

36/05

19 July 2005

PRESS NOTICE

INDEX-LINKED GILT AUCTION

NOMINAL AMOUNT: £400,000,000

STOCK: 2½% INDEX-LINKED TREASURY STOCK 2020

MATURITY DATE: 16 APRIL 2020

INTEREST DATES: 16 APRIL / 16 OCTOBER

AUCTION DATE: 26 JULY 2005

SETTLEMENT DATE: 27 JULY 2005

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of a further £400 million nominal of 2½% Index-linked Treasury Stock 2020, for auction on a uniform price basis on Tuesday, 26 July 2005 and settlement on Wednesday, 27 July 2005. This further issue will be fungible with the stock already in issue.

Interest on 2½% Index-linked Treasury Stock 2020 is payable half-yearly on 16 April and 16 October. The price payable for this further amount of stock will include an amount equal to the accrued interest from 16 April 2005, the most recent interest payment date of the stock, to 27 July 2005, the settlement date of this auction, at the rate of £1.592148 per £100 nominal of stock. This further issue of the stock will rank for the full six months' interest due on 16 October 2005, at the rate of £2.8565 per £100 nominal of stock.

The stock will be repayable on 16 April 2020. The amount due on repayment, per £100 nominal of stock, will be related, subject to the terms of the prospectus, to the movement during the life of the stock of the United Kingdom General Index of Retail Prices ("RPI") published by the Office for National Statistics.

Interest payments on this stock are also linked to the movement of the RPI over the relevant period. Interest will ordinarily be paid to holders of this stock 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 this further amount of 2½% Index-linked Treasury Stock 2020 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Tuesday, 26 July 2005. The SEDOL and ISIN codes to be used for "when-issued" trading are B-0CN-DB8 and GB00B0CNDB84 respectively. The TIDM code "AUC" should be used for trade reporting purposes. The SEDOL and ISIN codes to be used after this date are 0-908-182 and GB0009081828 respectively.

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, 26 July 2005. The DMO will allot stock to individual bidders at its own discretion. In particular, it may decline to allot stock 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 stock on offer at the auction for their own account. Therefore, by 10:45 am, IG GEMMs will be required to report all bids. This will apply to all IG GEMMs irrespective of whether or not they have subscribed for 40% or more of the stock on offer. The DMO will expect to announce the auction results by 11.10 am on Tuesday, 26 July 2005.

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 stock 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 stock on offer at the auction (ie £40.0 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 June, May and April 2005.



A Notice announcing the auction of this further issue of stock 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 Notice dated 13 May 2005, (the "Information Memorandum"). The prospectus for competitive bids and non-competitive bids, the Information Memorandum and the Notice 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/prosp190705.pdf, www.dmo.gov.uk/gilts/public/technical/infmem211204.pdf and www.dmo.gov.uk/gilts/public/technical/infmemadd130505.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 Tuesday, 26 July 2005; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than 10.00 am on Tuesday, 26 July 2005.

IG GEMMs may bid by telephone to the DMO not later than 10.30 am on Tuesday, 26 July 2005.

NOTES TO EDITORS

The DMO's remit for 2005-06 was published on 16 March 2005 as part of the Budget 2005 announcements and revised on 20 April 2005 following the publication of an outturn CGNCR for 2004-05 which was £4.3 billion lower than forecast at the Budget. Planned gilt sales in 2005-06 were reduced by £2.4 billion to £51.1 billion; conventional gilt sales are now planned to raise £41.1 billion in 15 auctions whilst planned index-linked sales are for £10.0 billion in 10 auctions. Gilt sales in the financial year to date are £16.2 billion (cash) of which index-linked sales account for £3.0 billion (cash).

The auction announced today is the ninth of the 2005-06 remit and the fourth of index-linked stock. It represents a further tranche of 2½% Index-linked Treasury Stock 2020 first issued in October 1983. Following this auction the nominal amount outstanding of 2½% Index-linked Treasury Stock 2020 will be £6.165 billion (£14.044 billion after indexation uplift).



Computershare Investor Services PLC assumed responsibility for the gilt registration service as HM Treasury's designated Registrar in succession to the Bank of England on 20 December 2004.

Copies of the full prospectus are available on request from the addresses given below and on the DMO website, www.dmo.gov.uk/public/prospectus/imindex.htm. Only stock 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.

