

10/04

16 March 2004

PRESS NOTICE

DETAILS OF GILT AUCTION ON WEDNESDAY 24 MARCH 2004

AMOUNT: £2,750 million nominal

STOCK: 4½% TREASURY STOCK 2007

MATURITY DATE: 7 MARCH 2007

INTEREST DATES: 7 MARCH/7 SEPTEMBER

AUCTION DATE: 24 MARCH 2004

SETTLEMENT DATE: 25 MARCH 2004

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of a further £2,750 million nominal of 4½% Treasury Stock 2007, for auction on a fully-paid bid-price basis on Wednesday, 24 March 2004 and settlement on Thursday, 25 March 2004. This further issue will be fungible with the stock already in issue.

Following the issue of this further amount of stock, 4½% Treasury Stock 2007 may be stripped and holdings of stock reconstituted: the provisions for strips contained in the Information Memorandum, published by the DMO, relating to the Issue, Stripping and Reconstitution of British Government Stock dated January 2004 (the "Information Memorandum") will therefore apply. The ISIN and SEDOL codes for the new principal strip will be GB0034258821 and 3-425-882 respectively. The minimum stripping unit will be £1 million nominal until the payment of the non-standard first coupon on 7 September 2004, after which the minimum stripping unit of £10,000 nominal will apply.

Interest on 4½% Treasury Stock 2007 is payable half-yearly on 7 March and 7 September. The price payable for the stock being auctioned will include an amount equal to the accrued interest from 13 February 2004, the first issue date of the stock, to 25 March 2004, the settlement date of this auction, at the rate of £0.504449 per £100 nominal of stock. This further issue of stock



will rank for the interest payment of £2.534341 per £100 nominal due on 7 September 2004. The stock will be repayable at par on 7 March 2007.

Interest payments will ordinarily be paid to holders of this stock without deduction of United Kingdom income tax. However, holders may elect to have United Kingdom income tax deducted from interest payments, should they so wish, on application to the Bank of England.

Under Rule 7265 of the London Stock Exchange, dealings in the unstripped 4½% Treasury Stock 2007 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Wednesday, 24 March 2004. The SEDOL and ISIN codes to be used for "when-issued" trading are 3-404-182 and GB0034041821 respectively. In relation to "when-issued" trading, the TIDM code "AUC" should be used for trade reporting purposes. The SEDOL and ISIN codes to be used after this date are 3-404-074 and GB0034040740 respectively.

A Formal Notice announcing the auction of this issue of stock will be advertised in the Press. Bids may be made on either a competitive or a non-competitive basis. Details of the bidding procedures are set out in the prospectus and in the Information Memorandum. The prospectus for competitive bids and non-competitive bids can be obtained from the Registrar or the DMO or from the DMO's website at www.dmo.gov.uk/gilts/public/prospectus/prosp160304.pdf.

Application forms from Approved Group members must be sent to the Bank of England Registrar's Department, New Issues, who are acting on behalf of the DMO, at the following address; Southgate House, Southgate Street, Gloucester, GL1 1UW to arrive not later than 10.00 am on Wednesday, 24 March 2004; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than 10.00 am on Wednesday, 24 March 2004.

Gilt-edged market makers may bid by telephone to the DMO not later than 10.30 am on Wednesday, 24 March 2004.

NOTE TO EDITORS

Planned gilt sales in 2003-04 were increased from £47.4 billion to £49.7 billion (cash) in the Pre-Budget Report on 10 December 2003. Conventional gilt sales are now planned to raise £43.2 billion in 16 auctions whilst planned index-linked sales of £6.5 billion (cash) in 8 auctions have been completed. Gilt sales in the financial year to date are £47.1 billion (cash).



The auction announced today is the twenty-fourth, and last, of the 2003-04 remit. It represents a further tranche of 4½% Treasury Stock 2007, first issued in February 2004. Short conventional gilt sales of £18.8 billion (cash) are planned in 2003-04. The DMO remit for 2004-05 will be published tomorrow.

The new gilt did not pay a coupon on 7 March 2004 but will pay a first coupon on 7 September 2004, which will be slightly larger than the normal semi-annual coupon to account for the additional interest from 13 February 2004 to 7 March 2004. The value of the coupon payable on 7 September 2004 (a “long” first coupon) will be £2.534341 per £100 nominal of stock. The formula for calculating accrued interest during the “long” first coupon period can be found in Section Two of the DMO’s paper “Formulae for Calculating Gilt Prices from Yields”, updated on 15 January 2002 (www.dmo.gov.uk/gilts/public/technical/yldeqns_v2.pdf). Examples for the calculation of accrued interest during a “long” first coupon can be found in the DMO’s Operational Circular “Accrued Interest Calculations on 4¼% Treasury Stock 2032 until 7 December 2000” issued on 16 May 2000 (www.dmo.gov.uk/gilts/public/technical/opcirc1605.pdf).

Copies of the full prospectus are available on request from the addresses given below and on the DMO website, www.dmo.gov.uk. Only stock applications made on the forms sent out by the Registrar to Approved Group members will be accepted in the auction.

Copies of the Information Memorandum are available from the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD (telephone 020-7862 6500; fax 020-7862 6509) and the Bank of England, Registrar’s Department, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW (telephone 01452 398080; fax 01452 398020).

This press notice together with the prospectus for the further issue of the stock will be appearing on the DMO’s website at: www.dmo.gov.uk.

