

ISSUE OF £375,000,000

**2½% INDEX-LINKED TREASURY
STOCK 2011**

**FOR AUCTION ON A UNIFORM PRICE BASIS
ON 28 JULY 1999**

PROSPECTUS



ISSUE OF £375,000,000

2½% INDEX-LINKED TREASURY STOCK 2011

INTEREST PAYABLE HALF-YEARLY ON 23 FEBRUARY AND 23 AUGUST
FOR AUCTION ON A UNIFORM PRICE BASIS ON 28 JULY 1999

PAYABLE IN FULL WITH APPLICATION

With a bid by an index-linked gilt-edged market maker The striking price (in accordance with paragraph 16)
With a non-competitive bid by any other applicant £237 per £100 nominal of Stock

Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 29 July 1999.

Auction of Stock

1. THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("the 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 on 12 May 1998 (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 10, the Stock will be repayable on 23 August 2011. 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 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 two 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 January 1982.

Interest

6. Interest is payable half-yearly on 23 February and 23 August. 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 two 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 accrued interest from 23 February 1999 (the last interest payment date of the Stock) to 29 July 1999 (the settlement date of this further issue) at the rate of £2.370166 per £100 nominal of Stock. This further issue of the Stock will rank for the full six months' interest due on 23 August 1999 at the rate of £2.75 per £100 nominal of Stock.

Revisions to the Index

8. If the Index is revised to a new base after the Stock is issued, it will be necessary, for the purposes of the preceding paragraphs, to calculate and use a notional Index figure in substitution for the Index figure applicable to the month in which repayment takes place and/or an interest payment falls due ("the month of payment"). This notional Index figure will be calculated by multiplying the actual Index figure applicable to the month of payment by the Index figure on the old base for the month on which the revised Index is based and dividing the product by the new base figure for the same month. This procedure will be used for each occasion on which a revision is made during the life of the Stock.

9. If the Index is not published for a month for which it is relevant for the purposes of this prospectus, the Bank of England, after appropriate consultation with the relevant Government Department, will publish a substitute Index figure which shall be an estimate of the Index figure which would have been applicable to the month of payment, and such substitute Index figure shall be used for all purposes for which the actual Index figure would have been relevant. The calculation by the Bank of England of the amounts of principal and/or interest payable on the basis of a substitute Index figure shall be conclusive and binding upon all stockholders. No subsequent adjustment to such amounts will be made in the event of subsequent publication of the Index figure which would have been applicable to the month of payment.

10. 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 in advance of the revised Index becoming effective for the purposes of this prospectus. 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 six months from the month of publication of the Index revised 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

11. 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 43 of the Information Memorandum.

Gross payment of interest

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

Methods of application

13. Bids may be made on either a competitive or non-competitive basis as set out below and in accordance with paragraphs 31-39 (except those paragraphs indicated below) of the Information Memorandum.

Competitive bids

14. 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. IG GEMMs may make competitive bids either on their own account or on behalf of clients. Competitive bids must be made by telephone to the DMO not later than **10.30 AM ON WEDNESDAY, 28 JULY 1999**. Each competitive bid must be for one amount and at one price expressed as a multiple of £0.01 per £100 nominal of Stock. Competitive bids must be for a minimum of and in multiples of £1 million nominal of Stock. Paragraphs 34(i) and (iii) of the Information Memorandum do not apply to competitive bids for this further issue of Stock.

Non-competitive bids - IG GEMMs

15. Each IG GEMM may make one non-competitive bid which must be made by telephone to the DMO not later than **10.30 AM ON WEDNESDAY, 28 JULY 1999**. The nominal amount of each IG GEMM's non-competitive entitlement will be communicated individually to each IG GEMM by the DMO prior to the auction. If any IG GEMMs do not bid for their full non-competitive entitlements, the remainder will be combined with the Stock available for allotment to competitive bids. Paragraphs 35(iv) and (vii) of the Information Memorandum do not apply to non-competitive bids from IG GEMMs for this further issue of Stock.

Settlement of competitive and non-competitive bids - IG GEMMs

16. For those competitive and non-competitive bids from IG GEMMs which are accepted, settlement must be effected in accordance with paragraph 34 (ii) of the Information Memorandum. For these purposes, the latest time and date for CHAPS payments to be sent to the Sterling Banking Office of the Bank of England is **1.30 PM ON THURSDAY, 29 JULY 1999**.

Non-competitive bids - other applicants

17. Other applicants may make non-competitive bids by completing the application form issued with the prospectus. Each non-competitive bid must be for a minimum of £1,000 nominal of Stock and for not more than £250,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock. Paragraphs 35(i) and (iv) of the Information Memorandum do not apply to non-competitive bids from non-IG GEMMs for this further issue of Stock. Completed application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP, who are acting on behalf of the DMO, to arrive not later than **10.30 AM ON WEDNESDAY, 28 JULY 1999**; or lodged by hand at the DMO, Cheapside House, 138 Cheapside, London not later than **10.30 AM ON WEDNESDAY, 28 JULY 1999**.

Non-competitive bids: amount payable on application

18. The amount payable on application in the case of a non-competitive bid (except for a non-competitive bid made by an IG GEMM) is £237 per £100 nominal of Stock.

Allocation of Stock

19. 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). 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 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

20. Bids will not be revocable between 10.30 am on Wednesday, 28 July 1999 and 10.00 am on Monday, 2 August 1999.

United Kingdom Debt Management Office
LONDON

20 July 1999

