

ISSUE OF £600,000,000

**2% INDEX-LINKED
TREASURY STOCK 2035**

**FOR AUCTION ON A UNIFORM PRICE BASIS
ON 24 FEBRUARY 2004**

PROSPECTUS



ISSUE OF £600,000,000

2% INDEX-LINKED TREASURY STOCK 2035

FOR AUCTION ON A UNIFORM PRICE BASIS ON 24 FEBRUARY 2004
INTEREST PAYABLE HALF-YEARLY ON 26 JANUARY AND 26 JULY

PAYABLE IN FULL WITH APPLICATION

With a bid by an Index-linked gilt-edged market maker: The striking price (in accordance with paragraph 12)
With a non-competitive bid by any other applicant: £115 per £100 nominal of stock

*Application has been made to the UK Listing Authority for the stock to be admitted to the Official List on 25 February 2004.
Application has also been made to the London Stock Exchange for the stock to be traded on the Main Market.*

Auction of Stock

1. THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("DMO") invites bids for the above stock.

General

2. This prospectus is issued under the arrangements described in the Information Memorandum relating to the Issue, Stripping and Reconstitution of British Government Stock published by the DMO dated January 2004 (the "Information Memorandum"). The terms of the Information Memorandum apply to the above stock and to the auction described in this prospectus except where expressly varied.

Maturity

3. The stock will be repayable on 26 January 2035. The value of the principal on redemption will be related, subject to the terms of this prospectus, to the movement during the life of the stock of the General Index of Retail Prices (RPI), or any subsequent index that, in the opinion of the Chancellor of the Exchequer after consultation with a body that the Chancellor of the Exchequer considers to be independent and to have recognised expertise in the construction of price indices, continues the function of measuring changes in the level of UK retail prices. The selection of the new index by the Chancellor of the Exchequer shall be conclusive and binding on all stockholders.

4. The amount due on repayment, per £100 nominal of stock, will be £100 multiplied by the Index ratio applicable to the month in which repayment takes place. This amount, expressed in pounds sterling to six places of decimals rounded to the nearest figure, will be announced by Her Majesty's Treasury's designated debt manager (currently the DMO) not later than the business day immediately preceding the date of the penultimate interest payment.

Indexation

5. For the purposes of this prospectus, the Index figure applicable to any month will be the Index figure issued seven months prior to the relevant month and relating to the month before that prior month; "month" means calendar month; and the Index ratio applicable to any month will be equal to the Index figure applicable to that month divided by the Index figure applicable to July 2002.

Interest

6. Interest is payable half-yearly on 26 January and 26 July. Each half-yearly interest payment will be made at a rate, per £100 nominal of stock, of £1.00 multiplied by the Index ratio applicable to the month in which the payment falls due. The rate of interest for each interest payment, which will be announced by Her Majesty's Treasury's designated debt manager (currently the DMO) not later than the business day immediately preceding the date of the previous interest payment, will be expressed as a percentage in pounds sterling to six places of decimals rounded to the nearest figure.

7. The price payable for the stock being auctioned will include an amount equal to the accrued interest from 26 January 2004, the most recent interest payment date of the stock, to 25 February 2004, the settlement date of this auction, at the rate of £0.173476 per £100 nominal of stock. The stock being auctioned will, therefore, rank for the full amount of interest due on 26 July 2004, at the rate of £1.052419 per £100 nominal of stock.

FOTRA exemptions

8. The stock and the interest payable on it will benefit from the exemptions from United Kingdom taxation in favour of non-resident holders described in paragraph 75 of the Information Memorandum.

Gross payment of interest

9. Interest will be paid without deduction of income tax. However, stockholders may elect to have UK income tax deducted from interest payments on application to the Bank of England.

Methods of application

10. Bids may be made on either a competitive or non-competitive basis in accordance with paragraphs 58 to 69 of the Information Memorandum.

Bids by IG GEMMS

11. Competitive bids may only be made by those gilt-edged market makers who have been formally recognised as index-linked gilt-edged market makers ("IG GEMMS") by the DMO and in accordance with paragraph 60 of the Information Memorandum. Each IG GEMM may also make one non-competitive bid in accordance with paragraph 62 of the Information Memorandum. Bids by IG GEMMS must be made by telephone to the DMO not later than **10.30AM ON TUESDAY, 24 FEBRUARY 2004**.

Settlement of competitive bids and non-competitive bids - IG GEMMS

12. For those competitive bids and non-competitive bids from IG GEMMS which are accepted, settlement must be effected in accordance with paragraphs 60(iii) and 62(v) of the Information Memorandum. For these purposes, the latest time and date for CHAPS payments to be sent to the Bank of England is **1.30 PM ON WEDNESDAY, 25 FEBRUARY 2004**.

Latest times for receipt of applications

13. Application forms from Approved Group members must be sent to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW, who are acting on behalf of the DMO, to arrive not later than **10.00 AM ON TUESDAY, 24 FEBRUARY 2004**; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than **10.00 AM ON TUESDAY, 24 FEBRUARY 2004**.

Non-competitive bids: amount payable on application

14. The amount payable on application in the case of a non-competitive bid (except in the case of a non-competitive bid made by an IG GEMM) is £115 per £100 nominal of stock.

Allocation of stock

15. The DMO reserves the right to reject any or part of any competitive or non-competitive bid. Subject to this, competitive bids will be ranked in descending order of price and stock will be sold to applicants whose competitive bids are at or above the lowest price at which the DMO decides that any competitive bid should be accepted (the "striking price"). Applicants whose competitive bids are accepted will purchase stock at the striking price (plus accrued interest as set out in paragraph 7 above). Competitive bids which are accepted and which are made at prices above the striking price will be satisfied in full. Competitive bids which are accepted and which are made at the striking price may be satisfied in part only. No sale will be made of an amount of less than £1,000 nominal of stock. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price (plus accrued interest). The non-competitive sale price will be equal to the striking price.

Bids irrevocable

16. Bids will not be revocable between 10.30 am on Tuesday, 24 February 2004 and 10.00 am on Friday, 27 February 2004.

United Kingdom Debt Management Office

LONDON

17 February 2004