

AUCTION OF £475,000,000

**2½% INDEX-LINKED
TREASURY STOCK 2020**

ON A UNIFORM PRICE BASIS

ON 20 MAY 2004

PROSPECTUS



AUCTION OF £475,000,000

2½% INDEX-LINKED TREASURY STOCK 2020

ON A UNIFORM PRICE BASIS ON 20 MAY 2004
INTEREST PAYABLE HALF-YEARLY ON 16 APRIL AND 16 OCTOBER

PAYABLE IN FULL WITH APPLICATION

With a bid by an Index-linked gilt-edged market maker:	The striking price (in accordance with paragraph 13)
With a non-competitive bid by any other applicant:	£240 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 21 May 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. If not previously redeemed under the provisions of paragraph 8, the stock will be repayable on 16 April 2020. 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 United Kingdom General Index of Retail Prices maintained by the Office for National Statistics, or any index which may replace that Index for the purposes of this prospectus, such movement being indicated by the Index figure issued monthly and subsequently published in the London Gazette.

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 four places of decimals rounded to the nearest figure below, will be announced by the Bank of England 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 October 1983.

Interest

6. Interest is payable half-yearly on 16 April and 16 October. Each half-yearly interest payment will be made at a rate, per £100 nominal of stock, of £1.25 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 the Bank of England 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 four places of decimals rounded to the nearest figure below.

7. The price payable for this further issue of the stock will include an amount equal to the accrued interest from 16 April 2004, the most recent interest payment date of the stock, to 21 May 2004, the settlement date of this auction, at the rate of £0.529628 per £100 nominal of stock. This further issue of the stock will rank for the full six months' interest due on 16 October 2004, at the rate of £2.7692 per £100 nominal of stock.

Revisions to the Index

8. If any change should be made to the coverage or the basic calculation of the Index which, in the opinion of the Bank of England, constitutes a fundamental change in the Index which would be materially detrimental to the interests of the stockholders, Her Majesty's Treasury will publish a notice in the London Gazette immediately following the announcement by the relevant Government Department of the change, informing stockholders and offering them the right to require Her Majesty's Treasury to redeem their stock. For the purposes of this paragraph, repayment to the stockholders who exercise this right will be effected, on a date to be chosen by Her Majesty's Treasury, not later than seven months from the last month of publication of the old Index. The amount of principal due on repayment and of any interest which has accrued will be calculated on the basis of the Index ratio applicable to the month in which repayment takes place. A notice setting out the administrative arrangements will be sent to stockholders at their registered address by the Bank of England at the appropriate time.

FOTRA exemptions

9. 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 74 of the Information Memorandum.

Gross payment of interest

10. 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

11. 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

12. 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 THURSDAY, 20 MAY 2004**.

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

13. 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 FRIDAY, 21 MAY 2004**.

Latest times for receipt of applications

14. 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 THURSDAY, 20 MAY 2004**; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than **10.00 AM ON THURSDAY, 20 MAY 2004**.

Non-competitive bids: amount payable on application

15. 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 £240 per £100 nominal of stock.

Allocation of stock

16. 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

17. Bids will not be revocable between 10.30 am on Thursday, 20 May 2004 and 10.00 am on Tuesday, 25 May 2004.

United Kingdom Debt Management Office

LONDON

11 May 2004