



National Savings and Investments
Product Accounts 2005-06

national savings
& investments



ns&i

National Savings and Investments

Product Accounts 2005/06

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 7 November 2006

Contents

| | |
|--|----|
| Foreword | 1 |
| Statement of Accounting Officer's responsibilities | 3 |
| Statement on internal control | 4 |
| The Certificate and Report of the Comptroller and Auditor General to the House of Commons | 7 |
| Transaction with investors | 9 |
| Balance sheet | 10 |
| Cash flow statement | 11 |
| Notes to the Accounts | 12 |
| Contacts and more information | 18 |

© Crown Copyright 2006

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich NR3 1BQ. Fax: 01603 723000 or email: licensing@cabinet-office.x.gsi.gov.uk

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, Ordinary Account, 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.

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 2006 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 £11.98 billion through sales and deposits. After repayments and interest, total liabilities to customers increased by £4.85 billion during 2005/06.

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.



Jane Platt

Director of Savings
National Savings and Investments

25 September 2006

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 Financial Reporting Manual (FRM) 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 Financial Reporting Manual (FRM), 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, 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. I and my senior staff also hold regular briefing meetings with other relevant HM Treasury teams and a monthly performance report is sent to the Economic 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 2006 and up to the date of approval of the accounts, and accords with Treasury guidance.

3. Capability to handle risk

The Board, Audit Committee and Executive Management Team (EMT) have primary responsibility for identifying and monitoring key risks that face NS&I. EMT regularly discusses the key risks as part of its quarterly risk review, and the Board formally reviews the key risks at least annually to ensure they remain valid and complete in the light of changing circumstances in the year and business plans for the coming year.

NS&I has a risk management strategy, a risk management policy and agreed risk management reporting protocols which are approved annually by the Board.

The Audit Committee, chaired by an independent director, is responsible for providing assurance, in conjunction with internal and external auditors, 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 SBS to manage the partnership as one business. These include reciprocal SBS representation at the NS&I Executive Management Team (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.

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
- developing and overseeing the risk management policy
- identifying and evaluating strategic risks
- designing, operating and monitoring a suitable system of internal control.

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 or senior managers. 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 Management Team.

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 Executive Management team 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 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 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. Projects are governed by formal project management disciplines including regular review of project and programme risks overseen by the project board, Executive Management Team and the Board.

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 2005-2006, considerable progress continued to be made on developing our business continuity plans.

During 2005-06 training has been provided to all key risk and sub risk owners in the use of new risk management software, which will become operational in 2006-07. The new software and associated processes will provide greater ownership of risk and risk management processes.

Compliance policies and procedures have been strengthened during 2005-06 after the appointment of a new head of Compliance in January 2005. This has led to:

- A review of the existing evidence of identity policy to include anti money laundering procedures more generally including a risk assessment of our products and channels
- Implementation of a financial promotions sign-off regime including awareness training provided to the marketing and sales teams by the FSA
- Introduction of computer based training for awareness on Data Protection Act, Freedom of Information Act and Money Laundering
- Implementing a comprehensive compliance focussed audit programme to give assurance to EMT
- Working closely on partnership programmes with Post Office and Tesco.

Key initiatives for 2006-07 focus around developing our capability to adhere to industry best practice using FSA requirements as a basis.

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 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 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 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.

As reported last year, 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, led by Deloitte. In my opinion, and that of the Audit Committee, this has continued to appreciably enhance the internal audit process, and hence of the value of the internal audit assurance. We will continue our ongoing process for assessing internal controls against best practice across all systems and products. The approach to reviewing effectiveness and plans to ensure the continuous improvement of the systems in place will be further refined in 2006/07.



Jane Platt

Director of Savings
National Savings and Investments

25 September 2006

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

I certify that I have audited the financial statements of the National Savings and Investments' Products Accounts for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Transactions with Investors, the Balance Sheet and the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether they have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder. I also report whether in all material respects the transactions with investors conform to the authorities which govern them. I also report to you 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 HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's Statement on Internal Control covers all risks and controls, or 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 Foreword, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My 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 the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to National Savings and Investments' circumstances, consistently applied and adequately disclosed.

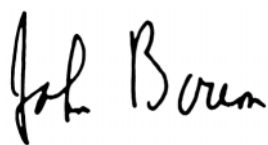
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that 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.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of National Savings and Investments' affairs as at 31 March 2006, of the balances held in respect of National Savings and Investments' products as at 31 March 2006 and of the transactions with investors and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; 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

10 October 2006

Transactions with investors

for the year ended 31 March 2006

| | Notes | 2005/06 £'000 | 2005/06 £'000 | 2004/05 £'000 |
|---|-------|------------------|--------------------|-------------------|
| Received from investors | | | 11,975,989 | 11,081,754 |
| Interest and prizes earned by investors | 2 | | <u>2,538,005</u> | <u>2,362,445</u> |
| | | | 14,513,994 | 13,444,199 |
| Paid to investors | | (9,656,405) | | (11,449,774) |
| Tax deducted on interest earned | | <u>(6,710)</u> | | (5,880) |
| | | | <u>(9,663,115)</u> | <u></u> |
| Increase in liability to investors | | | 4,850,879 | 1,988,545 |
| Opening balance of funds invested | | | <u>68,520,322</u> | <u>66,531,777</u> |
| Closing balance of funds invested | | | <u>73,371,201</u> | <u>68,520,322</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

as at 31 March 2006

| | Notes | 31/03/06 £'000 | 31/03/05 £'000 |
|--|-------|-------------------|-------------------|
| Assets | | | |
| Held by the National Loans Fund | 4 | 72,485,295 | 67,520,247 |
| Held by the Commissioners for the Reduction of the National Debt | 5 | 353,335 | 356,448 |
| Cash at bank and in hand | | 402,553 | 502,926 |
| Debtors | 6 | 137,249 | 143,363 |
| | | <u>73,378,432</u> | <u>68,522,984</u> |
| Creditors | 7 | (7,231) | (2,662) |
| Net assets | | <u>73,371,201</u> | <u>68,520,322</u> |
| Liability to investors | | | |
| Principal, accrued interest and prizes | 8 | 73,333,809 | 68,484,264 |
| Unclaimed monies | | 37,392 | 36,058 |
| Total funds invested | 9 | <u>73,371,201</u> | <u>68,520,322</u> |

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



Jane Platt

Director of Savings
National Savings and Investments

25 September 2006

Cash flow statement

for the year ended 31 March 2006

| | Notes | 2005/06 £'000 | 2004/05 £'000 |
|---|-------|------------------|------------------|
| Net cash inflow/(outflow) from transactions with investors | 10 | 2,323,557 | (405,384) |
| Net cash (outflow)/inflow from the National Loans Fund and the Commissioners for the Reduction of the National Debt | 11 | (2,423,930) | 387,309 |
| Decrease in cash at bank and in hand | | <u>(100,373)</u> | <u>(18,075)</u> |

The notes on pages 12 to 17 form part of these 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 Financial Reporting Manual (FRM) 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:

| | 2005/06 | 2004/05 |
|--|------------------|------------------|
| | £'000 | £'000 |
| National Loans Fund | 2,534,739 | 2,358,160 |
| Commissioners for the Reduction of the National Debt | 3,266 | 4,285 |
| | <u>2,538,005</u> | <u>2,362,445</u> |

3. Transactions with investors by product

| | Received from investors | Interest and prizes earned | Paid to investors including tax deducted at source | Increase/ (decrease) in investors funds | Invested at 31/03/05 | Invested at 31/03/06 |
|-----------------------------|----------------------------|----------------------------------|---|--|-------------------------|-------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| British Savings Bonds | - | - | (18) | (18) | 2,702 | 2,684 |
| Capital Bonds | 20,933 | 54,603 | (141,185) | (65,649) | 1,263,235 | 1,197,586 |
| Children's Bonus Bonds | 59,017 | 51,750 | (94,720) | 16,047 | 1,293,524 | 1,309,571 |
| Deposit Bonds | - | - | (586) | (586) | 7,051 | 6,465 |
| Easy Access Savings Account | 603,470 | 33,320 | (420,652) | 216,138 | 789,443 | 1,005,581 |
| First Option Bonds | - | 8,800 | (38,120) | (29,320) | 245,001 | 215,681 |
| Fixed Rate Savings Bonds | 67,126 | 22,786 | (122,636) | (32,724) | 582,543 | 549,819 |
| Gift Tokens | - | - | (5) | (5) | 1,544 | 1,539 |
| Guaranteed Equity Bonds | 84,408 | 193,450 | (2,924) | 274,934 | 952,395 | 1,227,329 |
| Income Bonds | 566,202 | 318,505 | (1,058,609) | (173,902) | 7,629,763 | 7,455,861 |
| Individual Savings Account | 258,802 | 70,729 | (194,110) | 135,421 | 1,590,060 | 1,725,481 |
| Investment Account | 630,725 | 210,042 | (1,146,050) | (305,283) | 6,372,997 | 6,067,714 |
| Ordinary Account | 1,765 | 3,266 | (39,898) | (34,867) | 363,599 | 328,732 |
| Pensioners' Guaranteed | | | | | | |
| Income Bonds | 197,702 | 152,853 | (645,070) | (294,515) | 3,610,603 | 3,316,088 |
| Premium Bonds | 7,824,003 | 862,156 | (4,186,333) | 4,499,826 | 26,605,099 | 31,104,925 |
| Save As You Earn | - | 252 | (685) | (433) | 11,863 | 11,430 |
| Savings Certificates | 1,650,956 | 552,587 | (1,551,108) | 652,435 | 17,102,218 | 17,754,653 |
| Savings Stamps | - | - | (3) | (3) | 5,783 | 5,780 |
| Treasurers' Account | 10,880 | 2,371 | (18,468) | (5,217) | 64,824 | 59,607 |
| Yearly Plan | - | 535 | (1,935) | (1,400) | 26,075 | 24,675 |
| Total | <u>11,975,989</u> | <u>2,538,005</u> | <u>(9,663,115)</u> | <u>4,850,879</u> | <u>68,520,322</u> | <u>73,371,201</u> |

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

4. Amounts held by the National Loans Fund

| | 31/03/06 | 31/03/05 |
|------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Principal | 71,490,811 | 66,669,783 |
| Accrued interest | 994,484 | 850,464 |
| | <u>72,485,295</u> | <u>67,520,247</u> |

The amounts held by the National Loans Fund as at 31 March 2006 relate to the following products:

| | Principal liability £'000 | Accrued interest £'000 | Total £'000 |
|-------------------------------------|---------------------------------|------------------------------|-------------------|
| Capital Bonds | 1,153,734 | 32,812 | 1,186,546 |
| Children's Bonus Bonds | 1,244,409 | 60,321 | 1,304,730 |
| Easy Access Savings Account | 976,954 | - | 976,954 |
| First Option Bonds | 210,103 | 4,395 | 214,498 |
| Fixed Rate Savings Bonds | 538,930 | 7,840 | 546,770 |
| Guaranteed Equity Bonds | 921,070 | 301,258 | 1,222,328 |
| Income Bonds | 7,403,705 | 22,535 | 7,426,240 |
| Individual Savings Account | 1,647,023 | 67,818 | 1,714,841 |
| Investment Account | 5,984,558 | 49,211 | 6,033,769 |
| Pensioners' Guaranteed Income Bonds | 3,298,866 | 5,085 | 3,303,951 |
| Premium Bonds | 30,700,550 | 63,326 | 30,763,876 |
| Save As You Earn | 5,866 | 5,459 | 11,325 |
| Savings Certificates | 17,322,982 | 373,543 | 17,696,525 |
| Treasurers' Account | 58,535 | 550 | 59,085 |
| Yearly Plan | 23,526 | 331 | 23,857 |
| Total | <u>71,490,811</u> | <u>994,484</u> | <u>72,485,295</u> |

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

| | 31/03/06 | 31/03/05 |
|------------------|----------------|----------------|
| | £'000 | £'000 |
| Principal | 315,185 | 319,358 |
| Accrued interest | 703 | 1,011 |
| Unclaimed monies | 37,447 | 36,079 |
| | <u>353,335</u> | <u>356,448</u> |

The amounts held by the Commissioners for the Reduction of the National Debt as at 31 March 2006 relate to the following products:

| | Principal liability | Accrued interest | Unclaimed monies | Total |
|-------------------------------------|---------------------|------------------|------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| British Savings Bonds | - | - | 2,654 | 2,654 |
| Gift Tokens | - | - | 1,535 | 1,535 |
| Income Bonds | - | - | 2,095 | 2,095 |
| Ordinary Account | 315,185 | 703 | - | 315,888 |
| Pensioners' Guaranteed Income Bonds | - | - | 152 | 152 |
| Premium Bonds | - | - | 25,235 | 25,235 |
| Savings Stamps | - | - | 5,776 | 5,776 |
| Total | <u>315,185</u> | <u>703</u> | <u>37,447</u> | <u>353,335</u> |

6. Debtors

| | 31/03/06 | 31/03/05 |
|---------------|----------------|----------------|
| | £'000 | £'000 |
| Agents | 136,538 | 142,023 |
| Other debtors | 711 | 1,340 |
| | <u>137,249</u> | <u>143,363</u> |

7. Creditors

| | 31/03/06 | 31/03/05 |
|-----------------|--------------|--------------|
| | £'000 | £'000 |
| NLF | 63 | 123 |
| Inland Revenue | 1 | 1 |
| Agents | 66 | 447 |
| Other creditors | 7,101 | 2,091 |
| | <u>7,231</u> | <u>2,662</u> |

8. Principal, accrued interest and prizes

| | 31/03/06 | 31/03/05 |
|-----------------------------|-----------------------|-----------------------|
| | £'000 | £'000 |
| Principal owed to investors | 72,308,847 | 67,618,664 |
| Accrued interest and prizes | 1,024,962 | 865,600 |
| | 73,333,809 | 68,484,264 |

9. Total funds invested by product

| | Principal liability | Accrued interest and prizes | Unclaimed monies | Total funds invested |
|-------------------------------------|-----------------------|-----------------------------|-------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| British Savings Bonds | - | - | 2,684 | 2,684 |
| Capital Bonds | 1,164,774 | 32,812 | - | 1,197,586 |
| Children's Bonus Bonds | 1,249,250 | 60,321 | - | 1,309,571 |
| Deposit Bonds | 6,465 | - | - | 6,465 |
| Easy Access Savings Account | 1,005,581 | - | - | 1,005,581 |
| First Option Bonds | 211,286 | 4,395 | - | 215,681 |
| Fixed Rate Savings Bonds | 541,979 | 7,840 | - | 549,819 |
| Gift Tokens | - | - | 1,539 | 1,539 |
| Guaranteed Equity Bonds | 926,071 | 301,258 | - | 1,227,329 |
| Income Bonds | 7,424,986 | 28,751 | 2,124 | 7,455,861 |
| Individual Savings Account | 1,657,663 | 67,818 | - | 1,725,481 |
| Investment Account | 6,018,503 | 49,211 | - | 6,067,714 |
| Ordinary Account | 328,029 | 703 | - | 328,732 |
| Pensioners' Guaranteed Income Bonds | 3,308,380 | 7,549 | 159 | 3,316,088 |
| Premium Bonds | 30,995,398 | 84,421 | 25,106 | 31,104,925 |
| Save As You Earn | 5,971 | 5,459 | - | 11,430 |
| Savings Certificates | 17,381,110 | 373,543 | - | 17,754,653 |
| Savings Stamps | - | - | 5,780 | 5,780 |
| Treasurers' Account | 59,057 | 550 | - | 59,607 |
| Yearly Plan | 24,344 | 331 | - | 24,675 |
| Total | 72,308,847 | 1,024,962 | 37,392 | 73,371,201 |

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.

| | 31/03/06 | 31/03/05 |
|--|--------------|--------------------|
| | £'000 | £'000 |
| Maturing in one year or less or repayable on demand | 72,143,872 | 67,567,928 |
| Maturing in more than one year but not more than two years | 335,683 | - |
| Maturing in more than two years but not more than five years | 891,646 | 816,675 |
| Maturing in more than five years | - | 135,719 |

73,371,201 68,520,322

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

| | 2005/06 | 2005/06 | 2004/05 |
|--|---------|-------------|-------------|
| | £'000 | £'000 | £'000 |
| Net increase in total funds invested | | 4,850,879 | 1,988,545 |
| Adjustments for non-cash items | | | |
| Interest and prizes earned by investors | | (2,538,005) | (2,362,445) |
| | | 2,312,874 | (373,900) |
| Adjustments for movements in working capital other than cash | | | |
| Decrease/ (increase) in Debtors | 6,114 | | (18,340) |
| Increase/ (decrease) in Creditors | 4,569 | | (13,144) |
| | | 10,683 | |
| Net cash inflow/(outflow) | | 2,323,557 | (405,384) |

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

| | 2005/06 | 2005/06 | 2004/05 |
|--|--------------|-------------|--------------|
| | £'000 | £'000 | £'000 |
| National Loans Fund (NLF) | | | |
| Received from the NLF | 9,055,104 | | 10,279,632 |
| Paid to the NLF | (11,485,413) | | (10,688,592) |
| | | (2,430,309) | |
| Commissioners for the Reduction of the National Debt | | | |
| Received from the Commissioners | 10,571 | | 936,377 |
| Paid to the Commissioners | (4,192) | | (140,108) |
| | | 6,379 | |
| Net cash (outflow)/inflow | | (2,423,930) | 387,309 |

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

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

Post

Write to us at National Savings and Investments, Blackpool F3 9YP

Banking Code

As a voluntary code, the Banking Code allows competition and market forces to work to encourage higher standards for the benefit of customers

Key commitments of the Banking Code are:

- Act fairly and reasonably in all our dealings with you
- Help you to understand how our financial products and services work
- Deal with things that go wrong quickly and sympathetically
- Publicise the code, have copies available and make sure our staff are trained to put into practice.

If you would like a copy of the Banking Code brochure please see our website or call on 0845 964 5000.

Head office

National Savings and Investments

Charles House

375 Kensington High Street

London

W14 8SD

Tel: 020 7348 9200

National Savings and Investments is a trademark of the Department for National Savings.

Published by TSO (The Stationery Office)

and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & Email

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Email: bookorders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

Email: bookshop@parliament.uk

Internet: bookshop.parliament.uk

TSO@Blackwell and other Accredited Agents

