

10/06

21 February 2006

PRESS NOTICE

DETAILS OF GILT AUCTION ON WEDNESDAY, 1 MARCH 2006

AMOUNT: £3,000 million nominal

GILT: 4% TREASURY GILT 2016

MATURITY DATE: 7 SEPTEMBER 2016

INTEREST DATES: 7 MARCH / 7 SEPTEMBER

AUCTION DATE: 1 MARCH 2006

SETTLEMENT DATE: 2 MARCH 2006

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of £3,000 million nominal of 4% Treasury Gilt 2016, for auction on a fully-paid bid-price basis on Wednesday, 1 March 2006 and settlement on Thursday, 2 March 2006.

It is intended that, once at least £5,000 million nominal of 4% Treasury Gilt 2016 has been issued, it will become strippable in accordance with the terms of the Information Memorandum, published by the DMO, relating to the Issue, Stripping and Reconstitution of British Government Stock dated December 2004, as amended by the DMO's Notices of 13 May 2005 and 13 September 2005, (the "Information Memorandum"). The DMO will announce when the gilt becomes strippable.

Interest on 4% Treasury Gilt 2016 will be payable half-yearly on 7 March and 7 September. Interest on the gilt will accrue from 2 March 2006, the issue date of the gilt, and the first interest payment will be due on 7 September 2006 at the rate of £2.055249 per £100 nominal of the gilt. The gilt will be repayable at par on 7 September 2016.

Interest payments will ordinarily be paid to holders of this gilt without deduction of United Kingdom income tax. However, holders may elect to have United Kingdom income tax

deducted from interest payments, should they so wish, on application to the Registrar, Computershare Investor Services PLC.

Under Rule 7265 of the London Stock Exchange, dealings in the unstripped 4% Treasury Gilt 2016 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Wednesday, 1 March 2006. The SEDOL and ISIN codes to be used for "when-issued" trading and following the gilt's issue on 2 March 2006 are B-0V3-WX4 and GB00B0V3WX43 respectively. In relation to "when-issued" trading, the TIDM code "AUC" should be used for trade reporting purposes.

A Notice announcing the auction of this issue of the gilt will be advertised in the Press. Bids may be made on either a competitive or a non-competitive basis. Details of the bidding procedures are set out in the prospectus and in the Information Memorandum. The prospectus for competitive bids and non-competitive bids, the Information Memorandum and the Notices of Amendment can be obtained from the Registrar or the DMO or from the DMO's website at:

www.dmo.gov.uk/gilts/public/prospectus/prosp210206.pdf,
www.dmo.gov.uk/gilts/public/technical/infmem211204.pdf,
www.dmo.gov.uk/gilts/public/technical/infmemadd130505.pdf and
www.dmo.gov.uk/gilts/public/technical/infmemadd130905.pdf respectively.

Application forms from Approved Group members must be sent to Computershare Investor Services PLC, who are acting on behalf of the DMO, at the following address: PO Box 2411, The Pavilions, Bristol, BS3 9WX to arrive not later than 10.00 am on Wednesday, 1 March 2006. They may also be lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than 10.00 am on Wednesday, 1 March 2006.

Gilt-edged market makers may bid by telephone to the DMO not later than 10.30 am on Wednesday, 1 March 2006.

NOTE TO EDITORS

Planned gilt sales for 2005-06 were increased from £51.1 billion to £52.3 billion (cash) in the Pre-Budget Report on 5 December 2005. Conventional gilt sales are now planned to raise £41.5 billion in 15 auctions whilst planned index-linked sales are for £10.8 billion in 10 auctions and 1 syndicated offering. Gilt sales in the financial year to date are £48.5 billion (cash) of which index-linked sales account for £9.9 billion (cash).



The auction announced today is the twenty-fourth of the 2005-06 remit and the fifteenth and final auction of a conventional gilt. It is the first auction of 4% Treasury Gilt 2016, which is the first new conventional gilt to be issued as a future 10 year benchmark since 4¾% Treasury Stock 2015 in September 2003. Medium conventional gilt sales of £11.3 billion (cash) are planned in 2005-06; medium conventional gilt sales to date are £8.4 billion (cash).

The new gilt will not pay a coupon on 7 March 2006 but will pay its first coupon on 7 September 2006, which will be slightly larger than the normal semi-annual coupon to account for the additional interest from 2 March 2006 to 7 March 2006. The value of the coupon payable on 7 September 2006 (a “long” first coupon) will be £2.055249 per £100 nominal of the gilt. The formula for calculating accrued interest during the “long” first coupon period can be found in Section Three of the DMO’s paper “Formulae for Calculating Gilt Prices from Yields”, updated on 16 March 2005 (www.dmo.gov.uk/gilts/public/technical/yldegns.pdf).

Copies of the full prospectus are available on request from the addresses given below and on the DMO website, www.dmo.gov.uk/gilts/public/prospectus/index.htm. Only applications made on the forms sent out by the Registrar to Approved Group members will be accepted in the auction.

Copies of the Information Memorandum are available from the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD (telephone 020-7862 6500; fax 020-7862 6509) and Computershare Investor Services PLC, PO Box 2411, The Pavilions, Bristol, BS3 9WX (telephone 0870 703 0143).

This press notice will be appearing on the DMO’s website at:

www.dmo.gov.uk/gilts/press/index.htm.

