

51/05

18 October 2005

PRESS NOTICE

INDEX-LINKED GILT AUCTION

NOMINAL AMOUNT: £675,000,000

GILT: 1¼% INDEX-LINKED TREASURY GILT 2055

MATURITY DATE: 22 NOVEMBER 2055

INTEREST DATES: 22 MAY / 22 NOVEMBER

AUCTION DATE: 25 OCTOBER 2005

SETTLEMENT DATE: 26 OCTOBER 2005

The United Kingdom Debt Management Office ("the DMO") announces the issue by Her Majesty's Treasury of a further £675 million nominal of 1¼% Index-linked Treasury Gilt 2055, for auction on a uniform price basis on Tuesday, 25 October 2005 and settlement on Wednesday, 26 October 2005. This further issue will be fungible with the Gilt already in issue.

Interest on 1¼% Index-linked Treasury Gilt 2055 is payable half-yearly on 22 May and 22 November. The actual amount payable for this further issue of the Gilt per £100 nominal will be the real clean price multiplied by the Index Ratio for 26 October 2005, the settlement date of this auction, plus £0.112281, the uplifted accrued interest per £100 nominal from 23 September 2005, the first issue date of the Gilt, to 26 October 2005. The Index Ratio for 26 October 2005 is 1.00168. The Gilt being auctioned will, therefore, rank for the full amount of the first interest payment due on 22 May 2006.

The Gilt will be repayable on 22 November 2055. 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 this Gilt are also linked to the movement of the RPI over the relevant period. Interest 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 this further amount of 1¼% Index-linked Treasury Gilt 2055 on a "when-issued" basis may be conducted from the time of this announcement until the close of business on Tuesday, 25 October 2005. The SEDOL and ISIN codes to be used for "when-issued" trading are B-0LN-WL2 and GB00B0LNWL21 respectively. The TIDM code "AUC" should be used for trade reporting purposes. The SEDOL and ISIN codes to be used after this date are B-0CN-HZ0 and GB00B0CNHZ09 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, 25 October 2005. 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, 25 October 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 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 £67.5 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 July, June and May 2005.

A Notice announcing the auction of this further 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/prosp181005.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 Tuesday, 25 October 2005; or lodged by hand at the DMO, Eastcheap Court, 11 Philpot Lane, London, EC3M 8UD not later than 10.00 am on Tuesday, 25 October 2005.

IG GEMMs may bid by telephone to the DMO not later than 10.30 am on Tuesday, 25 October 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 9 auctions and 1 syndicated offering. Gilt sales in the financial year to date are £29.9 billion (cash) of which index-linked sales account for £5.3 billion (cash).

The auction announced today is the fourteenth of the 2005-06 remit and the fifth of an index-linked gilt. It represents a further tranche of 1¼% Index-linked Treasury Gilt 2055 which was first issued by means of a syndicated offering in September 2005. As set out in its debt financing remit for 2005-06, the DMO is reverting to the use of auctions as its preferred method of issuance for subsequent issues of ultra long gilts. Following this auction the nominal amount



outstanding of 1¼% Index-linked Treasury Gilt 2055 will be £1.963 billion (£1.966 billion after indexation uplift).

1¼% Index-linked Treasury Gilt 2055 trades on a “real price” basis which means that the price of a trade needs to be multiplied by the Index Ratio applicable to the settlement date and then this is added to the uplifted accrued interest to give the true settlement cost of the trade. All other UK index-linked gilts effectively trade on an “inflation uplifted price” basis which takes account of the movements in the level of the Index since the relevant gilt was first issued.

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 gilt 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.

