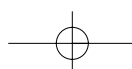


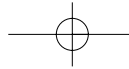
National Savings and Investments

Product Accounts 2003/04

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

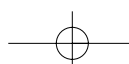
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Foreword

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 Ordinary Account closed to new account openings when the Easy Access Savings Account went on sale on 29 January 2004.

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 2004 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 £12.7 billion through sales and deposits. After repayments and interest, total liabilities to customers increased by £3.4 billion during 2003/04.

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

11 January 2005

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.

Internal control

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 Financial Secretary to the Treasury, 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 Financial Secretary to the Treasury.

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 2004 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 amended during the year to reflect changes agreed by the board to the processes and responsibilities for the management of risk within the agency.

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 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 Executive Management Team 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 has been delegated to individual Business Unit Leaders, who, with two representatives from Siemens Business Services, collectively form the Senior Management Team.

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 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 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 workshops 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 Executive and Senior Management Teams.

Where further action is necessary to reduce exposure, the action, and its intended effect on the status of the risk, are logged, responsibility allocated and a completion date agreed. Progress on the action is tracked and missed completion dates are reported monthly through to the Executive Management team and bi-monthly to the board via the Corporate Balanced Scorecard.

Risks where exposure remains unacceptably high despite controls are flagged as Red, and are reviewed quarterly by the Senior Management Team, the Executive Management Team 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 2004/05. These risks were then compared with the existing risk register, which was amended as necessary. This process will form an integral part of future business planning.

Contingency plans are in place 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, Executive Management Team 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 will continue to be refined in 2004/05 to further embed risk management within NS&I's business.

During 2003/04, considerable progress has been made on developing our business continuity plans, but further work, including live testing, remains to be done to ensure they are co-ordinated and remain adequate.

NS&I is taking the opportunity to update and automate its Evidence of Identity checking procedures in response to changes introduced by The Money Laundering Regulations 2003 and to developments in best practice. It is expected that the new system will be operational by the end of 2004. The new system will be fully operational by the end of January 2005.

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.

The launch of the Easy Access Savings Account on a purpose designed system, along with our ongoing process for assessing internal control against best practice, has created new standards for control in the business. I intend to use these standards as a base for strengthening internal controls across all other systems and products.

The Board satisfies itself on the adequacy of the risk management process and reviews the management of each key residually red risk at least annually by examining evidence of performance against objectives and targets, the timely

Internal control

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 at 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.

Senior management within Siemens Business Services also provide me with an annual written assessment of the adequacy of the system of internal control operating within the part of the business that they manage, including evidence to support that assessment.

The Siemens Business Services business transformation programme, which includes a new system for processing investors' transactions, continues to progress. Enhancements to the system of internal control required as a result of this programme are still being implemented.

During 2003/04 Deloitte were re-appointed as NS&I's internal auditors following a competitive tendering exercise. During 2004/05 they will assume direct responsibility for auditing the operational and transaction controls relating to NS&I business within Siemens Business Services.

The approach to reviewing effectiveness and plans to ensure the continuous improvement of the systems in place will be further refined in 2004/05.



Alan Cook
Director of Savings
National Savings and Investments

11 January 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 the 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 2004 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

18 March 2005

Transactions with investors

Transactions with investors

for the year ended 31 March 2004

	Notes	2003/04 £'000	2003/04 £'000	2002/03 £'000
Received from investors			12,724,760	11,248,281
Interest and prizes earned by investors	2		1,926,753	2,086,970
			<u>14,651,513</u>	<u>13,335,251</u>
Paid to investors		(11,209,509)		(12,548,003)
Tax deducted on interest earned		<u>(6,956)</u>		<u>(8,532)</u>
			<u>(11,216,465)</u>	<u> </u>
Increase in liability to investors			3,435,048	778,716
Opening balance of funds invested			<u>63,096,729</u>	<u>62,318,013</u>
Closing balance of funds invested			<u>66,531,777</u>	<u>63,096,729</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 2004

	Notes	31/03/04 £'000	31/03/03 £'000
Assets			
Held by the National Loans Fund	4	64,753,127	61,210,304
Held by the Commissioners for the Reduction of the National Debt	5	1,148,432	1,361,785
Cash at bank and in hand		521,001	399,707
Debtors	6	125,023	126,322
		<u>66,547,583</u>	<u>63,098,118</u>
Creditors	7	(15,806)	(1,389)
Net assets		<u>66,531,777</u>	<u>63,096,729</u>
Liability to investors			
Principal, accrued interest and prizes	8	66,498,129	63,064,742
Unclaimed monies		33,648	31,987
Total funds invested	9	<u>66,531,777</u>	<u>63,096,729</u>

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



Alan Cook
Director of Savings
National Savings and Investments

11 January 2005

Cash flow statement

Cash flow statement

for the year ended 31 March 2004

	Notes	2003/04 £'000	2002/03 £'000
Net cash inflow / (outflow) from transactions with investors	10	1,524,011	(1,325,789)
Net cash (outflow) / inflow from the National Loans Fund and the Commissioners for the Reduction of the National Debt	11	(1,402,717)	1,449,509
Increase in cash at bank and in hand		<u>121,294</u>	<u>123,720</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:

	2003/04 £'000	2002/03 £'000
National Loans Fund	1,922,440	2,079,639
Commissioners for the Reduction of the National Debt	4,313	7,331
	<u>1,926,753</u>	<u>2,086,970</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 31/03/03 £'000	Invested at 31/03/04 £'000
British Savings Bonds	–	–	(8)	(8)	2,735	2,727
Capital Bonds	63,975	61,057	(124,074)	958	1,300,943	1,301,901
Children's Bonus Bonds	51,430	53,158	(80,255)	24,333	1,230,152	1,254,485
Deposit Bonds	–	–	(4,147)	(4,147)	12,671	8,524
Easy Access Savings Account	157,982	318	(3,936)	154,364	0	154,364
First Option Bonds	–	9,270	(69,563)	(60,293)	337,813	277,520
Fixed Rate Savings Bonds	108,438	20,728	(178,666)	(49,500)	617,950	568,450
Gift Tokens	–	–	(6)	(6)	1,556	1,550
Guaranteed Equity Bonds	227,949	24,650	(1,199)	251,400	312,176	563,576
Income Bonds	410,091	278,190	(1,257,319)	(569,038)	8,617,119	8,048,081
Individual Savings Account	335,044	48,920	(160,428)	223,536	1,226,056	1,449,592
Investment Account	822,832	178,707	(1,342,621)	(341,082)	7,226,523	6,885,441
Ordinary Account	626,189	4,313	(868,385)	(237,883)	1,376,805	1,138,922
Pensioners' Guaranteed Income Bonds	483,987	168,784	(912,789)	(260,018)	3,986,062	3,726,044
Premium Bonds	7,496,842	494,609	(3,451,404)	4,540,047	19,711,336	24,251,383
Save As You Earn	–	291	(512)	(221)	12,427	12,206
Savings Certificates	1,925,769	581,477	(2,744,613)	(237,367)	17,023,846	16,786,479
Savings Stamps	–	–	(3)	(3)	5,790	5,787
Treasurers' Account	14,232	1,932	(14,236)	1,928	65,318	67,246
Yearly Plan	–	349	(2,301)	(1,952)	29,451	27,499
Total	12,724,760	1,926,753	(11,216,465)	3,435,048	63,096,729	66,531,777

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

	31/03/04 £'000	31/03/03 £'000
Principal	64,050,564	60,428,571
Accrued interest	702,563	781,733
	<u>64,753,127</u>	<u>61,210,304</u>

The amounts held by the National Loans Fund as at 31 March 2004 relate to the following products:

	Principal liability £'000	Accrued interest £'000	Total £'000
Capital Bonds	1,254,299	37,835	1,292,134
Children's Bonus Bonds	1,191,320	61,267	1,252,587
Deposit Bonds	20	–	20
Easy Access Savings Account	319	–	319
First Option Bonds	261,422	4,378	265,800
Fixed Rate Savings Bonds	553,808	7,221	561,029
Gift Tokens	1,235	–	1,235
Guaranteed Equity Bonds	522,758	25,217	547,975
Income Bonds	8,013,689	20,046	8,033,735
Individual Savings Account	1,392,005	46,757	1,438,762
Investment Account	6,805,279	45,877	6,851,156
Pensioners' Guaranteed Income Bonds	3,705,872	5,769	3,711,641
Premium Bonds	23,926,808	47,313	23,974,121
Save As You Earn	5,705	5,531	11,236
Savings Certificates	16,327,327	394,603	16,721,930
Treasurers' Account	66,161	510	66,671
Yearly Plan	22,537	239	22,776
Total	<u>64,050,564</u>	<u>702,563</u>	<u>64,753,127</u>

Notes to the Accounts

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

	31/03/04 £'000	31/03/03 £'000
Principal	1,113,851	1,328,270
Accrued interest	987	1,603
Unclaimed monies	33,594	31,912
	<u>1,148,432</u>	<u>1,361,785</u>

The amounts held by the Commissioners for the Reduction of the National Debt as at 31 March 2004 relate to the following products:

	Principal liability £'000	Accrued interest £'000	Unclaimed monies £'000	Total £'000
British Savings Bonds	–	–	2,697	2,697
Income Bonds	–	–	1,562	1,562
Ordinary Account	1,113,851	987	–	1,114,838
Pensioners' Guaranteed Income Bonds	–	–	37	37
Premium Bonds	–	–	23,515	23,515
Savings Stamps	–	–	5,783	5,783
Total	<u>1,113,851</u>	<u>987</u>	<u>33,594</u>	<u>1,148,432</u>

6. Debtors

	31/03/04 £'000	31/03/03 £'000
Agents	124,596	125,691
Other debtors	427	631
	<u>125,023</u>	<u>126,322</u>

7. Creditors

	31/03/04 £'000	31/03/03 £'000
NLF	565	1,228
Inland Revenue	19	–
Agents	15,056	–
Other creditors	166	161
	<u>15,806</u>	<u>1,389</u>

Notes to the Accounts

8. Principal, accrued interest and prizes

	31/03/04 £'000	31/03/03 £'000
Principal owed to investors	65,783,652	62,270,856
Accrued interest and prizes	714,477	793,886
	<u>66,498,129</u>	<u>63,064,742</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	–	–	2,727	2,727
Capital Bonds	1,264,067	37,835	–	1,301,902
Children's Bonus Bonds	1,193,218	61,267	–	1,254,485
Deposit Bonds	8,524	–	–	8,524
Easy Access Savings Account	154,364	–	–	154,364
First Option Bonds	273,142	4,378	–	277,520
Fixed Rate Savings Bonds	561,229	7,221	–	568,450
Gift Tokens	1,550	–	–	1,550
Guaranteed Equity Bonds	538,358	25,217	–	563,575
Income Bonds	8,022,576	23,926	1,579	8,048,081
Individual Savings Account	1,402,835	46,757	–	1,449,592
Investment Account	6,839,564	45,877	–	6,885,441
Ordinary Account	1,137,935	987	–	1,138,922
Pensioners' Guaranteed Income Bonds	3,718,427	7,577	40	3,726,044
Premium Bonds	24,175,316	52,552	23,515	24,251,383
Save As You Earn	6,675	5,531	–	12,206
Savings Certificates	16,391,876	394,603	–	16,786,479
Savings Stamps	–	–	5,787	5,787
Treasurers' Account	66,737	510	–	67,247
Yearly Plan	27,259	239	–	27,498
Total	<u>65,783,652</u>	<u>714,477</u>	<u>33,648</u>	<u>66,531,777</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:

	31/03/04 £'000	31/03/03 £'000
Maturing in one year or less or repayable on demand	65,968,202	62,784,553
Maturing in more than two years but not more than five years	553,159	254,821
Maturing in more than five years	10,416	57,355
	<u>66,531,777</u>	<u>63,096,729</u>

Notes to the Accounts

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

	2003/04 £'000	2002/03 £'000
Net increase in total funds invested	3,435,048	778,716
Adjustments for non-cash items		
Interest and prizes earned by investors	<u>(1,926,753)</u>	<u>(2,086,970)</u>
	1,508,295	(1,308,254)
Adjustments for movements in working capital other than cash	<u>15,716</u>	<u>(17,535)</u>
Net cash inflow / (outflow)	<u>1,524,011</u>	<u>(1,325,789)</u>

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

	2003/04 £'000	2003/04 £'000	2002/03 £'000
National Loans Fund (NLF)			
Received from the NLF	10,252,306		11,603,747
Paid to the NLF	<u>(11,872,688)</u>		<u>(10,253,023)</u>
		(1,620,382)	
Commissioners for the Reduction of the National Debt			
Received from the Commissioners	314,356		163,342
Paid to the Commissioners	<u>(96,691)</u>		<u>(64,557)</u>
		217,665	
Net cash (outflow) / inflow		<u>(1,402,717)</u>	<u>1,449,509</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 24-hours, 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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Head office
National Savings and Investments
Charles House
375 Kensington High Street
London
W14 8SD
Tel: 020 7348 9200

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