

OFFER OF CONVERSION TO HOLDERS OF
8% TREASURY STOCK 2009
TO CONVERT INTO 5¾% TREASURY STOCK 2009

Application will be made to the London Stock Exchange for 5¾% Treasury Stock 2009 issued as a result of this conversion to be admitted to the Official List.

1 THE UNITED KINGDOM DEBT MANAGEMENT OFFICE (“DMO”) invites holders of 8% Treasury Stock 2009 to convert all or part of their holdings into 5¾% Treasury Stock 2009 with effect from 16 November 1998 at the rate of £116.85 nominal of 5¾% Treasury Stock 2009 per £100 nominal of 8% Treasury Stock 2009. The conversion rate has been calculated on a “dirty price” basis (ie the clean price plus accrued interest) and on an actual/actual daycount basis for forward settlement on Monday, 16 November 1998. An amount equal to 52 days’ gross accrued interest on 8% Treasury Stock 2009 and 109 days’ gross accrued interest on 5¾% Treasury Stock 2009 has been factored into the conversion rate. Therefore no further interest payments will be made on holdings of 8% Treasury Stock 2009 on which the conversion option has been exercised (see paragraph 3 for details of the interest payment arrangements for 5¾% Treasury Stock 2009).

2 Holders who do not wish to convert any part of their holdings need do nothing.

5¾% Treasury Stock 2009

3 5¾% Treasury Stock 2009 issued as a result of the conversion will be fungible in all respects with the existing stock from the date of conversion (16 November 1998) and will be subject to the provisions of the prospectus dated 21 July 1998 and the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock dated 12 May 1998 (the “Information Memorandum”). Stockholders who convert their holdings will therefore qualify for the first interest payment on 5¾% Treasury Stock 2009 which is payable on 7 December 1998 at the rate of £2.042350 per £100 nominal of stock. Holdings of 8% Treasury Stock 2009 in respect of which the conversion option is exercised will be on the basis that they are surrendered free from all liens, charges and encumbrances and with all the rights now or hereafter attaching to them.

Method of acceptance

(i) For holdings on the Bank of England Register

4 Copies of this notice are being sent by post to holders of 8% Treasury Stock 2009 on the Bank of England Register.

5 Stockholders who are members of the CGO Service should read paragraph 6. Stockholders who are not members of the CGO Service (ie their holding is represented by a stock certificate) should read paragraphs 7 and 8.

Stockholders who are members of the CGO Service

6 In the case of stockholders who are members of the CGO Service, acceptance of the offer will be effected by the input, and subsequent settlement, of an Unmatched Stock Event (“USE”) transaction to the CGO system. The USE transaction should cite the Bank of England, Registrar’s Department, as receiving agent; Participant ID “RA001”, Member Account ID “CONV”. The USE must have been received and allocated a Transaction ID by the CGO system by 12.30pm on THURSDAY, 12 NOVEMBER 1998. Settlement must have occurred by close of business on THURSDAY, 12 NOVEMBER 1998.

Stockholders who are **not** members of the CGO Service (ie their holding is represented by a stock certificate)

7 In the case of stockholders who are not members of the CGO Service acceptance forms are being sent to the sole or, in the case of joint holdings, the first-named holder. Holders who wish to convert all or part of their holdings should complete the acceptance form and send it with the stock certificate(s) to the Bank of England, Registrar’s Department, Registration Services (Conversions), PO Box 444, Gloucester, GL1 1UW to arrive NOT LATER THAN 12.30pm ON THURSDAY, 12 NOVEMBER 1998.

8 If a holder wishes to convert but cannot obtain an essential signature or document by 12.30pm on 12 November 1998, acceptance forms, completed so far as possible, should be lodged in accordance with paragraph 7 above,

accompanied by a letter from a bank, solicitor or other professional adviser giving the reason for the acceptance being incomplete and undertaking to put it in order as soon as possible; it may then be possible to give effect to the acceptance. If there is insufficient time for the acceptance form to be lodged before the close of the offer, the holder may notify acceptance by facsimile (fax number 01452 398449) quoting particulars to identify the account and specifying the amount of 8% Treasury Stock 2009 to be converted; this should be followed without delay by a completed acceptance form and certificate(s).

(ii) For holdings on the Bank of Ireland, Belfast, Register

9 Copies of this notice and acceptance forms are being sent, by post, to holders of 8% Treasury Stock 2009 on the Belfast Register. In the case of joint accounts, these are being sent to the first-named holder. Holders who wish to convert all or part of their holdings should so indicate in writing and enclose their stock certificate(s) and send the documents to arrive NOT LATER THAN 12.30pm ON THURSDAY, 12 NOVEMBER 1998 at the Registration Department, Bank of Ireland, Donegall House, 7 Donegall Square North, Belfast BT1 5LU.

Arrangements for conversion

10 Up to and including 15 November 1998, holdings in respect of which the conversion option has been exercised will be described on the register, and in respect of CGO members in CGO, as 8% Treasury Stock 2009 "Assented". Amounts of 5¾% Treasury Stock 2009 issued on conversion will immediately be amalgamated on the registers and in CGO with existing holdings of that stock. Certificates for non-CGO holdings of 5¾% Treasury Stock 2009 issued on conversion and a contract note showing the amount converted will be issued to stockholders as soon as possible after 16 November 1998.

11 Transfers of 8% Treasury Stock 2009 "Assented" may be registered in that form up to 13 November 1998. After that date, the transferees will be registered as holders of the appropriate amounts of 5¾% Treasury Stock 2009.

12 Where the conversion option has been exercised, any instructions for the payment of interest registered in respect of a holding of 8% Treasury Stock 2009 will be applied to the new holding of 5¾% Treasury Stock 2009.

Particulars of 5¾% Treasury Stock 2009

13 The terms of issue, set out in the prospectus dated 21 July 1998 and in the Information Memorandum, include the following provisions.

- (i) The principal and interest on the Stock is a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
- (ii) The Stock will be repayable at par on 7 December 2009.
- (iii) Interest is payable half-yearly on 7 June and 7 December.
- (iv) The Stock is strippable.
- (v) The prospectus for the Stock includes provision for exemption from United Kingdom taxation in favour of non-residents.
- (vi) The Stock is registered at the Bank of England or at the Bank of Ireland, Belfast, and is transferable in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service is also transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Under current legislation, transfers are free of stamp duty.

14 Additional copies of this notice and forms for the acceptance of the conversion offer may be obtained by post from the Bank of England, Registrar's Department, Registration Services (Conversions), Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Bank of Ireland, Donegall House, 7 Donegall Square North, Belfast BT1 5LU; or at any office of the London Stock Exchange.

15 Members of the CGO Service only may obtain further guidance about the arrangements set out above in relation to their CGO accounts by contacting the Central Gilts and Moneymarkets Office, Bank of England (0171-601 4782). Stockholders who are not members of the CGO may obtain further guidance on the conversion arrangements by contacting the Registrar's Department, Bank of England (01452 398048). Enquiries on the terms of the conversion offer may be made to the DMO on 0171-862 6501.

STOCKHOLDERS UNCERTAIN AS TO THE BEST COURSE TO FOLLOW SHOULD CONSULT THEIR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Government Statement

As explained in the statement issued by Her Majesty's Treasury on 29 May 1985, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor its servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, the further amount of 5¾% Treasury Stock 2009 is issued or sold by or on behalf of the Government. No responsibility can therefore be accepted for any omission to make such disclosure and any such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

UNITED KINGDOM DEBT MANAGEMENT OFFICE
LONDON

22 October 1998