

AUCTION OF £2,000,000,000

4¼% TREASURY GILT 2040

ON A FULLY-PAID BID PRICE BASIS

ON 12 MAY 2011

PROSPECTUS

AUCTION OF £2,000,000,000

4¼% TREASURY GILT 2040

ON A FULLY PAID BID PRICE BASIS ON 12 MAY 2011
INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER

PAYABLE IN FULL WITH APPLICATION

	With a competitive bid:	Price bid (in accordance with paragraph 10)
With a non-competitive bid by a Gilt-edged Market Maker:		Non-competitive sale price (in accordance with paragraph 10)
With a non-competitive bid by any other applicant:		£109.50 per £100 nominal of the Gilt

Application has been made to the UK Listing Authority for the Gilt to be admitted to the Official List on 13 May 2011.

Application has also been made to the London Stock Exchange for the Gilt to be admitted to trading on the London Stock Exchange's regulated market.

Auction of the Gilt

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

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 May 2009 (the "Information Memorandum"). The terms of the Information Memorandum apply to the above Gilt and to the auction described in this prospectus except where expressly varied.

Maturity

3. The Gilt will be repaid at par on 7 December 2040.

Interest

4. Interest on 4¼% Treasury Gilt 2040 is payable half-yearly on 7 June and 7 December. The price payable will include an amount equal to the accrued interest from 7 December 2010, the most recent interest payment date of the Gilt, to 13 May 2011, the settlement date of this auction, at the rate of £1.833104 per £100 nominal of the Gilt. This further issue of the Gilt will rank for the six months' interest payment due on 7 June 2011.

FOTRA exemptions

5. 4¼% Treasury Gilt 2040 was first issued on 30 June 2010 and, consequently, the Gilt and the interest payable on it will benefit from the exemptions from United Kingdom taxation in favour of non-resident holders described in paragraph 107 of the Information Memorandum.

Gross payment of interest

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

Stripping

7. The Gilt may be stripped and holdings of the Gilt reconstituted: the provisions relating to strips contained in the Information Memorandum will therefore apply.

Methods of application

8. Bids may be made on either a competitive or non-competitive basis in accordance with paragraphs 72 to 88 of the Information Memorandum.

Non-competitive bids: amount payable on application

9. The amount payable on application in the case of a non-competitive bid (except in the case of a non-competitive bid made by a Gilt-edged Market Maker ("GEMM")) is £109.50 per £100 nominal of the Gilt.

Settlement of competitive bids and GEMMs' non-competitive bids

10. For those competitive bids which are accepted and those non-competitive bids from GEMMs which are accepted, settlement must be effected in accordance with paragraphs 76(iii) and 78(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, 13 MAY 2011**.

Latest times for receipt of applications

11. Application forms from Approved Group members must be sent to Computershare Investor Services PLC, PO Box 2411, The Pavilions, Bristol, BS99 6WX, who are acting on behalf of the DMO, to arrive not later than **10.00 AM ON THURSDAY, 12 MAY 2011**; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than **10.00 AM ON THURSDAY, 12 MAY 2011**. GEMMs may bid by means of the Bloomberg Bond Auction System to the DMO not later than **10.30 AM ON THURSDAY, 12 MAY 2011**.

Bids irrevocable

12. Bids will not be revocable between 10.30 am on Thursday, 12 May 2011 and 10.00 am on Tuesday, 17 May 2011.

Post Auction Option Facility

13. The provisions relating to the Post Auction Option Facility contained in the Information Memorandum will apply.

United Kingdom **Debt Management Office**

LONDON

3 May 2011