within section 349 of the Act, and accordingly payments of those amounts may be made without withholding on account of United Kingdom income tax.

3. The Notes will constitute "quoted Eurobonds" within the meaning of section 124 of the Act as long as they are interest bearing and continue to be in bearer form and listed on a "recognised stock exchange" within the meaning of section 841 of the Act. The London Stock Exchange and Paris Bourse are currently recognised for these purposes. Accordingly, payments of interest on Notes which are quoted Eurobonds may be made without withholding on account of United Kingdom income tax:

- (a) where payment is made by or through an overseas paying agent; or
- (b) where payment is made by or through a paying agent in the United Kingdom and either:
 - (i) the beneficial owner of the Notes and the related Coupons is not resident in the United Kingdom; or
 - (ii) the Notes are held in a recognised clearing system within the meaning of section 841A of the Act;

and, in the case of (b), any other administrative conditions imposed by regulations made under the Act have been satisfied.

4. In respect of all other Notes, which do not fall within paragraph 1 or 3 above, an amount must be withheld on account of income tax at the lower rate (currently 20 per cent.), subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty.

5. Where a person in the United Kingdom in the course of a trade or profession either:

- (a) acts as custodian of the Notes and receives interest on the Notes or directs that interest on the Notes be paid to another person or consents to such payment; or
- (b) collects or secures payment of or receives interest on the Notes for a Noteholder or a Couponholder whether by means of Coupons or otherwise (except by means solely of clearing a cheque or arranging for the clearing of a cheque),

(a "collecting agent") the collecting agent will be required to withhold on account of income tax at the lower rate unless:

- (i) the relevant Notes are held in a "recognised clearing system" and the collecting agent either:
 - (A) pays or accounts for the interest directly or indirectly to the "recognised clearing system"; or
 - (B) is acting as depository for the "recognised clearing system"; or
- (ii) the person beneficially entitled to the interest and who beneficially owns the relevant Notes is not resident in the United Kingdom; or

- (iii) the interest arises to trustees not resident in the United Kingdom of certain discretionary or accumulation trusts (where, *inter alia*, none of the beneficiaries of the trust is resident in the United Kingdom); or
- (iv) the person beneficially entitled to the interest is eligible for certain reliefs from tax in respect of the interest; or
- (v) the interest falls to be treated as the income of, or of the government of, a sovereign power or of an international organisation; or
- (vi) the Notes and the interest are beneficially owned by a person falling into one of certain specified categories, or one of certain other circumstances apply, in each case as prescribed by regulations made under the Act which would apply, for example, to Notes held under a personal equity plan, in a pension funds pooling scheme or in a superannuation fund.

In the case of each of the above exceptions (except (i)(B)), further administrative conditions imposed by the regulations referred to above may have to be satisfied for the relevant exception to be available.

6. Interest on the Notes constitutes United Kingdom source income for United Kingdom tax purposes and, as such, may be subject to income tax by direct assessment, even where paid without withholding.

In respect of Notes issued at a discount, payments in respect of the accrued discount will not be made subject to any withholding or deduction on account of United Kingdom income tax as long as they do not constitute payments in respect of interest. Payments in respect of the accrued discount constitute United Kingdom source income for tax purposes, however, and, as such, may be subject to income tax by direct assessment, even where paid without withholding or deduction.

Nevertheless, interest or payments in respect of the accrued discount with a United Kingdom source received without withholding or deduction on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

United Kingdom Corporation Tax Payers

7. In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax on all returns on and fluctuations in value of the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment. Such Noteholders will generally be charged to tax in each accounting period by reference to interest (and discount) accrued in that period.

Other United Kingdom Tax Payers

Taxation of Chargeable Gains

- 8. (a) Notes which are denominated in Sterling (where the amount of Sterling does not fall to be determined by reference to the value of any other currency or asset), which do not contain any provision for conversion into, or redemption in, a currency other than Sterling, which are normal commercial loans for tax purposes, or which are Relevant Discounted Securities within the definition of paragraph 9, below, will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of such Notes will not give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains.
- (b) However, Notes which are not within paragraph 7(a) above, will not constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. A disposal of such Notes by an individual Noteholder who is resident or ordinarily resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to

which the Notes are attributable, may give rise to a chargeable gain or allowable loss for the purpose of the United Kingdom taxation of chargeable gains. A Noteholder who is an individual and who has, on or after 17th March, 1998, ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years and who disposes of such Notes during that period, may also be liable to United Kingdom taxation of chargeable gains.

Accrued Income Scheme

9. On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable. Any amounts chargeable to tax under this paragraph 9 will be excluded in computing any chargeable gain arising within paragraph 8.

Taxation of discount

10. Certain of the Notes which may be issued at a discount or redeemable at a premium may constitute "relevant discounted securities" for the purposes of Schedule 13 to the Finance Act 1996 ("Relevant Discounted Securities"). Therefore, individual Noteholders who are resident or ordinarily resident in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, will be liable to United Kingdom income tax on any profit made on the sale or other disposal (including redemption) of the Notes. No charge to tax under paragraph 8 will arise on a disposal of such Notes by an individual Noteholder.

Distributions

11. Subject to paragraph 12 below, depending on the terms and conditions of particular Notes, payments under the Notes may be treated as distributions for tax purposes. Examples of when payments under the Notes may be treated as distributions include (i) where the consideration given by the Issuer to a Noteholder in respect of the principal secured by the Notes is to any extent dependent on the results of the Issuer's business or part of it for the purposes of section 209(2)(e)(iii) of the Act, then so much of any payment on the Notes that represents an amount in excess of the principal secured (which excludes any amounts in excess of the amounts paid up on the Notes) by the Notes shall be a distribution or (ii) where the consideration given by the Issuer to a Noteholder for the use of the principal amount exceeds more than a reasonable commercial return for the use of the principal, the amount by which the return exceeds a reasonable commercial will be treated as a distribution. A payment under Notes can also fall to be treated as a distribution in other circumstances.

12. Where any interest or other distribution paid in respect of the Notes to a Noteholder which falls within paragraph 11(i) above is paid to another company within the charge to United Kingdom corporation tax (which does not fall within certain categories of tax exempt bodies (such as pension funds or charities)), that payment shall not be a distribution.

13. An individual Noteholder who is resident for tax purposes in the United Kingdom will be entitled to a tax credit in respect of any distribution received from the Issuer and will be taxable on the aggregate of the distribution and the tax credit (the "gross distribution"). The value of the credit is currently 10 per cent. Basic and lower rate taxpayers are taxed at the ordinary Schedule F rate of 10 per cent.; higher rate taxpayers pay 32.5 per cent. Non-taxpayers cannot receive a repayment in respect of the credit.

14. A non-United Kingdom tax resident Noteholder is not generally entitled to any significant payment in respect of a tax credit in respect of any distribution received.

Stamp Duty and SDRT

15. Except as set out below, no stamp duty or stamp duty reserve tax ("SDRT") is payable on the issue of the Notes or the transfer of the Notes by delivery.

In the case of Notes which carry a right to interest the amount of which falls to be determined to any extent by reference to the results of, or any part of, a business or to the value of any property, unless (a) the Notes are, or a depositary receipt for them is, listed on a recognised stock exchange; and (b) the Notes do not carry a right of conversion into, or acquisition of, shares or other securities by the exercise of which securities which are not listed on a recognised stock exchange may be obtained; and (c) certain other conditions specified in section 105 of the Finance Act 1997 are satisfied, SDRT at a rate of 0.5 per cent. may be payable on a transfer of the Notes.

If the provisions of the 1999 Finance Bill are enacted in their current form, an SDRT charge of 1.5 per cent. of the issue price of the relevant Notes will arise on the issue of Notes into a clearing or depository system if the Notes are denominated in a currency other than sterling and either:

- (a) are not loan capital; or
- (b) are loan capital but carry conversion or exchange rights, rights to excessive amounts of interest, or to interest which is calculated by reference to the performance of a business or to the value of some property, or rights to a premium which is not reasonably comparable with the premium payable on a security listed on the London Stock Exchange.

However, in the case of Notes falling within (b) above the SDRT charge will not apply if the Notes are issued solely for cash.

Proposed EU Withholding Tax Directive

16. In 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige Member States to adopt either a "withholding tax system" or an "information reporting system" in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted, and if it is adopted, whether it will be adopted in its current form. The "withholding tax system" would require a paying agent established in a Member State to withhold tax at a minimum rate of 20 per cent. from any interest, discount or premium paid to an individual resident in another Member State unless such an individual presents a certificate obtained from the tax authorities of the Member State in which he is resident confirming that those authorities are aware of the payment due to that individual. The "information reporting system" would require a Member State to supply, to the other Member States, details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. For these purposes, the term "paying agent" is widely defined and includes an agent who collects interest, discounts, or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discounts and premiums made before 1st January, 2001.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated dealer agreement (the "Dealer Agreement") dated 21st July, 1999, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each issue of Index Linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to Notes which have a maturity of one year or more and which are to be listed on the London Stock Exchange, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the "FSA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 as amended or the FSA;
- (ii) in relation to Notes which have a maturity of one year or more and which are not to be listed on the London Stock Exchange, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United

Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

- (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of any Notes, other than, in relation to any Notes to be listed on the London Stock Exchange, any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the FSA, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on; and
- (iv) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

France

The Dealer Agreement contains a full description of the selling restrictions that may apply in France with respect to a particular issue of Notes and the paragraphs set out below apply only to issues of Notes ("obligations") in euro (whether on a syndicated or non-syndicated basis).

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in and in accordance with Article 6 of ordonnance no. 67-833 dated 28th September, 1967 (as amended) and décret no. 98-880 dated 1st October, 1998.

Investors in the Republic of France may only participate in the issue of Notes for their own account in accordance with the conditions set out in décret no. 98-880 dated 1st October, 1998. Notes may only be issued, directly or indirectly, to the public in the Republic of France in accordance with articles 6 and 7 of ordonnance no. 67-833 dated 28th September, 1967 (as amended). Where an issue of Notes is effected as an exception to the rules relating to an *appel public à l'épargne* in the Republic of France (public offer rules) by way of an offer to a restricted circle of investors, such investors must to the extent that the Notes are offered to 100 or more of such investors, provide certification as to their personal, professional or family relationship with a member of the management of the Issuer.

Germany

In connection with the initial placement of any Notes in Germany, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer and sell Notes (i) unless otherwise provided in the relevant subscription agreement or the applicable Pricing Supplement in the case of an issue made on a syndicated basis, only for an aggregate purchase price per purchaser of at least DM 80,000 (or the foreign currency equivalent) or such other amount as may be stipulated from time to time by applicable German law or (ii) as may otherwise be permitted in accordance with applicable German law.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other or additional restrictions as the Issuer and the relevant Dealer shall agree to be appropriate and as shall be set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes thereunder have been duly authorised by resolutions of the Board of Directors of the Issuer dated 14th July, 1997 and 14th July, 1999.

Listing of Notes on the London Stock Exchange

The listing of Notes on the London Stock Exchange will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List of the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a temporary global Note initially representing the Notes of such Tranche. The listing of the Programme in respect of such Notes is expected to be granted on or before 21st July, 1999.

Listing of Notes on the Paris Bourse

It is strongly recommended by the French Ministry of the Economy, Finance and Industry that Notes denominated in French francs or euro should be listed on the Paris *Bourse* particularly, but not exclusively, where such Notes are to be offered publicly in France. The following procedures will apply, *inter alia*, to Paris Listed Notes:

(i) *Commission des Opérations de Bourse (COB)*

Prior to the listing of any Notes on the Paris *Bourse*, the Pricing Supplement applicable to such issue of Notes is currently required to be approved at the time of the relevant issue. The relevant approval in relation to each issue will be evidenced by the issue of a *visa* by the COB. The *visa* number will be disclosed in the Pricing Supplement applicable to the relevant Notes.

The relevant approval in relation to this Offering Circular has been evidenced by the issue of registration no. P99-335 dated 19th July, 1999.

(ii) *Bulletin des Annonces Légales Obligatoires (BALO)*

Prior to the listing of Notes on the Paris *Bourse* details of the relevant issue of Notes will be published (in the form of a *notice légale*) in the BALO.

(iii) *ParisBourse^{SBF} SA (SBF)*

The listing of Notes on the Paris *Bourse* is subject to approval by the SBF. Such approval will be evidenced by publication in the *Bulletin de la ParisBourse^{SBF} SA*.

(iv) *Filing of Constitutive Documents*

Prior to the listing on the Paris *Bourse* of any Notes, a French translation of the Issuer's memorandum and articles of association will be filed with the *Greffé du Tribunal de Commerce* of Paris.

(v) *Documents available for inspection*

In the case of Paris Listed Notes, the applicable Pricing Supplement will specify the additional places in Paris at which documents incorporated herein by reference (or otherwise required to be made available for inspection) may be inspected during normal business hours or received (free of charge). The Issuer has undertaken to make such documents available as so required.

Clearing Systems

The Notes have been accepted for clearance through Cedelbank and Euroclear. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Cedelbank and Euroclear will be specified in the relevant Pricing Supplement. If the Notes are to be cleared through an additional or alternative clearing system (including Sicovam) the appropriate information will be specified in the relevant Pricing Supplement.

Significant or Material Change

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or of the Group and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 27th February, 1999.

Litigation

Neither the Issuer nor any member of the Group is or has been involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Group.

Auditors

The consolidated accounts of the Group for the years ended 22nd February, 1997 and 28th February, 1998 were audited, by Price Waterhouse, Chartered Accountants, and for the year ended 27th February, 1999 were audited by PricewaterhouseCoopers, Chartered Accountants, in accordance with generally accepted auditing standards in the United Kingdom and reported on without qualification. On 1st July, 1998 Price Waterhouse merged its business with Coopers & Lybrand to form a new partnership called PricewaterhouseCoopers.

Accounts

The financial information contained in this Offering Circular does not constitute statutory accounts (within the meaning of Section 240 of the Companies Act 1985) (the "Companies Act")) for any year or other period. Statutory accounts for the years ended 22nd February, 1997, 28th February, 1998 and 27th February, 1999 have been or will be delivered to the Registrar of Companies in England and Wales.

European Monetary Union

The third stage of European economic and monetary union commenced on 1st January, 1999 when the value of the euro as against the currencies of the member states participating in the third stage was irrevocably fixed and the euro became a currency in its own right. Each euro is denominated into 100 cents and, for a transitional period of three years, into participating member currencies at the following fixed exchange rates:

Austrian schilling	13.7603	Irish punt	0.787564
Belgian franc	40.3399	Italian lira	1936.21
Dutch guilder	2.20371	Luxembourg franc	40.3399
Finnish markka	5.94573	Portuguese escudo	200.482
French franc	6.55957	Spanish peseta	166.386
German mark	1.95583		

With effect from 1st January, 2002 the participating member currencies will cease to exist.

Banking Act 1987 (Exempt Transactions) Regulations 1997

Issues of Notes which are to be exempt transactions under regulation 13(1) or (3) of the Banking Act 1987 (Exempt Transactions) Regulations 1997 (the "Regulations") will constitute commercial paper or shorter term debt securities or longer term debt securities (in each case as defined in the Regulations), as specified in the applicable Pricing Supplement, in each case issued in accordance with regulations made under Section 4 of the

Banking Act 1987. The Issuer is neither an authorised institution nor a European authorised institution (as such terms are defined in the Regulations) and repayment of the principal and payment of any interest or premium in connection with such Notes will not be guaranteed.

In relation to any issues of Notes which are to be exempt transactions under regulation 13(3) of the Regulations where such Notes would fall within regulation 13(4)(a) or (b) of the Regulations:

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

In relation to issues of Notes which are to be exempt transactions under regulation 13(3) of the Regulations and fall within Regulation 13(4)(b), the Issuer has complied and will continue to comply with its obligations under the Regulations to lodge all relevant information (as defined in the Regulations) in relation to any such Notes with the London Stock Exchange.

Documents Available

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Agent in London and, so long as any of the Notes is listed on the *Paris Bourse*, the specified office in Paris of the Paris Listing Agent:

- (i) the Memorandum and Articles of Association of the Issuer;
- (ii) the consolidated audited financial statements of the Group in respect of the financial years ended 28th February, 1998 and 27th February, 1999;
- (iii) the most recently published audited annual financial statements of the Group and the most recently published interim financial statements (if any) of the Group;
- (iv) the Dealer Agreement, the Trust Deed, the Agency Agreement and the Schedule of Forms (containing the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Receipts and the Coupons and the Talons);
- (v) this Offering Circular;
- (vi) any future offering circulars, supplementary listing particulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent or the Paris Listing Agent, as the case may be, as to its holding and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

PARIS BOURSE RESPONSIBILITY STATEMENT

**PERSONNES QUI ASSUMENT
LA RESPONSABILITÉ DU DOCUMENT DE BASE
EN CE QUI CONCERNE LES TITRES QUI SERONT ADMIS A LA NEGOTIATION
AU PREMIER MARCHE DE LA PARISBOURSE^{SBF} SA**

1. Au nom de l'émetteur

A la connaissance de l'émetteur, les données du présent Document de Base sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

TESCO PLC
John Bailey
Deputy Company Secretary

2. Au nom de la banque présentatrice

Personne assumant la responsabilité du présent Document de Base.

Morgan Stanley S.A.
Victoria Emmerson
Associate

COMMISSION DES OPERATIONS DE BOURSE

En vue de la cotation à Paris des obligations éventuellement émises dans le cadre de ce Programme, et par application des articles 6 et 7 de l'ordonnance no. 67-833 du 28 septembre 1967, la Commission des Opérations de Bourse a enregistré le présent Document de Base sous le no. P99-335 du 19 juillet 1999.

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