

National Savings and Investments

Product Accounts 2004/05

Presented to Parliament in pursuance of section 7 of the
Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 16 November 2005

Foreword

Statutory Background

National Savings and Investments

National Savings and Investments is the Government's retail savings agency.

The Department for National Savings was established in 1969, having previously been part of the Post Office. In 1996, National Savings was also established as an Executive Agency of the Chancellor of the Exchequer. In February 2002 National Savings launched its new name and corporate identity and is now known as 'National Savings and Investments' (NS&I).

National Savings and Investments' principal activity is financing a part of the National Debt by selling savings and investment products to personal savers and investors. This involves designing and promoting the sale of products, collecting and repaying money invested, maintaining customer records, and dealing with correspondence and enquiries.

The Director of Savings, who is also National Savings and Investments' Chief Executive, is the Accounting Officer responsible for administering National Savings and Investments' products.

National Savings and Investments' Products

These accounts cover transactions and balances on all National Savings and Investments' products.

The products covered by these accounts and their governing legislation and regulations are as follows:

Products governed by the National Debt Act 1972

British Savings Bonds	National Savings Stock Register Regulations 1976
Capital Bonds	National Savings Stock Register Regulations 1976
Children's Bonus Bonds	Savings Certificates (Children's Bonus Bonds) Regulations 1991
Deposit Bonds	National Savings Stock Register Regulations 1976
First Option Bonds	National Savings Stock Register Regulations 1976
Fixed Rate Savings Bonds	National Savings Stock Register Regulations 1976
Gift Tokens	
Guaranteed Equity Bonds	National Savings Stock Register Regulations 1976
Income Bonds	National Savings Stock Register Regulations 1976
Pensioners' Guaranteed Income Bonds	National Savings Stock Register Regulations 1976
Premium Bonds	Premium Savings Bonds Regulations 1972
Save As You Earn	Savings Contracts Regulations 1969
Savings Certificates	Savings Certificates Regulations 1991
Savings Stamps	National Savings Stamps Regulations 1969
Yearly Plan	Savings Certificates (Yearly Plan) Regulations 1984

Products governed by the National Savings Bank Act 1971

Easy Access Savings Account	National Savings Bank Regulations 1972
Individual Savings Account	National Savings Bank Regulations 1972
Investment Account	National Savings Bank Regulations 1972
Ordinary Account	National Savings Bank Regulations 1972
Treasurers' Account	National Savings Bank Regulations 1972

British Savings Bonds, Deposit Bonds, First Option Bonds, Gift Tokens, Save As You Earn, Savings Stamps and Yearly Plan were not on sale during the year but some customer funds are still invested within them. The Finance Act 2003 amended the 1971 Act to enable the closure of Ordinary deposit accounts. Following this Act the product was removed from sale in January 2004. Ordinary accounts were closed to subsequent deposits in July 2004 and payments on demand at the Post Office ceased in September 2004. Investors were actively encouraged to close their Ordinary Deposit accounts and this is reflected during 2004/05 in the reduction by £775m of the liability to investors to £364m.

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Foreword

Accounts

The accounts have been prepared under a direction issued by the Treasury in accordance with section 7(2) of the Government Resources and Accounts Act 2000.

Scope of the Product Accounts

These accounts record the transactions for the year ended 31 March 2005 on retail savings and investment products administered by National Savings and Investments and the balances in respect of those products as at that date. They do not include:

- *The investment or use of funds.* Customer funds are not directly invested by National Savings and Investments. They are passed to either the National Loans Fund or to the Commissioners for the Reduction of the National Debt where they are invested mainly in government securities.
- *National Savings and Investments' administration costs.* These are funded by Parliamentary Vote and accounted for separately in the 'National Savings and Investments Annual Report and Accounts'.
- *Tax foregone.* Some National Savings and Investments' products are tax free. The notional cost of tax foregone by the Exchequer is not recognised as a cost in these accounts.

A separate White Paper account (Ordinary Deposits Account) is also published for the Ordinary Account.

Performance for the year

National Savings and Investments' objective is to provide the Government with cost effective retail finance compared to funds raised on the wholesale market.

In pursuit of this objective, National Savings and Investments raised £11.1 billion through sales and deposits. After repayments and interest, total liabilities to customers increased by £1.9 billion during 2004/05.

Audit

These accounts have been audited by the Comptroller and Auditor General whose Certificate and Report appear on pages 7 and 8.

Important events occurring since the year end

There have been no significant events since the end of the year which would affect the transactions with investors for the year or the assets and liabilities at the year end.



Alan Cook
Director of Savings
National Savings and Investments

17 October 2005

Accounting Officer's statement

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, National Savings and Investments is required to prepare accounts covering all its products for each financial year in accordance with a Treasury direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the products' balances at the year end, and of the transactions with investors and cash flows for the financial year.

The Treasury has appointed the Director of Savings as Accounting Officer for National Savings and Investments, with responsibility for preparing the National Savings and Investments Product Accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the Resource Accounting Manual prepared by the Treasury in so far as it is appropriate, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable and for keeping proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Statement on internal control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of National Savings and Investments' (NS&I's) policies, aims and objectives, set by the Economic Secretary to the Treasury, who is the Treasury Minister with prime responsibility for NS&I; whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. Although, as Accounting Officer, I retain sole responsibility for the system of internal control within NS&I, I am assisted in discharging this responsibility by the NS&I Board, which, in addition to me and the other NS&I executive directors, comprises four independent non-executive directors and two representatives of HM Treasury, who provide the key assurance link back to Treasury Ministers.

The Minister, whilst maintaining accountability, has delegated day-to-day dealings with NS&I to HM Treasury's Debt and Reserves Management (DRM) team. The NS&I Board has assumed overall responsibility for monitoring the effectiveness of the Agency's risk management processes. In addition, my Finance Director and I have regular quarterly meetings with representatives of DRM to discuss progress of the business, including any major risks and a monthly performance report is sent to the Economic Secretary to the Treasury. I and my senior staff also hold regular briefing meetings with other relevant HM Treasury teams.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives. It enables management to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically to an overall level acceptable to NS&I. The system of internal control has been in place in NS&I for the year ended 31 March 2005 and up to the date of approval of the accounts, and accords with Treasury guidance.

3. Capability to handle risk

NS&I has a risk management strategy, a risk management policy and agreed risk management reporting protocols which have been endorsed by the Board, the Audit Committee and me. This risk framework has been reviewed during the year by the Board to ensure the processes and responsibilities for the management of risk it supports remain relevant to the agency, and are in line with the latest "Orange Book" guidance from the Treasury.

The Board, including independent non-executive members, considers the plans and strategic direction of NS&I and provides advice and challenge to assist me in discharging my responsibility to manage risk across the whole of the NS&I business.

The risk management process is led by the Executive Management Team (EMT) comprising the executive directors and the Siemens Business Services Director responsible for the NS&I account, who are responsible for implementation of the risk management strategy; for developing and overseeing the risk management policy; for identifying and evaluating strategic risks; and designing, operating and monitoring a suitable system of internal control. The responsibility for the management of each key risk is assigned to an EMT member. As part of the process of embedding risk management within the agency, management of the sub-risks which support each of the key risks, where not retained at EMT level, has been delegated to individual Business Unit Leaders.

An Audit Committee, chaired by an independent director, is responsible for providing assurance to the Board on the existence and effectiveness of the overall processes for managing risk within NS&I and within that part of Siemens Business Services concerned with NS&I business.

NS&I's business model means that we are critically reliant on our business partner Siemens Business Services (SBS) for the delivery of our strategic objective. Consequently, we have established joint processes with Siemens Business Services to manage the partnership as one business. These include reciprocal SBS representation at the NS&I EMT meetings and NS&I representation at SBS NS&I Account senior management team meetings; joint working between project offices; joint project teams; and a Joint Audit and Risk Management Committee (JARMC). The JARMC updates the Audit Committee on the management of risks to the joint business.

Across the whole business, directors and operational managers are responsible for embedding risk identification and management within the design, documentation and operation of business processes, in line with agreed risk tolerances.

4. The risk process

An analysis of key risks and the consequent sub-risks has been established through an ongoing programme of individual and collective discussion with the executive directors. With very few exceptions where sub-risks have been retained by the Directors, all sub-risks have been allocated to Business Unit Leaders. An organisation wide risk register is being maintained which records all significant risks identified, links lower level risks through to the key risks, records mitigating controls and named risk managers. The board reviews the key risks annually to ensure they remain valid and complete in the light of business plans for the coming year.

For each key and sub-risk identified, the assessment and scoring of the probability and impact both before and after mitigating controls is performed using a consistent methodology on a risk matrix. The results of this are considered against our agreed organisation risk appetite as approved annually by the Board. Reviews of risks and their risk scores are performed regularly, and at least quarterly by executive directors, Business Unit Leaders, and the EMTs.

Where further action is necessary to reduce exposure, the action, and its intended effect on the status of the risk, is logged; responsibility allocated; and a completion date agreed. Progress on the action is tracked and missed completion dates on residually red risks are reported monthly through to the EMT and bi-monthly to the board via the Corporate Balanced Scorecard. Missed dates on other risks are reported to the relevant EMT member via the Business Unit Balanced Scorecards.

Risks where exposure remains unacceptably high despite controls are flagged as Red, and are reviewed quarterly by Business Unit Leaders, the EMT and the Audit Committee, and bi-annually by the board.

As part of the annual planning cycle, Business Unit Leaders were required to identify the significant risks which could impact on the achievement of each main element of their proposed business plans for 2005/06. These risks were then compared with the existing risk register, which was amended as necessary. This process now forms an integral part of future business planning.

Contingency plans are in place or are being implemented for all sub-risks where exposure is inherently unacceptable.

Our management of risk is embedded in policymaking, planning and delivery by executive directors and Business Unit Leaders who are responsible for ensuring the proper management of risks; and cascading implementation of the risk management strategy and policy within their directorates and teams respectively. Business Unit Leaders are responsible for implementation of self assessment processes. A programme management function ensures that all projects are subject to formal project management disciplines including an assessment of inherent and residual risks.

Business Unit Leaders provide written sign offs to the relevant executive directors that they are satisfied that all their sub-risks are either adequately controlled, or that plans are in place to provide that control. In addition, EMT members provide me with equivalent written sign offs for the key risks for which they have responsibility. Executive directors also provide written assurance that an adequate system of internal control operates within their directorates, and that, to the best of their knowledge their staff comply with all relevant legal and regulatory requirements.

These approaches continue to be refined to further embed risk management within NS&I's business.

During 2004/05, considerable progress continued to be made on developing our business continuity plans, to the point where all identified resilience gaps in the IT infrastructure are being addressed to the Audit Committee's satisfaction. During 2005/06 further work will be done to strengthen other areas of business continuity. The Audit Committee will continue to monitor progress on this area closely.

The work to update and automate Evidence of Identity checking procedures foreshadowed in my 2003/04 Statement on Internal Control culminated in the introduction in January 2005 of a new automated system of identity checking. This system has now bedded in, and is working satisfactorily; and in my opinion ensures that NS&I continues to be compliant with current Money Laundering Regulations.

5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive directors and managers within the department and Siemens Business Services, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

We are continuing the process of strengthening internal controls across all systems and products based on the new standards for control in the business which were enabled by the launch of the Easy Access Savings Account on a purpose designed system. In addition we will continue our ongoing process for assessing internal control against best practice.

The Board satisfies itself on the adequacy of the risk management process and reviews the management of each key

Internal control

residually red risk at least annually by examining evidence of performance against objectives and targets, the timely identification and assessment of significant risks, the prioritisation of risks and the allocation of resources to address areas of exposure, the ability of NS&I to learn from its experiences and the commitment and speed with which corrective actions are implemented. The Board also reviews the internal and external risk profile for the coming year and considers if current internal control arrangements are likely to be effective.

The Executive Management Team conducts quarterly reviews of the risk register and reports on residually red and amber risks to the Audit Committee, which in turn reviews residually red risks each quarter, and reviews annually the assurance on the overall system of internal control provided by the Head of Internal Audit; and advises the Board of its assessment of the internal control system.

The Head of Internal Audit provides the Audit Committee with regular reports on internal audit activity, including his independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The wider remit given to Deloitte following their re-appointment as NS&I's internal auditors has enabled the production of one overall audit plan and audit process for the NS&I business, co-ordinated by Deloitte. In my opinion, and that of the Audit Committee, this has resulted in an appreciable enhancement of the internal audit process, and hence of the value of the internal audit assurance.

The approach to reviewing effectiveness and plans to ensure the continuous improvement of the systems in place will be further refined in 2005/06.



Alan Cook
Director of Savings
National Savings and Investments

17 October 2005

Certificate and Report

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 9 to 17 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 12.

Respective responsibilities of the Accounting Officer and auditor

As described on page 3, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made there-under and for ensuring the regularity of the transactions with investors. The Accounting Officer is also responsible for the preparation of the other information contained in the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the transactions with investors conform to the authorities which govern them. I also report, if in my opinion, the Foreword is not consistent with the financial statements, if National Savings and Investments has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 4 to 6 reflects National Savings and Investments' compliance with the Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of National Savings and Investments' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of the transactions with investors included in the financial statements. It also includes an assessment of the significant estimates and judgements made by National Savings and Investments in the preparation of the financial statements, and of whether the accounting policies are appropriate, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the transactions with investors conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Certificate and Report

Opinion

In my opinion:

- the financial statements give a true and fair view of the balances held in respect of National Savings and Investments' products as at 31 March 2005 and of the transactions with investors and cash flows for the year then ended; and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made there-under by Treasury; and
- in all material respects the transactions with investors conform to the authorities which govern them.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General
National Audit Office,
157-197 Buckingham Palace Road, Victoria, London SW1W 9SP

24 October 2004

Transactions with investors

Transactions with investors

for the year ended 31 March 2005

	Notes	2004/05 £'000	2004/05 £'000	2003/04 £'000
Received from investors			11,081,754	12,724,760
Interest and prizes earned by investors	2		2,362,445	1,926,753
			<u>13,444,199</u>	<u>143,651,513</u>
Paid to investors		(11,449,774)		(11,209,509)
Tax deducted on interest earned		<u>(5,880)</u>		<u>(6,956)</u>
			<u>(11,455,654)</u>	
Increase in liability to investors			1,988,545	3,435,048
Opening balance of funds invested			<u>66,531,777</u>	<u>63,096,729</u>
Closing balance of funds invested			<u>68,520,322</u>	<u>66,531,777</u>

The notes on pages 12 to 17 form part of these accounts.
An analysis of transactions with investors by product is disclosed in note 3.

Balance sheet

Balance sheet

as at 31 March 2005

	Notes	31/03/05 £'000	31/03/04 £'000
Assets			
Held by the National Loans Fund	4	67,520,247	64,753,127
Held by the Commissioners for the Reduction of the National Debt	5	356,448	1,148,432
Cash at bank and in hand		502,926	521,001
Debtors	6	143,363	125,023
		<u>68,522,984</u>	<u>66,547,583</u>
Creditors	7	(2,662)	(15,806)
Net assets		<u>68,520,322</u>	<u>66,531,777</u>
Liability to investors			
Principal, accrued interest and prizes	8	68,484,264	66,498,129
Unclaimed monies		36,058	33,648
Total funds invested	9	<u>68,520,322</u>	<u>66,531,777</u>

The notes on pages 12 to 17 form part of these accounts.



Alan Cook
Director of Savings
National Savings and Investments

17 October 2005

Cash flow statement

Cash flow statement

for the year ended 31 March 2005

	Notes	2004/05 £'000	2003/04 £'000
Net cash inflow / (outflow) from transactions with investors	10	(405,384)	1,524,011
Net cash (outflow) / inflow from the National Loans Fund and the Commissioners for the Reduction of the National Debt	11	387,309	(1,402,717)
Decrease in cash at bank and in hand		<u>(18,075)</u>	<u>121,294</u>

The notes on pages 12 to 17 form part of these accounts.

Notes to the Accounts

Notes to the Accounts

1. Accounting policies

These accounts have been prepared in accordance with the direction given by the Treasury under the Government Resources and Accounts Act 2000. They comply with the accounting and disclosure requirements contained in the Resource Accounting Manual issued by the Treasury and UK generally accepted accounting practice (UK GAAP) to the extent that it is meaningful and appropriate to do so. The following accounting policies have been applied consistently in relation to National Savings and Investments Product Accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Receipts from investors

A receipt from an investor is recognised as a liability when the payment instrument for a valid investment is received by National Savings and Investments or one of its agents.

1.3 Payments to investors

Payments are recognised on the date of the payment instrument. Where payment instruments are not paid within their stipulated time limit the liability to the investor is reinstated.

1.4 Reinvestments and rollovers

If an investor decides to reinvest funds in the same or another product this is termed a reinvestment and is recognised as a payment and a new receipt.

An automatic or default rollover of funds within the same product, which requires no action by the investor is not recognised as a payment or receipt.

1.5 Interest and index linking

Interest is deemed to capitalise when it starts earning further interest in accordance with the terms and conditions applicable to each product. Capitalised interest is included within interest earned in the transactions with investors statement and is included within the principal owed to investors in the balance sheet.

Interest and index linking, where applicable, are accrued from the date of receipt or most recent capitalisation to the end of the accounting period.

1.6 Prizes

The prize fund for Premium Bonds relating to the first day of the following month is accrued as investments are eligible for this draw if they are still held at the end of the month.

2. Interest and prizes earned by investors

Interest and prizes earned by investors during the year have been charged as follows:

	2004/05 £'000	2003/04 £'000
National Loans Fund	2,358,160	1,922,440
Commissioners for the Reduction of the National Debt	4,285	4,313
	<u>2,362,445</u>	<u>1,926,753</u>

Notes to the Accounts

3. Transactions with investors by product

	Received from investors £'000	Interest and prizes earned £'000	Paid to investors including tax deducted at source £'000	Increase/ (decrease) in investors funds £'000	Invested at 31/03/04 £'000	Invested at 31/03/05 £'000
British Savings Bonds	–	–	(25)	(25)	2,727	2,702
Capital Bonds	40,545	60,548	(139,759)	(38,666)	1,301,901	1,263,235
Children's Bonus Bonds	67,228	54,390	(82,579)	39,039	1,254,485	1,293,524
Deposit Bonds	–	–	(1,473)	(1,473)	8,524	7,051
Easy Access Savings Account	887,573	21,085	(273,579)	635,079	154,364	789,443
First Option Bonds	–	9,421	(41,940)	(32,519)	277,520	245,001
Fixed Rate Savings Bonds	102,848	22,584	(111,339)	14,093	568,450	582,543
Gift Tokens	–	–	(6)	(6)	1,550	1,544
Guaranteed Equity Bonds	308,092	82,696	(1,969)	388,819	563,576	952,395
Income Bonds	429,037	316,390	(1,163,745)	(418,318)	8,048,081	7,629,763
Individual Savings Account	277,169	63,967	(200,668)	140,468	1,449,592	1,590,060
Investment Account	819,687	218,764	(1,550,895)	(512,444)	6,885,441	6,372,997
Ordinary Account	130,211	4,285	(909,819)	(775,323)	1,138,922	363,599
Pensioners' Guaranteed Income Bonds	414,930	162,197	(692,568)	(115,441)	3,726,044	3,610,603
Premium Bonds	5,751,278	736,995	(4,134,557)	2,353,716	24,251,383	26,605,099
Save As You Earn	–	342	(685)	(343)	12,206	11,863
Savings Certificates	1,842,442	605,777	(2,132,480)	315,739	16,786,479	17,102,218
Savings Stamps	–	–	(4)	(4)	5,787	5,783
Treasurers' Account	10,714	2,458	(15,594)	(2,422)	67,246	64,824
Yearly Plan	–	546	(1,970)	(1,424)	27,499	26,075
Total	11,081,754	2,362,445	(11,455,654)	1,988,545	66,531,777	68,520,322

First Option Bonds and Fixed Rate Savings Bonds are the only products which have tax deducted at source.

Notes to the Accounts

4. Amounts held by the National Loans Fund

	31/03/05 £'000	31/03/04 £'000
Principal	66,669,783	64,050,564
Accrued interest	850,464	702,563
	<u>67,520,247</u>	<u>64,753,127</u>

The amounts held by the National Loans Fund as at 31 March 2005 relate to the following products:

	Principal liability £'000	Accrued interest £'000	Total £'000
Capital Bonds	1,220,451	36,372	1,256,823
Children's Bonus Bonds	1,226,350	62,944	1,289,294
Deposit Bonds	–	–	–
Easy Access Savings Account	735,590	–	735,590
First Option Bonds	236,334	5,480	241,814
Fixed Rate Savings Bonds	569,082	8,721	577,803
Gift Tokens	–	–	–
Guaranteed Equity Bonds	839,790	107,880	947,670
Income Bonds	7,560,755	24,450	7,585,205
Individual Savings Account	1,515,442	61,499	1,576,941
Investment Account	6,277,269	56,209	6,333,478
Pensioners' Guaranteed Income Bonds	3,584,764	5,678	3,590,442
Premium Bonds	26,172,235	69,448	26,241,683
Save As You Earn	6,034	5,544	11,578
Savings Certificates	16,639,300	405,215	17,044,515
Treasurers' Account	63,451	637	64,088
Yearly Plan	22,936	387	23,323
Total	<u>66,669,783</u>	<u>850,464</u>	<u>67,520,247</u>

Notes to the Accounts

5. Amounts held by the Commissioners for the Reduction of the National Debt

	31/03/05 £'000	31/03/04 £'000
Principal	319,358	1,113,851
Accrued interest	1,011	987
Unclaimed monies	36,079	33,594
	<u>356,448</u>	<u>1,148,432</u>

The amounts held by the Commissioners for the Reduction of the National Debt as at 31 March 2005 relate to the following products:

	Principal liability £'000	Accrued interest £'000	Unclaimed monies £'000	Total £'000
British Savings Bonds	–	–	2,672	2,672
Gift Tokens	–	–	1,540	1,540
Income Bonds	–	–	1,781	1,781
Ordinary Account	319,358	1,011	–	320,369
Pensioners' Guaranteed Income Bonds	–	–	81	81
Premium Bonds	–	–	24,227	24,227
Savings Stamps	–	–	5,778	5,778
Total	<u>319,358</u>	<u>1,011</u>	<u>36,079</u>	<u>356,448</u>

6. Debtors

	31/03/05 £'000	31/03/04 £'000
Agents	142,023	124,596
Other debtors	1,340	427
	<u>143,363</u>	<u>125,023</u>

7. Creditors

	31/03/05 £'000	31/03/04 £'000
NLF	123	565
Inland Revenue	1	19
Agents	447	15,056
Other creditors	2,091	166
	<u>2,662</u>	<u>15,806</u>

Notes to the Accounts

8. Principal, accrued interest and prizes

	31/03/05 £'000	31/03/04 £'000
Principal owed to investors	67,618,664	65,783,652
Accrued interest and prizes	865,600	714,477
	<u>68,484,264</u>	<u>66,498,129</u>

9. Total funds invested by product

	Principal liability £'000	Accrued interest and prizes £'000	Unclaimed monies £'000	Total funds invested £'000
British Savings Bonds	–	–	2,702	2,702
Capital Bonds	1,226,865	36,372	–	1,263,237
Children's Bonus Bonds	1,230,580	62,944	–	1,293,524
Deposit Bonds	7,051	–	–	7,051
Easy Access Savings Account	789,443	–	–	789,443
First Option Bonds	239,522	5,480	–	245,002
Fixed Rate Savings Bonds	573,821	8,721	–	582,542
Gift Tokens	–	–	1,544	1,544
Guaranteed Equity Bonds	844,514	107,880	–	952,394
Income Bonds	7,598,438	29,524	1,802	7,629,764
Individual Savings Account	1,528,562	61,499	–	1,590,061
Investment Account	6,316,787	56,209	–	6,372,996
Ordinary Account	362,588	1,011	–	363,599
Pensioners' Guaranteed Income Bonds	3,602,763	7,755	86	3,610,604
Premium Bonds	26,504,533	76,423	24,142	26,605,098
Save As You Earn	6,318	5,544	–	11,862
Savings Certificates	16,697,003	405,215	–	17,102,218
Savings Stamps	–	–	5,782	5,782
Treasurers' Account	64,188	636	–	64,824
Yearly Plan	25,688	387	–	26,075
Total	<u>67,618,664</u>	<u>865,600</u>	<u>36,058</u>	<u>68,520,322</u>

An analysis of total funds invested by product for the previous year is in note 3.

GEB products are repayable at the end of their term. The maturity profile for total funds invested with National Savings and Investments is as follows:

	31/03/05 £'000	31/03/04 £'000
Maturing in one year or less or repayable on demand	67,567,928	65,968,202
Maturing in more than two years but not more than five years	816,675	553,159
Maturing in more than five years	135,719	10,416
	<u>68,520,322</u>	<u>66,531,777</u>

Notes to the Accounts

10. Net cash inflow / (outflow) from transactions with investors

	2003/05 £'000	2002/04 £'000
Net increase in total funds invested	1,988,545	3,435,048
Adjustments for non-cash items		
Interest and prizes earned by investors	(2,362,445)	(1,926,753)
	<u>(373,900)</u>	<u>1,508,295</u>
Adjustments for movements in working capital other than cash	(31,484)	15,716
Net cash inflow / (outflow)	<u>(405,384)</u>	<u>1,524,011</u>

11. Net cash (outflow) / inflow from the National Loans Fund and the Commissioners for the Reduction of the National Debt

	2003/05 £'000	2003/05 £'000	2002/04 £'000
National Loans Fund (NLF)			
Received from the NLF	10,279,632		10,252,306
Paid to the NLF	(10,688,592)		(11,872,688)
		(408,960)	
Commissioners for the Reduction of the National Debt			
Received from the Commissioners	936,377		314,356
Paid to the Commissioners	(140,108)		(96,691)
		796,269	
Net cash (outflow) / inflow		<u>387,309</u>	<u>(1,402,717)</u>

Cash received from investors is passed to either the National Loans Fund or the Commissioners for the Reduction of the National Debt depending upon the product. It is not invested by National Savings and Investments. Cash to make payments to investors is drawn down from the National Loans Fund or the Commissioners as and when required.

Contacts and more information

Contacts and more information

We want to make it as easy as possible for you to contact us at any time in a way that is convenient for you.

Telephone

Call us on 0845 964 5000. Lines are open 7am to midnight, seven days a week. Calls are charged at local rates. To maintain a high level of service, we may record calls

Internet

Visit our website at www.nsandi.com

Textphone

Use our free textphone service on 0800 056 0585 if you have Minicom equipment

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Write to us at National Savings and Investments, Blackpool, FY3 9YP

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- Publicise the code, have copies available and make sure our staff are trained to put into practice.

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Head office
National Savings and Investments
Charles House
375 Kensington High Street
London
W14 8SD
Tel: 020 7348 9200

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