PRESS NOTICE

INDEX-LINKED GILT AUCTION

NOMINAL AMOUNT: £1,000,000,000
GILT: 1¼% INDEX-LINKED TREASURY GILT 2017
MATURITY DATE: 22 NOVEMBER 2017
INTEREST DATES: 22 MAY / 22 NOVEMBER
AUCTION DATE: 7 FEBRUARY 2006
SETTLEMENT DATE: 8 FEBRUARY 2006

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of £1,000 million nominal of 1¼% Index-linked Treasury Gilt 2017, for auction on a uniform price basis on Tuesday, 7 February 2006 and settlement on Wednesday, 8 February 2006.

Interest on 1¼% Index-linked Treasury Gilt 2017 will be payable half-yearly on 22 May and 22 November. Each half-yearly interest payment will be made at a rate, per £100 nominal of the Gilt, of £0.625 multiplied by the Index Ratio applicable to the day on which the payment falls due. Interest on the Gilt will accrue from 8 February 2006, the first issue date of the Gilt, and the first interest payment will be due on 22 May 2006 at the rate, per £100 nominal of the Gilt, of \( \left( \frac{103}{181} \times 0.625 \right) \) multiplied by the Index Ratio applicable to 22 May 2006 and expressed as a percentage in pounds sterling to six places of decimals and rounded to the nearest figure.

The Gilt will be repayable on 22 November 2017. The amount due on repayment, per £100 nominal of the Gilt, will be related, subject to the terms of the prospectus, to the movement during the life of the Gilt of the United Kingdom General Index of Retail Prices ("RPI") published by the Office for National Statistics.

Interest payments on the Gilt are also linked to the movement of the RPI over the relevant period. Interest will ordinarily be paid to holders of the 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 1¼% Index-linked Treasury Gilt 2017 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Tuesday, 7 February 2006. The SEDOL and ISIN codes to be used for "when-issued" trading and following the Gilt’s issue on 8 February 2006 are B-0V3-WQ7 and GB00B0V3WQ75 respectively. In relation to “when-issued” trading, the TIDM code "AUC" should be used for trade reporting purposes.

Index-linked gilt-edged market makers (“IG GEMMs”) may make either competitive or non-competitive bids. These must be made by telephone to the DMO not later than 10.30 am on Tuesday, 7 February 2006. The DMO will allot the Gilt to individual bidders at its own discretion. In particular, it may decline to allot an amount of the Gilt to an IG GEMM or a client of an IG GEMM if it appears that to do so would be likely to lead to market distortion. Successful bidders should not generally expect to acquire more than 40% of the nominal amount of the Gilt on offer at the auction for their own account. Therefore, by 10:45 am, every IG GEMM will be required to report all its bids irrespective of whether or not they have subscribed for 40% or more of the Gilt on offer. The DMO expects to announce the auction result by 11.10 am on Tuesday, 7 February 2006.

Should there be the need to scale back any individual IG GEMM’s allotment, the DMO will first discard the lowest own-account bid(s) and then repeat this operation up to the relevant cut-off point. A client who bids for more than 40% of the amount of the Gilt on offer may be scaled back using the same method. If bids have been made through more than one IG GEMM, the lowest bids will be scaled back first, and then, where multiple bids are at the same price, on a pro-rata basis per IG GEMM up to the relevant cut-off point.

In accordance with the DMO’s Operational Notice, up to 10% of the nominal amount of the Gilt on offer at the auction (ie £100 million nominal) will be made available for non-competitive bids from IG GEMMs. Each IG GEMM will be entitled to make a non-competitive bid in proportion to its successful participation at the previous index-linked gilt auctions in January 2006, December 2005 and November 2005.
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 relating to the Issue, Stripping and Reconstitution of British Government Stock dated December 2004, as amended by the DMO's Notices dated 13 May 2005 and 13 September 2005, (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/prosp310106.pdf,
www.dmo.gov.uk/gilts/public/technical/infmem211204.pdf,
www.dmo.gov.uk/gilts/public/technical/infmemadd130505.pdf and

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 Tuesday, 7 February 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 Tuesday, 7 February 2006.

IG GEMMs may bid by telephone to the DMO not later than 10.30 am on Tuesday, 7 February 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 £44.8 billion (cash) of which index-linked sales account for £8.9 billion (cash).

The auction announced today is the twenty-second of the 2005-06 remit and the ninth auction of an index-linked gilt. 1¼% Index-linked Treasury Gilt 2017 is the second gilt to be introduced with the new 3 month indexation lag first issued for 1¼% Index-linked Treasury Gilt 2055 in September 2005.

1¼% Index-linked Treasury Gilt 2017 will pay its first coupon on 22 May 2006 which will be slightly smaller than the normal semi-annual coupon to account for the reduced period between
the first issue date and the first interest payment date. The value of the coupon payable on 22 May 2006 (a “short” first coupon) per £100 nominal of the Gilt will be \((\frac{103}{181} \times 0.625)\) multiplied by the Index Ratio applicable to 22 May 2006 and expressed as a percentage in pounds sterling to six places of decimals and rounded to the nearest figure. The formula for calculating accrued interest during the “short” 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/yldeqns.pdf).

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

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.