

PRELIMINARY OFFERING CIRCULAR DATED 13 SEPTEMBER 2005

This Preliminary Offering Circular and the information contained herein is subject to completion and/or amendment.



United Kingdom  
Debt  
Management  
Office

ISSUE OF £[•]

# 1¼% INDEX-LINKED TREASURY GILT 2055

ON [•] SEPTEMBER 2005

## *Joint Lead Managers*

Barclays Capital      Morgan Stanley & Co. Int.  
Royal Bank of Scotland      UBS Ltd.

## *Co-managers*

CS First Boston Ltd.      Deutsche Bank AG  
Dresdner Bank AG      Goldman Sachs Int. Ltd.  
HSBC Bank PLC      JP Morgan Securities Ltd.  
Lehman Brothers Int.      Merrill Lynch Int.  
Royal Bank of Canada Europe Ltd.      Winterflood Securities Ltd.

Offering Circular dated [•] September 2005



Application has been made to the UK Listing Authority for the Gilt to be admitted to the Official List on the issue date.

Application has also been made to the London Stock Exchange for the Gilt to be traded on the London Stock Exchange's Gilt-Edged and Fixed Interest Market.

## ISSUE OF THE GILT

1. THE UNITED KINGDOM DEBT MANAGEMENT OFFICE ("DMO") announces the issue by subscription of **1¼% Index-linked Treasury Gilt 2055** (the "Gilt").

## GENERAL

2. The Gilt is issued pursuant to the provisions of Section 12 of the *National Loans Act 1968*. For the avoidance of doubt the Gilt shall be 'stock' for the purposes of all relevant statutory provisions.
3. The principal of and interest on the Gilt will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom of Great Britain and Northern Ireland.
4. The proceeds of the issue of the Gilt will be paid into the National Loans Fund and applied towards the net funding requirement of the Government of the United Kingdom of Great Britain and Northern Ireland.
5. The Gilt may be held in either certificated or uncertificated form. Holdings of the Gilt in uncertificated form will be registered at the Registrar, held by members of the CREST system ("CREST") and transferable pursuant to the *Uncertificated Securities Regulations 2001*<sup>1</sup> (as amended). Holdings of the Gilt in certificated form will be transferable by instrument in writing in accordance with the *Stock Transfer Act 1963*.
6. The Gilt will be transferable in multiples of one penny.
7. Payment of principal and interest on the Gilt will be made by credit to a bank or building society account in accordance with the holder's instructions or, at the option and risk of the holder, by warrant sent by post. In the absence of instructions from the holder, payment of interest on the Gilt will be made by interest warrant sent by post.
8. If the due date for any amount of principal or interest in respect of the Gilt is not a business day then payment may not be made until the next succeeding business day and in such

---

<sup>1</sup> *Uncertificated Securities Regulations 2001* (SI 2001/3755).

cases the holder of the Gilt will not be entitled to any further interest or other payment in respect of such delay. For these purposes, "business day" means any day which is not a Saturday or Sunday, Good Friday, Christmas Day, nor a day which is a bank holiday in England and Wales under the *Banking and Financial Dealings Act 1971*.

## **MATURITY**

9. The Gilt will be repayable on 22 November 2055 and is not repayable prior thereto.
10. The value of the principal on redemption will be related, subject to the terms of this Offering Circular, to the movement during the life of that Gilt of the Index. The "Index" means the United Kingdom General Index of Retail Prices (RPI), or if the existing Index ceases to be published any replacement Index existing at that date which 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 (the "Consultant Body"), continues the function of being an officially recognised index measuring changes in the level of UK retail prices. The selection of the replacement Index by the Chancellor of the Exchequer (together with such consequential changes to the calculation of the Index Ratio (as defined below) as the Chancellor of the Exchequer may, after consultation with the Consultant Body, consider to be just and equitable having regard to the interests of Her Majesty's Treasury (as issuer of the Gilt) and of holders of that Gilt) shall be conclusive and binding on all holders of that Gilt. If a replacement Index is selected in accordance with this paragraph, the Index figure used for the purposes of paragraph 16 will be determined by reference to the replacement Index with effect from the first month for which the existing Index figure is no longer published.
11. The amount due on repayment, per £100 nominal of the Gilt, will be £100 multiplied by the Index Ratio applicable to 22 November 2055. This amount, expressed in pounds sterling to six places of decimals rounded to the nearest figure, will be announced by HM Treasury's designated debt manager (currently the DMO) not later than the business day immediately preceding the first date on which, in accordance with then current market practice, the Gilt is traded (in unstripped form) without the benefit of the interest payment due on the redemption date.
12. The redemption payment per £100 nominal shall be calculated as follows:

$$\text{Redemption Payment} = 100 \times \text{Index Ratio}_{\text{Redemption Date}}$$

The redemption payment will be rounded to the nearest 6<sup>th</sup> decimal place per £100 nominal.

13. No deflation floor will be applied when calculating the redemption payment of the Gilt (i.e. the redemption payment for an index-linked gilt could fall below £100 per £100 nominal if  $\text{Ref Index}_{\text{Redemption Date}}$  were less than  $\text{Ref Index}_{\text{First Issue Date}}$ .)

## INDEXATION

14. For the purposes of this Offering Circular, the Index Ratio applicable to any date will be equal to the Reference Index for that date divided by the Reference Index applicable to [•] September 2005 (the first issue date of the Gilt), expressed to five places of decimals rounded to the nearest figure.

15. The Index Ratio applicable to any date shall be calculated as follows

$$\text{Index Ratio}_{\text{Date}} = \left[ \frac{\text{Ref Index}_{\text{Date}}}{\text{Ref Index}_{\text{First Issue Date}}} \right]$$

The Index Ratio will be rounded to the nearest 5<sup>th</sup> decimal place.

16. The Reference Index for the first calendar day of any calendar month shall be the Index for the calendar month falling three calendar months earlier. For example, the Reference Index for 1 June corresponds to the Index for March, the Reference Index for 1 July corresponds to the Index for April, etc. The Reference Index for any other day in the month shall be calculated by linear interpolation between the Reference Index applicable to the first calendar day of the month in which the day falls and the Reference Index applicable to the first calendar day of the month immediately following. Interpolated values for  $\text{Ref Index}_{\text{Date}}$  should be rounded to the nearest 5<sup>th</sup> decimal place.

17. The formula used to calculate  $\text{Ref Index}_{\text{Date}}$  can be expressed as follows:

$$\text{Ref Index}_{\text{Date}} = \text{Ref Index}_{\text{M}} + \left( \frac{t-1}{D} \right) [\text{Ref Index}_{\text{M+1}} - \text{Ref Index}_{\text{M}}]$$

with the Reference Index for any date being rounded to the nearest 5<sup>th</sup> decimal place and where:

D = The number of days in the calendar month in which the given date falls.

t = The calendar day corresponding to the given date.

$\text{Ref Index}_{\text{M}}$  = Reference Index for the first day of the calendar month in which the given date falls.

Ref Index<sub>M+1</sub> = Reference Index for the first day of the calendar month immediately following the given date.

## **INTEREST**

18. Interest will be payable half-yearly on 22 May and 22 November. Each half-yearly interest payment will be made at a rate, per £100 nominal of the Gilt, of £0.625 multiplied by the Index Ratio applicable to the day on 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 first date on which, in accordance with then current market practice, the Gilt is traded (in unstripped form) without the benefit of the interest payment, and expressed as a percentage in pounds sterling to six places of decimals rounded to the nearest figure.
19. Interest on the Gilt will accrue from [•] September 2005, the first issue date of the Gilt, and the first interest payment will be due on 22 May 2006 at the rate, per £100 nominal of the Gilt, of  $[((\bullet/184)+1)]$  multiplied by £0.625] multiplied by the Index Ratio applicable to 22 May 2006 and expressed in pounds sterling to six places of decimals and rounded to the nearest figure.

### ***Revisions to the Index***

20. If the Index is revised to a new base after the Gilt is issued, it will be necessary, for the purposes of paragraphs 10 to 19, to calculate and use notional Index figures in substitution for the Index figures used to determine the Reference Index figure applicable to the date on which repayment takes place and/or an interest payment falls due. These notional Index figures will be calculated by multiplying the appropriate actual Index figures 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. The un-rounded notional Index figures should then be used to calculate the relevant Reference Index figure as described in paragraphs 16 and 17. This procedure will be used for each occasion on which a revision is made during the life of the Gilt. The calculation of the notional Index figures by Her Majesty's Treasury's designated debt manager (currently the DMO) shall be conclusive and binding on all holders of the Gilt.
21. If the Index is not published for a month for which it is relevant for the purposes of this Offering Circular, Her Majesty's Treasury's designated debt manager (currently the DMO) will nominate a substitute Index figure which shall be an Index figure applicable to the

month of payment published as a substitute figure by the Office for National Statistics or any replacement body, and such substitute Index figure shall be used for all purposes for which the actual Index figure would have been relevant. If the Office for National Statistics or any replacement body does not publish such a figure, Her Majesty's Treasury's designated debt manager (currently the DMO) shall nominate in good faith a substitute Index figure which shall be used for all purposes for which the actual Index figure would have been relevant. The nomination of the substitute Index figure and the calculation by Her Majesty's Treasury's designated debt manager (currently the DMO) of the amounts of principal and/or interest payable on the basis of a substitute Index figure shall be conclusive and binding on all holders of the Gilt. 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.

## **TAXATION**

22. The general taxation position for the Gilt, under current legislation, is broadly as follows:-

- i. Interest payments on the Gilt will be paid without deduction of income tax unless the giltholder has elected to receive interest payments net of income tax. However, as income arising on the Gilt has a United Kingdom source, it may in certain circumstances be chargeable to United Kingdom income tax.
- ii. The Gilt will be a gilt-edged security for the purposes of Schedule 9 to the *Taxation of Chargeable Gains Act 1992*. Accordingly, a disposal of the Gilt will not give rise to a chargeable gain or allowable loss for the purposes of capital gains.
- iii. The Gilt is not a "deeply discounted security" for income tax purposes. Thus, for a holder of the Gilt who is neither trading in the Gilt nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Gilt will generally be limited to income tax on interest received or, in certain circumstances, accrued.
- iv. For a holder within the charge to corporation tax, a holding of the Gilt will be a "loan relationship" to which the provisions of Chapter II of Part IV of the *Finance Act 1996* will apply.
- v. Transfers of the Gilt are free of stamp duty and stamp duty reserve tax.

***Residents abroad: freedom from tax (FOTRA exemptions)***

23. The Gilt and the interest payable on it will benefit from the exemptions from United Kingdom taxation in favour of non-resident holders described below; references below to "Gilt" are to the Gilt and interest payable thereon -

- i. The Gilt will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Gilt is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom.
- ii. This exemption will not apply so as to exclude the Gilt from any computation for taxation purposes of any income, profits or gains derived from any trade or business carried on in the United Kingdom.
- iii. This exemption is also subject to paragraphs 24 to 26 below.

***General***

24. For the purposes of paragraph 23 above, 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.

25. The exemptions set out in paragraph 23 above are subject to the following limitations -

- i. The exemptions are subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons resident or ordinarily resident in the United Kingdom. In particular, no amount in respect of the Gilt or the interest payable thereon will 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;
- ii. The exemptions will not entitle a person to claim any repayment of tax unless the claim is made within the time limit provided for under applicable legislation. In general, such a claim will be within the time limit if it is made within five years from the 31 January following the year of assessment to which it relates.

26. Where relevant, applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners for Revenue and Customs. The appropriate forms may be obtained from HM Revenue & Customs, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.

***Provision of information to HM Revenue and Customs for exchange with other tax authorities***

27. Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.
28. The *Reporting of Savings Income Information Regulations 2003*<sup>2</sup>, (the “2003 Regulations”) came into force on 1 July 2005<sup>3</sup> and require a paying agent (as defined in the 2003 Regulations) established in the United Kingdom who makes a payment of savings income to an individual or a residual entity (as defined in the 2003 Regulations) established in another EU member state or certain other non-EU countries and territories to obtain, verify, record and then provide to HM Revenue & Customs certain information about the payee and the payment.

**GOVERNMENT STATEMENT**

29. As explained in the statement issued by Her Majesty’s Treasury on 29 May 1985, in the interest of the orderly conduct of fiscal policy, neither Her Majesty’s Government nor its 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, a Gilt is issued or sold by or on behalf of the Government. No responsibility can therefore be accepted for any omission to make such disclosure and any such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

**GROSS PAYMENT OF INTEREST**

30. Interest will be paid without deduction of income tax. However, holders of the Gilt may elect to have United Kingdom income tax deducted from interest payments on application to the Registrar, Computershare Investor Services PLC.

---

<sup>2</sup> *Reporting of Savings Income Information Regulations 2003*, SI 2003/3297

<sup>3</sup> *London Gazette*, 14 June 2005



## METHOD OF ISSUE

### ***Subscription Agreement***

31. Pursuant to a subscription agreement (the "Agreement") dated [•] September 2005 between HM Treasury acting through the DMO and Barclays Capital, Morgan Stanley & Co. Int., Royal Bank of Scotland, UBS Ltd. (together "the Lead Managers"), CS First Boston Ltd., Deutsche Bank AG., Dresdner Bank AG., Goldman Sachs Int. Ltd., HSBC Bank PLC., JP Morgan Securities Ltd., Lehman Brothers Int., Merrill Lynch Int., Royal Bank of Canada Europe Ltd. and Winterflood Securities Ltd. (together with the Lead Managers, "the Managers"), the Managers have jointly and severally agreed to subscribe and pay for the Gilt at the price stated in the Agreement per £100 nominal of the Gilt. The Agreement may be terminated in certain circumstances prior to payment being made to the DMO.
32. Each Manager has represented and agreed in the Agreement that it has complied and will comply with all applicable provisions of the *Financial Services and Markets Act 2000* with respect to anything done by it in relation to the Gilt in, from or otherwise involving the United Kingdom.
33. The Gilt has not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Agreement, it will not offer, sell or deliver the Gilt, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the issue date, within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells the Gilt during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Gilt within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Gilt within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

34. No action has been taken by Her Majesty's Treasury or any of the Managers that would, or

is intended to, permit a public offer of the Gilt in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell the Gilt or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of the Gilt by it will be made on the same terms

### ***Commission paid to the Managers***

35. Her Majesty's Treasury shall pay to the Managers an amount equal to the commission provided for in the Agreement.

### ***Subscriptions***

36. Subscriptions made through Managers must be for a minimum of £1,000,000 nominal of the Gilt and for larger amounts in multiples of £1,000,000.

37. Subscriptions made by members of the DMO's Approved Group of Investors must be for a minimum of £1,000 nominal of the Gilt and for larger amounts in multiples of £1,000 up to a maximum of £250,000 nominal of the Gilt.

### ***Price payable***

38. The Gilt will be issued to the Managers at a price of £[•] per £100 nominal of the Gilt (being the lowest price the DMO is prepared to accept for subscriptions from investors subscribing through the Managers).

39. The price payable by subscribers (including, for the avoidance of doubt, members of the DMO's Approved Group of Investors) will be £[•] per £100 nominal of the Gilt (being the re-offer price at which the Managers have covenanted in the Agreement that the Gilt should be sold to subscribers).

### ***Settlement of allocations of the Gilt***

40. For those subscriptions which are accepted in whole or in part, settlement must be effected by means of a CHAPS payment to [•]. For these purposes, the latest time and date for CHAPS payments to be sent to [•], Sort Code [•], Account Number [•] is **1.30 PM ON [•], [•] SEPTEMBER 2005.**

### ***Allocation of the Gilt***

41. The DMO shall where necessary allocate to each subscriber a proportion of the amount subscribed for where the total amount subscribed for exceeds the amount of the Gilt on offer. Notwithstanding this the DMO reserves the right to issue such a larger amount of the Gilt to that stated in this offering document as it deems appropriate where in its opinion such larger amount of the Gilt can be issued at the price stated in the Agreement per £100 of nominal. For the avoidance of doubt this clause does not guarantee that all subscriptions will be satisfied in full.
42. In connection with the issue of the Gilt, the Lead Managers (or persons acting on their behalf) may over-allot the Gilt (provided that the aggregate nominal amount of the Gilt allotted does not exceed 105 per cent. of the aggregate nominal amount of the Gilt) or effect transactions with a view to supporting the market price of the Gilt at a level higher than that which might otherwise prevail. However, there is no assurance that the Lead Managers (or persons acting on their behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Gilt is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Gilt and 60 days after the date of allotment of the Gilt.

### ***Bids irrevocable***

43. Subscriptions will not be revocable between 10.30 am on [•], [•] September 2005 and 10.00 am on [•], [•] September 2005.

### ***Further Issues of the Gilt***

44. Her Majesty's Treasury, acting through the DMO, may from time to time, without the consent of the holders of the Gilt, create and issue, by whatever methods the DMO shall at its absolute discretion decide, further amounts of the Gilt. Any such further issues of the Gilt shall be fungible in all respects with the Gilt already in issue.

### **JURISDICTION**

45. By subscribing for the Gilt, the subscriber agrees that the English courts shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Gilt or any

application for the Gilt. However, in relation to any subscription for the Gilt, the DMO reserves the right, to the extent allowed by law, to bring proceedings in any other court or concurrent proceedings in any number of jurisdictions. This clause is for the benefit of the DMO.

## **GOVERNING LAW**

46. This Offering Circular and the Subscription Agreement and any other relevant documents are governed by, and shall be construed in accordance with, the laws of England.

*United Kingdom Debt Management Office*

**LONDON**

[•] September 2005

**REGISTRAR**

**Computershare Investor Services PLC**

The Pavilions  
Bridgwater Road  
Bristol, BS13 8AE

**LEGAL ADVISERS**

*To Her Majesty's Treasury and UK Debt Management Office*

**The Solicitor for the Affairs of  
Her Majesty's Treasury**

One Horse Guards Road  
London, SW1A 2HQ

**Allen & Overy LLP**

One New Change  
London, EC4M 9QQ

*To the Managers*

[•]