

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (M), WATLING STREET, LONDON, EC4M 9AA NOT LATER THAN 10.00 A.M. ON TUESDAY, 30TH DECEMBER 1986, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON MONDAY, 29TH DECEMBER 1986.

ISSUE BY TENDER OF £600,000,000

2½ per cent INDEX-LINKED TREASURY STOCK, 2024

PAYABLE AS FOLLOWS:

Deposit with tender	£30.00 per cent
On Tuesday, 10th February 1987	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 17TH JANUARY AND 17TH JULY

1. The Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.
2. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.
3. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.
5. Stock of this issue and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
6. Further, the interest payable on Stock of this issue will be exempt from United Kingdom income tax, present or future, so long as it is shown that the stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
7. For the purposes of the preceding paragraphs, 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.
8. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 ODP.
9. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43(1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not 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.
10. If not previously redeemed under the provisions of paragraph 19, the Stock will be repaid on 17th July 2024. The value of the principal on repayment 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 Department of Employment, 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, Edinburgh and Belfast Gazettes.

11. 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 December 1986.

12. 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.

13. Interest will be payable half-yearly on 17th January and 17th July. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post.

14. The first interest payment will be made on 17th July 1987 at the rate of £1.1809 per £100 nominal of Stock.

15. Each subsequent half-yearly interest payment will be 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.

16. The rate of interest for each interest payment other than the first, expressed as a percentage 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 previous interest payment.

17. 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.

18. 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.

19. 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 stockholders, Her Majesty's Treasury will publish a notice in the London, Edinburgh and Belfast Gazettes 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 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.

20. Tenders must be lodged at the Bank of England, New Issues (M), Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON TUESDAY, 30TH DECEMBER 1986, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON MONDAY, 29TH DECEMBER 1986. Each tender must be for one amount and at one price which is a multiple of 25p. Tenders will not be revocable between 10.00 a.m. on Tuesday, 30th December 1986 and 10.00 a.m. on Monday, 5th January 1987. TENDERS LODGED WITHOUT A PRICE BEING STATED WILL BE REJECTED.

21. A separate cheque representing a deposit at the rate of £30.00 for every £100 of the NOMINAL amount of Stock tendered for must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

22. Tenders must be for a minimum of £100 nominal of Stock and for multiples of Stock as follows:—

<i>Amount of Stock tendered for</i>	<i>Multiple</i>
£100—£1,000	£100
£1,000—£3,000	£500
£3,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

23. Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore allot to tenderers less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price). All allotments will be made at the allotment price: tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderers will be allotted at the allotment price to the Governor and Company of the Bank of England, Issue Department.

24. Letters of allotment in respect of Stock allotted, being the only form in which the Stock (other than amounts held in the Central Gilts Office Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

25. No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, the balance of the amount paid as deposit will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

26. Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA on any date not later than 6th February, 1987. Such requests must be signed and must be accompanied by the letters of allotment.

27. Members of the Central Gilts Office Service may, subject to the provisions of the agreement governing their membership of that Service, surrender a partly-paid letter of allotment to the Central Gilts Office for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the Central Gilts Office as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, Stock credited to the member's account and to obtain a partly-paid letter of allotment comprising such Stock, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such Stock unless and until that letter of allotment is surrendered to the Central Gilts Office for cancellation as aforesaid.

28. Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 10th February 1987; registration of Stock held for the account of members of the Central Gilts Office Service will be effected under separate arrangements.

29. Tender form and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT.1 5BN; or at any office of The Stock Exchange in the United Kingdom.

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective 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, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

19th December 1986