

PRESS NOTICE

ISSUANCE BY SYNDICATION OF THE NEW 50-YEAR INDEX-LINKED GILT

The United Kingdom Debt Management Office (DMO) announces that the initial issue of the new index-linked gilt maturing on 22 November 2055 will be by means of a syndicated offering. Accordingly, the index-linked gilt auction scheduled for 22 September 2005 has been cancelled, although the DMO expects pricing of the syndicated issue will take place on or around 22 September. Further announcements about the timing and conditions of the offer will be made in due course.

The DMO intends that this issue will be sold through a syndicate comprised exclusively of Index-linked Gilt-edged Market Makers ("Index-linked GEMMs") and the DMO is now inviting all Index-linked GEMMs for bilateral discussions, with a view to informing a subsequent decision on the structure of the syndicate and the appointment of lead managers. The DMO will base this decision on criteria that are consistent with HM Government's debt management policy objective.

The decision to issue the new ultra-long index-linked gilt by syndication has been made with the agreement of HM Treasury and was based on the unique circumstances surrounding the launch of this particular product, notably because of its innovative character, rather than a general evaluation of the relative merits of syndication compared with auctions. As set out in its debt financing remit for 2005-06, the DMO will be reverting to the use of auctions for subsequent issuance of ultra-long gilts.

Index-linked GEMMs who wish to attend bilateral discussions with the DMO should contact Martin Duffell, Head of Gilt Dealing (tel no. 020-7862-6517, or e-mail martin.duffell@dmo.gsi.gov.uk) by Friday, 2 September 2005.

NOTE TO EDITORS

The DMO remit, published on 16 March 2005, provided for the DMO to issue a new type of gilt product, the ultra-long dated gilt - with a maturity of up to approximately 50 years - in both conventional and index-linked format.

At the last quarterly consultation meetings held by the DMO on 20 June 2005, virtually all Index-linked GEMMs and representatives of gilt investors recommended that a 50-year index-linked gilt be issued in the second quarter of the financial year (July-September 2005). On 30 June 2005, the DMO announced plans to issue a new index-linked gilt maturing on 22 November 2055 in the context of the quarterly gilt sales calendar announcement.

The index-linked gilt maturing on 22 November 2055 will be the longest-dated sovereign index-linked bond in the world. It will also be the first index-linked gilt to adopt the three-month indexation lag first developed in the Canadian government real return bond market in 1991 and since then adopted by all major sovereign issuers. Since 1981, when HM Government became the first major sovereign issuer to issue index-linked bonds, the structure has incorporated an eight-month indexation lag. The DMO has since announced, on 2 December 2004, that any new index-linked gilt issued from 2005-06 would use a three as opposed to eight-month indexation lag. The DMO may, however, re-open existing eight-month lag index-linked gilts.

The DMO remit for 2005-06, published on 16 March 2005, states that:

“Auctions remain the preferred means of issuance for all gilts. However, the DMO, with the agreement of HM Treasury, reserves the right to issue ultra-long gilts initially by syndicated offerings. Syndicated offerings would only take place in cases where HM Treasury was satisfied that this method of issuance would better meet the Government’s debt management policy objective of minimising long-term costs, whilst taking account of risk”.

The DMO made the initial issue of a 50-year conventional gilt (4¼% Treasury Gilt 2055) on 26 May 2005 by auction.

Other than the cancellation of the auction scheduled for 22 September, the gilt auction calendar for 2005-06 is unaffected.

This press release will be appearing on the DMO website: www.dmo.gov.uk