

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (L), WATLING STREET, LONDON, EC4M 9AA NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 29TH OCTOBER 1986, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3 30 P.M. ON TUESDAY, 28TH OCTOBER 1986.

ISSUE BY TENDER OF £1,000,000,000

10 per cent TREASURY
 CONVERTIBLE STOCK, 1991

548

MINIMUM TENDER PRICE £96.25 PER CENT

PAYABLE AS FOLLOWS:

Deposit with tender	£40.00 per cent
On Monday, 24th November 1986	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 12TH JANUARY AND 12TH JULY

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.
2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
3. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be 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 Central Gilts Office Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.
4. Interest will be payable half-yearly on 12th January and 12th July. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 12th January 1987 at the rate of £1.6385 per £100 of the Stock.
5. Holdings of 10 per cent Treasury Convertible Stock, 1991 may, at the option of holders, be converted in whole or in part into either 9½ per cent Conversion Loan, 2001 or 9 per cent Conversion Loan, 2011 ("the Conversion Loans"), or any combination thereof, as on the following dates and at the indicated rates —

Date of conversion	Nominal amount of 9½ per cent Conversion Loan, 2001 per £100 nominal of 10 per cent Treasury Convertible Stock, 1991	Nominal amount of 9 per cent Conversion Loan, 2011 per £100 nominal of 10 per cent Treasury Convertible Stock, 1991
12th July 1987	£102	£105
12th January 1988	£101	£103
12th July 1988	£100	£101
12th January 1989	£ 99	£ 99
12th July 1989	£ 98	£ 97

6. Notices setting out the administrative arrangements for the exercise of the options to convert and forms of acceptance for completion will be issued to holders at the appropriate times. Where a holding is held jointly by more than two holders options to convert may be exercised by a majority of them. Completed forms of acceptance in respect of each of the options to convert, accompanied by certificates of title for holdings of 10 per cent Treasury Convertible Stock, 1991, must be lodged at the Bank of England, New Change, London, EC4M 9AA, or at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Colander Street, Belfast, BT1 5BN, not later than 3.00 p.m. on the sixth working day before the relevant date of conversion.

7. Her Majesty's Treasury have directed that Section 326 of the Income and Corporation Taxes Act 1970 (which relates to the treatment for taxation purposes of financial concerns whose business consists wholly or partly in dealings in securities) shall apply to exchanges of securities made in pursuance of the conversion offer.

8. The Conversion Loans will be investments falling within Part II of the First Schedule to the Trustee Investments Act 1961, subject as regards securities payable to bearer to the provisions of Section 7 of the Trustee Act 1925. Application will be made to the Council of The Stock Exchange for the Conversion Loans to be admitted to the Official List. Paragraphs 2 and 3 of this prospectus will apply equally to the Conversion Loans as to 10 per cent Treasury Convertible Stock, 1991. Interest on the Conversion Loans will be payable half-yearly on 12th January and 12th July. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. 9½ per cent Conversion Loan, 2001 will be repaid at par on 12th July 2001. 9 per cent Conversion Loan, 2011 will be repaid at par on 12th July 2011.

9. Holdings of 10 per cent Treasury Convertible Stock, 1991 in respect of which options to convert have not been exercised will be repaid at par on 12th July 1991.

10. After 12th July 1987 holdings of the Conversion Loans may be exchanged into bonds to bearer which will be available in denominations of £100, £200, £500, £1,000, £5,000, £10,000 and £50,000. Bonds will be free of stamp duty. Stock will be interchangeable with bonds without payment of any fee. Interest on bonds to bearer, less income tax, will be paid by coupon.

11. 10 per cent Treasury Convertible Stock, 1991 and stock and bonds of the Conversion Loans and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the stock or bonds are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

12. Further, the interest payable on 10 per cent Treasury Convertible Stock, 1991 and stock and bonds of the Conversion Loans will be exempt from United Kingdom income tax, present or future, so long as it is shown that the stock or bonds are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

13. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

14. Applications for exemption from United Kingdom income tax should, in the case of interest on stock, be made in such form as may be required by the Commissioners of Inland Revenue. Bearer bond coupons will be paid without deduction of United Kingdom income tax if accompanied by a declaration of ownership in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 0DP.

15. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

16. Tenders must be lodged at the Bank of England, New Issues (L), Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY, 29TH OCTOBER 1986, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON TUESDAY, 28TH OCTOBER 1986. Tenders will not be revocable between 10.00 a.m. on Wednesday, 29th October 1986 and 10.00 a.m. on Monday, 3rd November 1986.

17. Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £96.25 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

18. A separate cheque representing a deposit at the rate of £40.00 for every £100 of the NOMINAL amount of Stock tendered for must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

19. Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:—

<i>Amount of Stock tendered for</i>	<i>Multiple</i>
£100—£1,000	£100
£1,000—£3,000	£500
£3,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

20. Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore allot to tenderers less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price; tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderers will be allotted at the allotment price to the Governor and Company of the Bank of England Issue Department.

21. Letters of allotment in respect of Stock allotted, being the only form in which the Stock (other than amounts held in the Central Gilts Office Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

22. No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, the balance of the amount paid as deposit will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

23. Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA on any date not later than 20th November 1986. Such requests must be signed and must be accompanied by the letters of allotment.

24. Members of the Central Gilts Office Service may, following the introduction of the appropriate facility and subject to the provisions of the agreement governing their membership of that Service, surrender a partly-paid letter of allotment to the Central Gilts Office for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the Central Gilts Office as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, Stock credited to the member's account and to obtain a partly-paid letter of allotment comprising such Stock, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such Stock unless and until that letter of allotment is surrendered to the Central Gilts Office for cancellation as aforesaid.

25. Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 24th November 1986; registration of Stock held for the account of members of the Central Gilts Office Service will be effected under separate arrangements.

26. Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of The Stock Exchange in the United Kingdom.

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective 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, 10 per cent Treasury Convertible Stock, 1991 and the Conversion Loans are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

24th October 1986