

AUCTION OF £950,000,000

2% INDEX-LINKED TREASURY STOCK 2035

ON A UNIFORM PRICE BASIS

ON 10 JULY 2002

PROSPECTUS



AUCTION OF £950,000,000

2% INDEX-LINKED TREASURY STOCK 2035

ON A UNIFORM PRICE BASIS ON 10 JULY 2002
INTEREST PAYABLE HALF-YEARLY ON 26 JANUARY AND 26 JULY

PAYABLE IN FULL WITH APPLICATION

With a bid by an index-linked gilt-edged market maker: The striking price (in accordance with paragraph 15)
With a non-competitive bid by any other applicant: £102 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 11 July 2002. Application has been made to the London Stock Exchange for the stock to be admitted on the Main Market.

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 dated July 2000 (the "Information Memorandum" as amended by the DMO's notice of 2 July 2002). 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. The stock will be repaid on 26 January 2035. 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 General Index of Retail Prices (RPI), or any subsequent index that, 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, continues the function of measuring changes in the level of UK retail prices. The selection of the new index by the Chancellor of the Exchequer shall be conclusive and binding on all stockholders.

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 six places of decimals rounded to the nearest figure, will be announced by Her Majesty's Treasury's designated debt manager (currently the DMO) 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 July 2002.

Interest

6. Interest will be payable half-yearly on 26 January and 26 July. Each half-yearly interest payment will be made at a rate, per £100 nominal of stock, of £1.00 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 Her Majesty's Treasury's designated debt manager (currently the DMO) 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 six places of decimals rounded to the nearest figure.

7. The first interest payment will be due on 26 January 2003 at the rate of £1.099091 per £100 nominal of stock.

FOTRA exemptions

8. 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 46 of the Information Memorandum.

Gross payment of interest

9. 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

10. Bids may be made on either a competitive or non-competitive basis as set out below and in accordance with paragraphs 33-41 of

the Information Memorandum.

Bids by IG GEMMs

11. 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 36 of the Information Memorandum. Each IG GEMM may also make one non-competitive bid in accordance with paragraph 37 of the Information Memorandum. Bids by IG GEMMs must be made by telephone to the DMO not later than **10.30AM ON WEDNESDAY, 10 JULY 2002**.

Settlement of competitive and non-competitive bids - IG GEMMs

12. For those competitive and non-competitive bids from IG GEMMs which are accepted, settlement must be effected in accordance with paragraphs 36(iv) and 37(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 **1.30PM ON THURSDAY, 11 JULY 2002**.

Non-competitive bids by applicants other than IG GEMMs

13. Other applicants may make non-competitive bids, in accordance with paragraph 37 of the Information Memorandum, by completing the application form issued with the prospectus. Completed application forms 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 **10.00AM ON WEDNESDAY, 10 JULY 2002**; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London EC3M 8UD not later than **10.00AM ON WEDNESDAY, 10 JULY 2002**.

Non-competitive bids: amount payable on application

14. The amount payable on application in the case of a non-competitive bid (except a non-competitive bid made by an IG GEMM) is £102 per £100 nominal of stock.

Allocation of stock

15. 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. 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. The non-competitive sale price will be equal to the striking price.

Bids irrevocable

16. Bids will not be revocable between 10.30 am on Wednesday, 10 July 2002 and 10.00 am on Monday, 15 July 2002.

United Kingdom Debt Management Office
LONDON

2 JULY 2002