

Presented pursuant to Chapter 2, Section 45 of the Administration of Justice Act 1982

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# Funds in Court England & Wales Account 1999-2000

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# The Accountant General's Accounts (Account A) of his transactions under section 38 of and presented under Section 45 of the Administration of Justice Act 1982

## Foreword

### Accountant General's Accounts

- 1 The Accountant General's Accounts (Account A) cover the year ended 29 February 2000. They have been prepared in accordance with the direction given by the Treasury in pursuance of Section 45(2) of the Administration of Justice Act 1982. Deposits under the various enactments referred to in Section 40 of the Act are not segregated in the Accounts.

### The Court Funds Office

- 2.1 The Court Funds Office manages money 'held in Court' on behalf of clients who may be
- a involved in a civil legal action where money is paid into the Court Funds Office. This could be a case either in a County Court in England or Wales or in the High Court of Justice;
  - b patients who under the Court of Protection are not able to manage their property and affairs and as a result use the services of the Protection and Receivership activities of the former Public Trust Office (now the Public Guardianship Office); and
  - c funds paid into court for the benefit of a child and held until the child's eighteenth birthday unless a court order instructs otherwise. Such funds can be invested in one of two ways, either in stocks and certain unit and investment trusts or placed on a special account which pays a competitive gross rate of interest with instant access.
- 2.2 The Court Funds Office is also responsible for the Unclaimed Balances Account. This fund consists of
- a money paid into court which has not been claimed after a reasonable time; and
  - b money paid to the Court Funds Office where the rightful owner cannot be found.
- 2.3 The Court Funds Office is controlled by the Rules of the Supreme Court and the Court Funds Rules which has authority to accept payments 'into Court' under certain circumstances and to hold these funds until instructed to make a payment out.

### CFO investment criteria

- 3 Under Section 38(2) of the Administration of Justice Act 1982, the Accountant General maintains an account at the Bank of England. From time to time money on that account in excess of an average working balance at an agreed level is remitted to the National Debt Commissioners for investment, drawings being made when additional money is required to meet payments out of Court. The level of working balance is £800,000 and the Accountant General is liable to meet the Bank's cost of servicing this account.

The basic and special accounts are operated by the Accountant General. The rates of interest are prescribed from time to time by direction made by the Lord Chancellor with the concurrence of the Treasury. During the year the percentage rates per annum were

From 1 March 1999 to 31 July 1999

Basic	6%
Special	8%

1 August 1999 to 29 February 2000

Basic	5.25%
Special	7%

Interest credited to these accounts is met from the income earned on the money deposited with the National Debt Commissioners.

The Courts of Justice (Salaries and Funds) Act 1869 (now repealed) enabled various securities held by the Accountant General to be cancelled and a corresponding liability amounting to £2,764,744 was placed on the Consolidated Fund. The liability has been reduced by issues from the Consolidated Fund from time to time. Note 1 to the Accounts shows the current liability.

## Audit of Accounts

- 4 Under Section 45(3) of the Administration of Justice Act 1982, the Comptroller and Auditor General is responsible for examining the Funds in Court Accounts and laying before each House of Parliament a copy of the accounts together with his certificate and report.

The Committee of Public Accounts Second Report, session 2000-2001, covered Unclaimed Balances held in Funds in Court. The Committee's report made a number of recommendations. These have now been acted upon by the Court Funds Office. The current position as detailed in Treasury Minute CM5127 published on 26 May 2001 is as follows

- a As custodians of monies paid into Court, the Court Funds Office should have established systems which permitted the ready identification of balances owed on individual unclaimed cases, and the regular agreement of these balances in aggregate to the total of unclaimed funds held by the Office. The latter is an important financial control over the completeness of funds and a deterrent to misappropriation.**

The Department accepts this conclusion. Since the publication of the National Audit Office report on Unclaimed Balances, the CFO has compiled a list which details unclaimed balances from 1726 to the present day, for sums over £50 (up to 1923) and for sums over £400 (from 1923 to the present). In addition, we have verified all payments out against the respective payment in, in a way which is auditable, for all items (i.e. including those less than £400) since 1976. This means that, of the balance in the Unclaimed Balances Fund (£32.3 million at the time of the report), £2.1 million remains unlisted. This sum represents many thousands of small items which have accumulated between 1726 and 1976.

In view of the fact that further claims on these balances are unlikely, the CFO have decided that further work in listing the remaining balances would not be cost beneficial.

Any new amounts transferred to The Unclaimed Balance Account are now listed regardless of the amount involved. Any payments-out are verified against the list of payments-in and reconciliations are part of the normal day-to-day process.

- b Current legislation effectively requires the perpetual accumulation of unclaimed balances. We support the Department's proposal to recommend to Ministers a review of this legislation which might allow payment into the Exchequer or to suitable causes of sums never likely to be reclaimed.**

The Department accepts this conclusion. The Lord Chancellor's Department is currently in discussion with HM Treasury on this matter, which presents a number of difficulties in terms of classification and accounting.

- c Most of the sums held on the Unclaimed Balances Account have been transferred to the Account in the last 15 years or so. The Agency acknowledged that its procedures to identify potential claimants before transferring sums to the Account should have been better, and it is now pursuing owners or solicitors more actively. A list of unclaimed balances is required by statute to be available for public inspection, but the Department and the Agency acknowledged that it was far from user friendly. The Agency is now addressing these issues. The Court Funds Office will need to give higher priority to improving customer service in these respects.**

- d The Agency indicated that it did not consider tracing owners of sums held on the Unclaimed Balances account to be a proper use of its resources. The Agency had tried to make it easy for claimants to find their money, and believed that it was the responsibility of solicitors to look after their clients' funds. The Agency acknowledged, however, that more could have been done to trace the owners before transferring sums to the Account and to provide a more acceptable search facility for potential claimants to use. In our view it should consider reopening at least the larger cases where owners might still be found.**

The Department accepts both these conclusions. The current standard operating procedure, which applies different criteria depending on the size of the fund, has been revised so that larger amounts are now more actively pursued. The period of dormancy, before an account is considered for carry-over to Unclaimed Balances has been changed from five years to ten. This period more properly reflects the potential life of many of these balances, before they can genuinely be classified as 'unclaimed'.

The parties in all accounts of over £50,000 which now qualify for consideration for carry-over have been contacted by letter. The majority of responses indicate that the action is still on going, and these will be reviewed in the next annual exercise. Work is now focusing on accounts between £25,000 and £50,000.

The paper index which was criticised by the Committee was replaced with an electronic database in March 2000. Information on the Unclaimed Balances Account is also now available on the Court Service Website.

There are currently four cases on the Unclaimed Balance Account with a value of over £100,000. These, and all amounts over £50,000, have been reassessed to ensure that the original research into the case before carry-over was completed properly. In all these cases it has been confirmed that the research was properly completed.

### Transfer of the Court Funds Office

- 5 Following the Lord Chancellor's recommendations in 'Making Changes - The Future of the Public Trust Office', responsibility for the Court Funds Office transferred to the Court Service on 1 April 2001.

The transfer of responsibility resulted in a change of Accountant General from the acting Chief Executive of the Public Trust Office to the Chief Executive of the Court Service. It was agreed that as the 1999-2000 accounts were outstanding at the transfer date responsibility for their preparation should also pass to the Chief Executive of the Court Service.

*Ian Magee*  
Accountant General of the Supreme Court

15 October 2002

## Statement of the Accountant General's responsibilities

### Management and investment of Funds in Court

As set out in Section 38 of the Administration of Justice Act 1982, the Accountant General of the Supreme Court is responsible for the management and investment of the Funds in Court.

### Statement of Accounts

Under Section 45(1) of that Act, he is required to prepare a statement of accounts for each financial year in the form and on the basis as directed by the Treasury. The accounts must show receipts and payments and transactions in securities and must properly present the statement of balances held by the Accountant General at the year end.

### Appointment of the Accountant General

The Lord Chancellor has appointed the Accountant General as the Accounting Officer for the Funds in Court. His relevant responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the private funds for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in 'Government Accounting'.

### Transfer of the Accountant General's responsibilities

On 1 April 2001, Ian Magee, Chief Executive of the Court Service was appointed as Accountant General replacing Nicholas J Smedley who, as acting Chief Executive of the former Public Trust Office, had held the post since 1 January 2000.



## Statement on the System of Internal Financial Control

As Accounting Officer for the Funds in Court Part A Accounts, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the Court Funds Office.

The Accounting Officer is responsible for the Court Funds Office statement of internal financial control, which is designed to provide, reasonable, but not absolute assurance, of

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability.

In particular it includes

- the existence of an appropriate control environment, such as clearly defined management responsibilities and evidence of reaction to control failures;
- regular monitoring of all financial activity at middle and senior management level;
- annual review of banking arrangements with the Bank of England;
- the preparation and reconciliation of daily, weekly and monthly reports which indicate the level of transactions; and
- reviews of an annual budget agreed at the Court Service Board level and monthly management reporting.

The Lord Chancellor's Department has an Internal Assurance Division, which operates to the standards defined in the Government Internal Audit Manual and provides an internal audit service for the Court Funds Office. The work of Internal Audit is informed by an analysis of the risk to which the Department is exposed and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans were for the year ending 29 February 2000 endorsed by the Audit Committee and Senior Management Board of the former PTO, and approved by the former Accountant General. These plans are now endorsed by the Court Service Audit Committee and Senior Management Board, and are approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the CFO. The report includes the HIA's opinion on the adequacy and effectiveness of the CFO's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of Internal Audit and the management team, who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports. The latter includes the Committee of Public Accounts Second Report, session 2000-2001 titled Unclaimed Balances held in Funds in Court.

Details of the action taken or proposed to strengthen the system of internal financial controls over the unclaimed balances account, are explained in more detail in the Foreword to these accounts.

## Implementation of the Turnbull Report

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee.

Progress to date on implementing these recommendations, including the strengthening of internal financial controls, includes ongoing involvement with the Court Service corporate governance project, full risk assessment by Deloitte & Touche including the preparation of a risk register, training of staff and review and update of compliance controls.

As a result, the CFO expects to be able to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2003, in accordance with guidance contained in DAO (GEN) 13/00.

*Ian Magee*  
Accountant General of the Supreme Court

15 October 2002

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 9 to 11 under Section 45(3) of the Administration of Justice Act 1982. These financial statements have been prepared in the form and on the basis determined by Treasury.

## Respective responsibilities of the Accountant General and Auditor

As described on page 4, the Accountant General is responsible for the preparation of the financial statements in accordance with Section 45(1)(a) of the Administration of Justice Act 1982 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accountant General is also responsible for the preparation of the Foreword and the statement on the system of internal financial control on page 5. My responsibilities as independent auditor are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements properly present the receipts and payments, transactions in securities and balances at the period end, and are properly prepared in accordance with Section 45(1)(a) of the Administration of Justice Act 1982 and Treasury directions made thereunder and whether, in all material respects the receipts, payments and transactions in securities have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if proper accounting records have not been kept or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 5 to 6 complies with Treasury's guidance 'Corporate governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury or if the statement is misleading or inconsistent with other information I am aware of from my audit of 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 financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accountant General in the preparation of the financial statements.

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 receipts and payments and transactions in securities have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion, I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion

- the financial statements properly present the receipts and payments and transactions in securities of the Accountant General of the Supreme Court for the year ended 29 February 2000 and the balances held at that date and have been properly prepared in accordance with Section 45(1)(a) of the Administration of Justice Act 1982 and Treasury directions made thereunder; and
- in all material respects the receipts and payments and transactions in securities have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

2 January 2003

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# Accounts of the Receipts and Payments and Transactions in Securities of the Accountant General under the Court Funds Rules for the year ended 29 February 2000

	For the year ended 29 February 2000			For the year ended 28 February 1999		
	Cash Sterling	Securities nominal value Sterling	Common investment Fund Units	Cash Sterling	Securities nominal value Sterling	Common investment Fund Units
<b>Receipts and transfers into Court</b>						
<i>Cash</i>						
Lodgments by suitors etc.	1,663,219,350	0	0	1,612,727,307	0	0
Sales of Common Investment Fund units and other securities	37,247,235	0	0	35,558,585	0	0
Dividends	11,440,678	0	0	9,775,767	0	0
Interest credited to court accounts	156,873,825	0	0	137,939,380	0	0
Exchange rate gain	261,618	0	0	356,848	0	0
<i>Securities</i>						
Lodged	0	6,410,436	0	0	4,473,294	0
Purchased	0	5,043,750	911,996	0	4,211,543	486,415
Exchange rate gain	0	5,005	0	0	0	0
<b>Total receipts and transfers into court</b>	<b>1,869,042,707</b>	<b>11,459,191</b>	<b>911,996</b>	<b>1,796,357,887</b>	<b>8,684,837</b>	<b>486,415</b>
<b>Less payments and transfers out of court</b>						
<i>Cash</i>						
Payments to suitors etc.	(1,542,384,423)	0	0	(1,374,591,261)	0	0
Cost of purchase of Common Investment Fund units and other securities	(85,783,496)	0	0	(66,879,499)	0	0
Transfer of fees etc. to The Lord Chancellor's Department Vote (Class VIII Vote 1) (Note 4)	(8,914,354)	0	0	(7,139,808)	0	0
<i>Securities</i>						
Transferred and delivered	0	(5,675,165)	0	0	(6,904,666)	0
Sold	0	(3,990,810)	(1,838,525)	0	(3,568,325)	(1,098,126)
Exchange rate loss	0	0	0	0	(2,425)	0
<b>Total payments and transfers out of Court</b>	<b>(1,637,082,273)</b>	<b>(9,665,975)</b>	<b>(1,838,525)</b>	<b>(1,448,610,568)</b>	<b>(10,475,416)</b>	<b>(1,098,126)</b>
<b>Net movement in year</b>	<b>231,960,433</b>	<b>1,793,216</b>	<b>(926,529)</b>	<b>347,747,319</b>	<b>(1,790,579)</b>	<b>(611,711)</b>
<b>Balances as at the year ended 29 February 2000</b>						
Balance 1 March 1999				2,268,732,990	37,383,644	8,921,473
<i>Add</i>						
Net movement in year				231,960,433	1,793,216	(926,529)
<b>Balances 29 February 2000 (see notes 1,2 and 3)</b>				<b>2,500,693,423</b>	<b>39,176,860</b>	<b>7,994,944</b>

## Notes to the Accounts

1 The cash balances for which the Accountant General is liable are

	2000 £	1999 £
<b>Sterling cash balances representing</b>		
Court Funds (including interest) placed on basic account	<b>860,218,798</b>	791,037,609
Court Funds (including interest) placed on special account	<b>1,458,473,213</b>	1,252,262,931
Receivership funds	<b>98,198,286</b>	87,182,873
Unclaimed balances	<b>32,302,053</b>	32,864,990
Other Suitors money etc deposited in the Supreme Court	<b>28,825,481</b>	81,795,509
Suitors money held as Foreign Currency	<b>22,675,592</b>	23,589,078
	<b>2,500,693,423</b>	2,268,732,990
<b>The balances were held</b>		
Bank of England (as on account)	<b>25,306,141</b>	10,684,163
Monies held as foreign currency (a)	<b>22,675,592</b>	23,589,078
National Debt Commissioners (b)	<b>2,464,822,652</b>	2,253,045,985
Amounts awaiting banking	<b>3,744,572</b>	3,960,925
	<b>2,516,548,957</b>	2,291,280,151
Less cheques issued prior to 1 March 2000 and not yet cashed	<b>(15,855,534)</b>	(22,547,161)
	<b>2,500,693,423</b>	2,268,732,990

- a Suitors money held as Foreign Currency is deposited by the Accountant General with various foreign commercial banks acting as agents of the Bank of England. Foreign Currency was translated to sterling value by exchange rates in force at 29 February 2000.

Currency	Closing balance	Exchange rates	Sterling conversion
AUS\$	159.03	2.5696	62
CAN\$	85.41	2.2911	37
DK	936.18	12.214	77
SK	5,444.52	13.8384	393
SF	0.00	0	0
EURO	1,012,278.76	1.64	617,243
US\$	34,829,235.30	1.579	22,057,780
<b>Total</b>			<b>22,675,592</b>

- b The National Debt Commissioners balance excludes an estimated £43,465,943 of basic and special account interest accrued but not yet credited to Court Funds. The National Debt Commissioners balance at 29 February 2000 including this accrued interest was £2,508,288,595.
- c The Courts of Justice (Salaries and Funds) Act 1869 (now repealed) enabled various securities held by the Accountant General to be cancelled and a corresponding liability amounting to £2,764,744 was placed on the Consolidated Fund, that is any claims were repayable by Treasury. This initial liability has been reduced by payments made from the Consolidated Fund from time to time, and a liability of £1,632,297 now remains. Treasury lawyers are of the opinion that the Consolidated Fund's liability to make good suitors money in Court was repealed by the Court of Chancery (Funds) Act 1872 and any future repayments would therefore have to be made by the Court Funds Office, rather than Treasury. This outstanding liability to suitors of £1,632,297 may need to be repaid at some point in the future and where such claims arise these will be met by the Court Funds Office if required. In accounting terms, this is considered to be a contingent liability and no allowance has been made for it in the body of the accounts.

2 Units held in the Common Investment Funds at 29 February 2000 were as follows

Title of Fund	2000	1999
Capital fund	5,073,263	5,184,971
High yield fund	2,921,681	2,702,745
Gross income fund	0	1,033,757
	7,994,944	8,921,473

The Gross Income Fund was withdrawn on 5 April 1999 and the funds redistributed between the remaining two funds under the authority of Statutory Instrument No. 551 - The Administration of Justice CIF (Amendment) Scheme 1999.

3 In addition to the balances of cash, securities and Common Investment Fund Units on 29 February 2000, further items were held on behalf of the Accountant General as follows

- **at the Court Funds Office:** £221,920 {National Savings Certificate category 2} (excluding interest and index linked increase) in National Savings Certificates, two private bonds and three packets (1999: £253,625);
- **at the Bank of England:** five packets and 41,239,441 units in various unit trusts (1999: five packets and 39,602,431 units);
- **at the British Museum:** four gold and 1,747 silver coins (1999: four gold, 1,747 silver coins); and
- **at Euroclear, Brussels:** US\$45,000 British Columbia Rate 7.75% USD (1999: \$45,000), and US\$45,000 Union Bank of Switzerland Rate 9.125% (1999: \$45,000).

The term 'packets' relates to financial documents ordered into Court.

4 The £8,914,354 (1999: £7,139,808) shown in respect of transfer of fees etc. to the Administration of Justice, England and Wales Vote represents

- Court of Protection fees met directly from funds held in Court £8,899,953 (1999: £7,124,490);
- interest earned on foreign currency deposits where no Court order has been made for the payment out of interest £14,061 (1999: £15,317);
- sums under 5 pence remaining on accounts when closed; and
- negligible residues from dividends which cannot be exactly apportioned.

Ian Magee  
Accountant General of the Supreme Court

15 October 2002

# National Debt Commissioners' Accounts

## Court Funds Investment Account

### Foreword

- 1 The National Debt Commissioners' Accounts (Account B) cover the year ended 29 February 2000. They have been prepared in accordance with a direction given by the Treasury in pursuance of Section 45(2) of the Administration of Justice Act 1982. The accounts are prepared on a cash basis and must properly present the receipts, payments and transactions in securities for the financial year and the balances held at the year end.
- 2 Section 39(1) of the Act and Statutory Instrument 1978 No. 468 authorise investment in Government and Government guaranteed securities, Treasury Bills, Ways and Means advances and local authority securities. Until required to meet payments, the interest or dividends received on investments held by the Commissioners is reinvested in authorised securities.
- 3 During the year the nominal amount of securities held by the Commissioners rose by £275.0 million to £2,727.7 million. This reflected the increase in the liability of the Commissioners to the Accountant General of the Supreme Court from £2,289.9 million at the beginning of the last year to £2,508.3 million at 29 February 2000.
- 4 Section 39(2) of the Act requires the payment into the Consolidated Fund of any surplus interest or dividend received in any accounting year by the Commissioners and Section 39(3) provides for any deficiency of interest or dividends to be made good out of the Consolidated Fund. The amount of any surplus or deficiency is obtained by deducting from the interest and dividends received by the Commissioners the sum of
  - a the interest due to be paid or credited to the basic and special accounts;
  - b the sum required by the Lord Chancellor in respect of administering funds in court;
  - c the sum required by the Commissioners in respect of expenses; and
  - d any sum the Treasury requires to set aside for depreciation in the value of securities.

Section 39(5) of the Act provides a guarantee by the Consolidated Fund of the Capital paid to the Commissioners by the Accountant General.

- 5 The Comptroller General has been appointed as the Accounting Officer for the National Debt Office. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is responsible and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

### Statement of Internal Financial Control

- 6 As Accounting Officer for this Account, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the National Debt Office.
- 7 The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.



- 8 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes
- the existence of an appropriate control environment, such as clearly defined management responsibilities and evidence of reaction to control failures;
  - regular monitoring of all financial activity at middle and senior management level; and
  - the preparation of daily, weekly and monthly reports which indicate the level of transactions. The accounting system in place has been tested to ensure that the Department's financial systems will operate effectively in the year 2000. No year 2000 problems were experienced over the New Year weekend and none have come to light subsequently.
- 9 The National Debt Office is part of the National Investment and Loans Office, which employs an Internal Audit Unit. The Internal Audit Unit operates to the standards defined in the Government Internal Audit Manual. The work of internal audit is informed by an analysis of the risk to which the department is exposed and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Department's Management Team and approved by me. Internal Audit have assessed the National Debt Office as being a low risk area and as such in 1999-2000 only a short Internal Audit review was performed.
- 10 My review of the effectiveness of the system of internal financial control is informed by the work of the Management Team, who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

## Implementation of the Turnbull Report

- 11 As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by them.

*IH Peattie*  
Comptroller General  
National Debt Office

17 January 2002

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 15 to 17 under the Administration of Justice Act 1982.

## Respective responsibilities of the Accounting Officer and the Auditor

As described on page 12 the Accounting Officer is responsible for the preparation of the financial statements, in accordance with the Administration of Justice Act 1982, and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword and the statement on the system of internal financial control on page 12. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements properly present the receipts, payments and transactions in securities, and balances at the period end, and that in all material respects the receipts, payments and transactions in securities conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the National Debt Commissioners have 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 page 12 reflects compliance with Treasury's guidance 'Corporate governance: statement on the system of internal financial 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.

## Basis of opinion

I conducted my audit in accordance with 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 financial transactions 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.

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 misstatements, whether caused by error, or by fraud or other irregularity and that, in all material respects, the receipts, payments and transactions in securities 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 properly present the receipts, payments and transactions in securities of the National Debt Commissioners in respect of the Court Funds Investment Account for the year ended 29 February 2000, and of the balances held at that date and have been properly prepared in accordance with Section 45 of the Administration of Justice Act 1982; and
- in all material respects the receipts, payments and transactions in securities conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

1 February 2002

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Court Funds Investment Account

Account of the Receipts and Payments and Transactions in Securities of the National Debt Commissioners for the year ended 29 February 2000

	Notes	£	Previous year year £
<b>Cash receipts</b>			
From Accountant General		<b>378,000,000</b>	394,000,000
Consolidated Fund - deficit income		<b>0</b>	32,640,798
Interest on securities etc		<b>159,375,839</b>	184,947,107
Sale of securities etc	1&5	<b>1,542,854,786</b>	1,293,326,568
		<b>2,080,230,625</b>	1,904,914,473
<b>Cash payments</b>			
To Accountant General		<b>315,000,000</b>	189,000,000
Purchase of securities etc	5	<b>1,760,290,931</b>	1,678,360,672
Consolidated Fund - surplus income		<b>0</b>	32,640,798
Lord Chancellor's Department for Funds in Court administration		<b>4,939,694</b>	4,876,203
National Debt Commissioners for expenses		<b>0</b>	36,800
		<b>2,080,230,625</b>	1,904,914,473
<b>Securities (at cost)</b>			
Purchases	5	<b>1,760,290,931</b>	1,678,360,672
Sales	1&5	<b>1,502,314,453</b>	1,282,207,425
Net movement in securities in year		<b>257,976,478</b>	396,153,247

## Statement of Balances at 29 February 2000

	Note	Securities (at cost) £	Previous year Securities (at cost) £
Balance at beginning of financial year		<b>2,521,411,264</b>	2,125,258,017
Net movement in year		<b>257,976,478</b>	396,153,247
Balance at end of financial year	2	<b>2,779,387,742</b>	2,521,411,264

*The notes which follow form part of this account.*

# Notes to the Account

## 1 Received for securities sold

	£	Previous year £
Cost of securities sold etc.	1,502,314,453	1,282,207,425
Profit (loss) on disposal	40,540,333	11,119,143
Received for securities sold etc.	<u>1,542,854,786</u>	<u>1,293,326,568</u>

## 2 Securities held at year end

	Nominal £	Cost £	Market value £
<b>Securities</b>			
Government and Government Guaranteed Stocks	2,713,035,298	2,764,815,522	2,944,552,463
Local authority stocks and bonds	8,138,000	8,072,220	11,293,289
Loans to local authorities	6,500,000	6,500,000	6,726,292
<b>Total securities</b>	<u>2,727,673,298</u>	<u>2,779,387,742</u>	<u>2,962,572,044</u>

## 3 Securities (at cost), as in Note 2 above, represent;

	£	£	£
Liability of the Investment Account to the Accountant General of the Supreme Court			2,508,288,595
<i>Add</i> Accumulated sum retained to provide for depreciation in the value of the securities			3,750,631
			<u>2,512,039,226</u>
<i>Add</i> Accumulated net profit on sales (or transfers) of securities from 1 October 1965 (including £40,540,333 for current year)		267,456,335	
<i>Less</i> Difference between cost price of securities and total liabilities at 1 October 1965	1,785,822		
Difference between cost price of securities transferred from Palatine Courts and the liability assumed at 10 February 1972	3,620	1,789,442	265,666,893
			<u>2,777,706,119</u>
Comprising			
Adjustment for surplus income payable to the Consolidated Fund in respect of 1998-1999		(2,587,428)	
Adjustment for management expenses due to NILO Services Account in respect of 1999-2000			(45,000)
Adjustment for deficit income payable from the Consolidated Fund in respect of 1999-2000			950,805
Securities at cost			<u>2,779,387,742</u>
			<u>2,777,706,119</u>

**4 Application of income under Section 39(2) of the Administration of Justice Act 1982 as amended by Section 5(1) of the Public Trustee and Administration of Funds Act 1986**

	£	£
Interest received on securities		159,375,839
<i>Less</i> interest due to be paid or credited to Court Accounts	155,341,950	
<i>Less</i> paid to Lord Chancellor's Department for fund administration in 1999-2000	4,939,694	
<i>Less</i> due to be paid to NILO Services Account for management expenses in 1999-2000	45,000	
<i>Less</i> amount, determined by Treasury, retained to provide for depreciation in the value of securities		160,326,644
Deficit income payable from the Consolidated Fund		(950,805)

**5 Securities exchanged**

During the year the National Debt Office exchanged with the Debt Management Office holdings of marketable gilt edged securities for equivalent amounts of non-marketable gilt edged securities for equivalent amounts of non-marketable NILO stocks. The switches were effected at the book price of the holdings and as a result there were no profits or losses. Given the substance of the transactions (effectively a name change) these were not recorded as sales and purchases. Only on the ultimate disposal of these stocks will profits or losses be recognised as realised.

*IH Peattie*  
Comptroller General  
National Debt Office

17 January 2002

## Common Investment Scheme: Capital Court Fund

### Investment Manager's Account

The Investment Manager's Accounts (Account C) cover the period 1 March 1999 to 19 July 1999. They have been prepared in accordance with a direction given by the Treasury on 19 August 1999 in pursuance of Section 45(2) of the Administration of Justice Act 1982.

Under Section 42 of the Act the Lord Chancellor appointed Schroder Investment Management (UK) Limited as investment manager of the common investment funds with effect from 1 July 1993.

There are two common investment funds: the Capital Fund and the High Yield Fund. Separate accounts have been prepared for each. Details of the dividends declared and the final valuation of units for the period are contained in the Notes to the Financial Statements.

In addition to these accounts, accounts of the Funds are sent to the Accountant General once at least in every half year. Currently, they are prepared as at the following dates

Capital Fund	1 April and 1 October
High Yield Fund	15 February and 15 August

The half year accounts, which include schedules of investments as at the date of the accounts, are available from the Accountant General to persons beneficially entitled to units in the Fund. The Investment Manager produces an annual report (also available from the Accountant General) which gives general information on the Funds and details of their performance.

## Statement of Manager's responsibilities in relation to the Accounts of the Funds

The Treasury Direction of 19 August 1999 requires the Manager to follow best commercial practice. In preparing the Funds' Accounts, the Manager follows the Financial Services (Regulated Schemes) Regulations 1991 as amended ('the Regulations'). These require the Manager to prepare accounts for each annual accounting period which give a true and fair view of the financial affairs of the Funds and of their income/expenditure for the period. In preparing the accounts the Manager is required to

- select suitable accounting policies and apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds;
- follow generally accepted accounting principles and applicable accounting standards; and
- keep proper accounting records, which enable him to demonstrate that the accounts as prepared comply with the above requirements.

The Manager is responsible for the Management of the Funds in accordance with their Trust Deeds and the Regulations.

*Jim Horsburgh*  
Schroder Investment Management (UK) Limited

12 April 2001

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Common Investment Capital Court Fund on pages 22 to 31 under section 45(3) of the Administration of Justice Act 1982. These financial statements have been prepared in accordance with the accounts direction issued by Treasury and the accounting policies set out on page 27.

## Respective responsibilities of the Lord Chancellor, Investment Manager and Auditor

### **The Lord Chancellor's responsibilities**

Under Section 42(1) of the Administration of Justice Act 1982 ('the Act'), the Lord Chancellor may make schemes ('common investment schemes') establishing common investment funds for the purpose of investing funds in court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the common investment schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the common investment funds established. As indicated on page 18, the Lord Chancellor appointed Schroder Investment Management (UK) Limited to be the Investment Manager for the Common Investment Capital Court Fund for the financial period from 1 March to 19 July 1999.

### **The Investment Manager's responsibilities**

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager, as described on pages 18 and 19, is responsible for preparing the financial statements in respect of transactions in the Common Investment Capital Court Fund. The Treasury has directed the Investment Manager to prepare a Statement of Accounts for each financial year in accordance with best commercial practice.

### **The Auditor's responsibilities**

My responsibilities, as independent auditor, are established by statute and guided by the United Kingdom Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued in January 1997 and with directions issued by Treasury under the Administration of Justice Act 1982. I also report whether, in all material respects, the financial transactions of the Fund conform to the authorities that govern them.

I also report if, in my opinion, the Investment Manager's Account on page 18 is not consistent with the financial statements, if proper accounting records have not been kept or if I have not received all the information and explanations I require for my audit.

## 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 financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Investment Manager in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's 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 error or by fraud or other irregularity and that, in all material respects, the financial transactions 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 of the financial position of the Common Investment Capital Court Fund at 19 July 1999 and of the net income and movements in net assets for the period 1 March to 19 July and have been properly prepared in accordance with the Administration of Justice Act 1982 and directions made thereunder by the Treasury; and
- in all material respects the financial transactions of the Fund conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

31 March 2004

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Statement of Total Return for the period ended 19 July 1999

	Notes	19 July 1999		28 February 1999	
		£	£	£	£
Net gains on investments during the period	2	<b>4,366,510</b>		383,725	
Gross income	3	<b>595,025</b>		1,302,501	
Expenses	4	<b>(117,680)</b>		(269,790)	
Net income before taxation		<b>477,345</b>		1,032,711	
Taxation	5	<b>(85,930)</b>		(273,918)	
Net income after taxation for the period		<b>391,415</b>		758,793	
<b>Total return for the period</b>		<b>4,757,925</b>		1,142,518	
Distribution	6	<b>(467,565)</b>		(1,016,446)	
<b>Net increase in unitholders' funds from investment activities</b>		<b>4,290,360</b>		126,072	

## Statement of Movements in Unitholders' Funds for the period ended 19 July 1999

		19 July 1999		28 February 1999	
		£	£	£	£
<b>Net assets at the start of the period</b>		<b>50,444,937</b>		51,300,642	
Movement due to sales and repurchase of units					
Amounts received on creation of units		<b>1,363,761</b>		2,849,738	
Less Amounts paid on cancellation of units		<b>(1,710,782)</b>		(3,831,515)	
		<b>(347,021)</b>		(981,777)	
Net increase in unitholders' funds from investment activities (see above)		<b>4,290,360</b>		126,072	
<b>Net assets at the end of the period</b>		<b>54,388,276</b>		50,444,937	

## Portfolio Statement as at 19 July 1999

	<b>Holding at 19 July 1999</b>	<b>Market value £</b>	<b>Total net assets %</b>
<b>United Kingdom</b>			
<b>Mineral extraction 7.40% (28 February 1999 - 5.32%)</b>			
BP Amoco	200,814	2,507,163	4.61
Enterprise Oil	156,129	761,332	1.40
Lasmo	400,000	680,000	1.25
		<b>3,948,495</b>	<b>7.26</b>
<b>General manufacturers 8.13% (28 February 1999 - 8.36%)</b>			
Arjo Wiggins Appleton	208,001	460,722	0.85
Britax International	250,000	387,500	0.71
De La Rue	65,000	259,025	0.48
FKI	250,000	508,750	0.94
Graham Group	100,000	132,000	0.24
Pilkington	250,000	261,250	0.48
RMC Group	26,000	271,635	0.50
Rolls Royce	175,000	464,625	0.85
Senior	120,000	158,400	0.29
Smith (DS) Holdings	138,181	225,235	0.41
Vosper Thornycroft	44,000	447,700	0.82
Weir Group	315,332	868,740	1.60
		<b>4,445,582</b>	<b>8.17</b>
<b>Consumer goods 10.08% (28 February 1999 - 12.60%)</b>			
Associated British Food	61,600	256,872	0.47
British American Tobacco	76,651	413,149	0.76
Cadbury Schweppes	65,000	265,610	0.49
Coats Viyella	400,000	178,000	0.33
Diageo	88,000	576,840	1.06
Glaxo Wellcome	115,000	1,990,075	3.66
Smithkline Beecham	85,000	692,113	1.27
Zeneca	45,000	1,036,575	1.91
		<b>5,409,234</b>	<b>9.95</b>
<b>Services 16.86% (28 February 1999 - 16.37%)</b>			
Aggreko	175,000	405,125	0.70
Airtours	150,000	813,750	1.50
Asda Group	239,000	520,423	0.96
BAA	65,000	408,200	0.75
Bass	81,964	772,101	1.42
British Airways	145,000	589,063	1.08
Debenhams	156,000	628,680	1.16
EMI Group	60,000	328,200	0.60
Granada Group	140,000	920,500	1.69
Kingfisher	50,000	363,125	0.67
Marks & Spencer	70,000	271,775	0.50
Pearson	25,000	310,625	0.57
Peninsular & Oriental Deferred	48,086	502,739	0.92
Rank Group	134,665	352,486	0.66
Reed International	85,000	388,348	0.71
Scottish & Newcastle	30,000	198,000	0.36
Stagecoach Holdings	200,000	408,260	0.75
Tesco	225,000	365,625	0.67
United News & Media	100,000	636,250	1.17
		<b>9,183,275</b>	<b>16.89</b>

## Portfolio Statement as at 19 July 1999 (Continued)

	<b>Holding at 19 July 1999</b>	<b>Market value £</b>	<b>Total net assets %</b>
<b>Utilities 13.46% (28 February 1999 - 11.63%)</b>			
BG	141,000	537,746	0.99
British Energy	45,000	266,063	0.49
British Telecommunications	185,000	2,047,950	3.77
Cable & Wireless	153,000	1,266,075	2.33
Centrica	135,000	193,226	0.35
Kelda Group	85,000	409,275	0.75
National Power	45,000	202,275	0.37
PowerGen	30,000	197,400	0.36
Vodafone Airtouch	162,299	2,202,397	4.05
		<b><u>7,322,407</u></b>	<b><u>13.46</u></b>
<b>Financials 18.46% (28 February 1999 - 19.27%)</b>			
3I Group	30,000	247,350	0.45
Abbey National	25,000	294,750	0.54
Allied Zurich	70,000	537,250	0.99
Bank of Scotland	50,000	416,500	0.77
Barclays	50,480	940,947	1.73
British Land	200,000	1,076,000	1.98
Cardiff Property	135,000	443,475	0.82
Electra Investments	27,000	231,795	0.43
Legal & General Group	300,000	481,500	0.88
Lloyds TSB Group	180,000	1,524,600	2.80
National Westminster Bank	100,000	1,325,500	2.44
Northern Rock	75,000	351,375	0.65
PIC International	100,000	56,500	0.10
Provident Financial	30,000	267,450	0.49
Prudential	65,000	561,275	1.03
Slough Estates	85,000	311,100	0.57
Standard Chartered	56,839	603,914	1.11
Sun Life & Provincial	57,857	266,796	0.49
		<b><u>9,938,077</u></b>	<b><u>18.27</u></b>
<b>Unit Trusts 22.75% (28 February 1999 - 21.84%)</b>			
Schroder American Fund Income Units	477,543	3,175,279	5.84
Schroder Institutional European Fund (Income Units)	948,121	4,713,015	8.67
Schroder Institutional European Smaller Companies Fund (Income Units)	981,447	454,214	0.83
Schroder Institutional Japanese Smaller Companies Fund (Income Units)	1,407,500	495,722	0.91
Schroder Institutional Pacific Fund (Income Units)	694,659	1,478,026	2.72
Schroder Institutional US Smaller Companies Fund (Income Units)	205,204	174,464	0.32
Schroder Japan Fund Units	279,425	2,084,653	3.83
		<b><u>12,575,373</u></b>	<b><u>23.12</u></b>
<b>Portfolio of Investments</b>			
Net current assets		52,822,443	97.12
		1,565,833	2.88
<b>Net assets</b>		<b><u>54,388,276</u></b>	<b><u>100.00</u></b>

Unless otherwise stated the above securities are ordinary shares or common stock.

## Balance Sheet as at 19 July 1999

	Notes	19 July 1999	28 February 1999
		£	£
<b>Portfolio of investments</b>		<b>52,822,443</b>	48,120,862
<i>Net current assets</i>			
Debtors	7	<b>168,243</b>	163,186
Cash and bank balances	8	<b>1,688,773</b>	2,501,794
		<u><b>1,857,016</b></u>	<u>2,664,980</u>
Creditors	9	<b>(291,183)</b>	(340,905)
Distribution payable on income units		<b>0</b>	0
		<u><b>(291,183)</b></u>	<u>(340,905)</u>
Net current assets		<u><b>1,565,833</b></u>	<u>2,324,075</u>
<b>Net assets</b>		<u><b>54,388,276</b></u>	<u>50,444,937</u>
<b>Unitholders' Funds</b>		<u><b>54,388,276</b></u>	<u>50,444,937</u>

## Summary of Material Portfolio changes for the period ended 19 July 1999

<b>Purchases</b>	<b>Cost £</b>
British Telecommunications	1,294,686
Bank of Scotland	429,253
BAA	406,306
Aggreko	380,095
Britax International	365,253
Pearson	319,469
Abbey National	302,868
Provident Financial	295,825
Cadbury Schweppes	263,084
Scottish & Newcastle	212,078
Allied Zurich	161,194
Senior	158,176
Schroder American Fund Income Units	110,474
<b>Total purchases for the period</b>	<b>£4,698,761</b>

<b>Sales</b>	<b>Proceeds £</b>
BAE Systems	694,615
Guardian Royal Exchange	592,620
Allied Domecq	493,821
Schroder Emerging Markets Fund	387,910
Aberdeen Asset Management	317,756
EMI Group	305,393
Lucas Varity	288,000
Sainsbury (J)	287,606
Laird Group	217,346
Royal and Sun Alliance	174,510
Electra Investment Trust	141,480
Glaxo Wellcome	129,344
Schroder Institutional US Smaller Companies Fund Income Units	109,334
British Energy	88,693
Natpower	78,955
Associated British Foods	35,000
Centrica	18,000
British American Tobacco	3,066
Sun Life & Provincial	238
<b>Total sales for the period</b>	<b>£4,363,687</b>

# Notes to the Financial Statements

## 1 Accounting policies

### *Basis of accounting*

The accounts are subject to an Accounts Direction issued by Treasury and are prepared in accordance with best commercial practice, including the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997.

### *Accounting period end date*

The Accounts Direction requires accounts to be prepared for each year ending 28 February. As a result of the appointment of a new investment manager at 19 July 1999, accounts have been prepared at that date to facilitate the handover. Therefore, the statement of total return and statement of movements in unitholders' funds for 19 July 1999 reflect four and half months' activities and the comparative amounts are for a full year. These accounts will, in conjunction with corresponding accounts for the period 20 July 1999 to 28 February 2000, be presented under Section 45 of the Administration of Justice Act 1982.

### *Valuation*

Listed investments have been valued at mid-market value at 19 July 1999, net of any accrued interest which is included in the balance sheet as an income related item.

### *Income*

Dividends receivable from equity investments are credited to the income account when they are first quoted ex-dividend. Interest receivable from bank deposits and fixed interest securities is accounted for on an accruals basis.

### *Expenses*

Expenses of the Fund are charged against income.

### *Interest on fixed interest securities bought or sold*

Interest on fixed interest securities bought or sold is excluded from the capital cost of securities, and is dealt with as part of the income of the fund.

### *Distribution policy*

Distributions are made on 15 May and 15 November each year and are based on the available net income at 1 April and 1 October respectively. The ordinary element of scrip dividends is treated as income and forms part of the distributable income.

Previously, in accordance with Schedule 1 item 8(2) of the Statutory Instrument 1991 no. 1209 covering the Common Investment Funds Scheme 1965, income of the Fund may be withheld from distribution with a view to avoiding fluctuations in the amount distributed.

However, as outlined in Note 5, the tax status of the Fund changed from 6 April 1999. As a result, the fund is required to distribute all income accrued under the pre 6 April tax regime. On this occasion, an additional distribution will be made based upon the available net income at 5 April 1999.

## 2 Net gains on investments

The net gains on investments during the period comprise

	<b>19 July 1999</b>	28 February 1999
	£	£
Proceeds from sales of investments during the period	<b>4,363,687</b>	15,634,379
Original cost of investments sold during the period	<b>(3,390,557)</b>	(9,814,846)
Gains realised on investments sold during the period	<b>973,130</b>	5,819,533
Net appreciation thereon already recognised in earlier periods	<b>(922,507)</b>	(6,172,355)
	<b>50,623</b>	(352,822)
Net unrealised appreciation for the period	<b>4,315,887</b>	736,547
Net gains on investments	<b>4,366,510</b>	383,725

## 3 Gross income

	<b>19 July 1999</b>	28 February 1999
	£	£
UK dividends	<b>488,467</b>	644,903
Overseas dividends	<b>41,711</b>	6,613
Scrip dividends	<b>0</b>	105,799
Bank interest	<b>35,297</b>	166,663
FIDs	<b>29,550</b>	378,523
	<b>595,025</b>	1,302,501

## 4 Expenses

	<b>19 July 1999</b>	28 February 1999
	£	£
Payable to the Manager, Associates of the Manager and Agents of either of them: Manager's periodic charge	<b>117,680</b>	269,790
Total expenses	<b>117,680</b>	269,790

## 5 Taxation

	<b>19 July 1999</b>	28 February 1999
	£	£
Tax attributable to franked investment income	<b>48,846</b>	117,607
Income tax	<b>35,761</b>	156,311
Adjustments in respect of prior periods	<b>1,323</b>	0
Total taxation	<b>85,930</b>	273,918



Up until 5 April 1999 the Fund was treated as an unauthorised unit trust for tax purposes and was subject to basis rate income tax on its income. Relief was not available for management expenses incurred. Unitholders were treated as receiving annual payments under a deduction of income tax equal to their respective entitlement to the income available for distribution. With effect from 6 April 1999 the fund has been taxed as an authorised unit trust and is subject to corporation tax. Relief is available for management expenses.

The prior year adjustments represent estimated net tax debtor balances written off as result of subsequently finalised tax assessments.

## 6 Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise

	<b>19 July 1999</b>	28 February 1999
	£	£
Interim Dividend distribution @ 5 April 1999	<b>373,929</b>	390,427
Final Dividend distribution	<b>91,699</b>	623,024
	<b>465,628</b>	1,013,451
<i>Add</i> Income deducted on cancellation of units	<b>5,731</b>	13,875
<i>Deduct</i> Income received on creation of units	<b>(3,794)</b>	(10,880)
Net distribution for the period	<b>467,565</b>	1,016,446
Net income per statement of total return	<b>391,415</b>	758,793
Undistributed income brought forward	<b>148,433</b>	406,086
Undistributed income carried forward	<b>(72,283)</b>	(148,433)
Net distribution for the period	<b>467,565</b>	1,016,446

*Details of the distributions per unit are set out in the Distribution tables.*

## 7 Debtors

	<b>19 July 1999</b>	28 February 1999
	£	£
Sales awaiting settlement	<b>0</b>	0
Accrued interest	<b>4,107</b>	9,604
Other accrued income	<b>164,136</b>	153,582
Other debtors	<b>0</b>	0
	<b>168,243</b>	163,186

**8 Cash and bank balances**

	<b>19 July 1999</b>	28 February 1999
	£	£
Cash and bank balances	<b><u>1,688,773</u></b>	<u>2,501,794</u>

**9 Creditors**

	<b>19 July 1999</b>	28 February 1999
	£	£
Purchases awaiting settlement	<b>0</b>	0
<i>Accrued expenses</i>		
Manager's periodic charge	<b>89,335</b>	172,352
Income tax	<b>7,014</b>	154,090
Tax credits on accrued franked investment income	<b>194,834</b>	14,463
	<b><u>291,183</u></b>	<u>340,905</u>

**10 Contingent liabilities**

The aggregate contingent liabilities not provided for at the balance sheet date was nil.

**11 Related party transactions**

Schroder Investment Management Limited, who provide investment management services for the Fund are regarded as a related party (as defined by FRS 8). Investments made on behalf of the Fund include those in Schroder unit trusts which had a market value of £12,575,373 at 19 July 1999.

Management fees paid to Schroder Investment Management Limited are shown in Note 4. The balances due at the period end in respect of these fees are shown in Note 9.

Other than the related party transactions disclosed above, none of the key management staff nor any other related party has undertaken any material transactions with the Fund during the year.

**12 Investment objective**

The aim of the Fund is to obtain long term capital growth with a modest but growing yield.

**13 Financial instruments**

In accordance with the investment objectives, the Fund holds certain financial instruments. These comprise

- securities held in accordance with the investment objectives and policies; and
- cash and short term debtors and creditors arising directly from operations.

In accordance with current tax legislation the Fund is not permitted to trade in financial instruments. In accordance with these regulations, the Fund's use of financial instruments satisfies these regulatory requirements.

The main risks arising from the Fund's financial instruments are market price, interest rate and liquidity risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

*Market price risk*

The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Scheme Particulars and in the Regulations for Collective Investment Schemes 1991 mitigates the risk of excessive exposure to any particular type of security or issuer.

*Interest rate risk*

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

*Liquidity risk*

The Fund's assets comprise mainly readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell.

*Interest rate risk profile*

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows

	Nominal value £	Weighted average interest rate %	Weighted average period for which rate is fixed
<i>Cash at bank</i>			
19 July 1999	1,688,773	5.03	n/a
28 February 1999	2,501,794	5.73	n/a

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date.

*Short term debtors and creditors*

Other short term debtors and creditors have been excluded from disclosures of financial instruments. All financial liabilities are due to be settled within one year, or on demand.

*Fair value of financial assets and liabilities*

Securities held by the Fund are valued at mid-market value (see Note 1). The difference between this value and the fair value of the securities is immaterial. Other financial assets and liabilities of the Fund are included in the balance sheet at fair value.

## Distribution Table

### Distribution for the period from 2 October 1998 to 1 April 1999

Group A - Units purchased prior to 2 October 1998

Group B - Units purchased on or after 2 October 1998

	Gross income  pence per unit	Income Tax @ 23%  pence per unit	Equalisation  pence per unit	Distribution	
				Paid 15 May 1999 pence per unit	Paid 15 May 1998 pence per unit
Group A	9.42	2.17	0	7.25	11.80
Group B	4.84	1.11	3.52	7.25	11.80

### Distribution for the period from 2 April 1998 to 5 April 1999

Group A - Units purchased prior to 2 April 1999

Group B - Units purchased on or after 2 April 1999

	Gross income  pence per unit	Income Tax @ 23%  pence per unit	Equalisation  pence per unit	Distribution
				Paid 15 May 1999 pence per unit
Group A	2.31	0.53	0	1.78
Group B	2.31	0.53	0	1.78

Equalisation applies to units purchased during the distribution period (Group B units). It is the average amount of income, excluding income brought forward from previous distribution periods, included in the purchase price of Group B units and is refunded to the holders of these units as a return of capital.

Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

# Common Investment Funds

## Accounts Directions given by the Treasury

The Treasury, in pursuance of Section 45(2) of the Administration of Justice Act 1982, hereby gives the following Direction

- 1 The Investment Manager of the Common Investment Funds shall prepare in respect of the period from 1 March 1997 and thereafter for each period of one year ending on the last day of February, a report in respect of the
  - I Capital Fund;
  - II High Yield Fund; and
  - iii Gross Income Fund.
- 2 The accounts for each of the Funds referred to above shall give a true and fair view of the disposition of the assets and liabilities of the Fund at the year end and of the income, distribution of income, and movement of the Fund for the year. Subject to the foregoing requirement, and without limiting the information given, each account shall reflect best commercial accounting practices.
- 3 The Report and accounts shall include
  - a a Foreword, and the following financial statements in respect of each Fund;
  - b a Statement of Total Return;
  - c a Statement of Movements in Unitholders' Funds;
  - d a Portfolio Statement;
  - e a Balance Sheet;
  - f a Summary of Material Portfolio Charges;
  - g Notes to the Financial Statements; and
  - h a Distribution Table.

including in each case such notes as may be necessary for the purposes referred to in the following paragraphs.
- 4 The Foreword shall consist of information concerning the Common Investment Funds. It shall, inter alia
  - a state that the accounts have been prepared in accordance with directions given by the Treasury in pursuance of Section 45(2) of the Administration of Justice Act 1982;
  - b include an explanation of the statutory background to the accounts; and
  - c refer to the Manager's Report and accounts which is prepared annually and to the additional accounts prepared at least once in every half year for each fund, indicating in each case how copies may be obtained.
- 5 The Notes to the accounts shall include a note of the statutory authority permitting income of each account to be withheld from distribution, together with details of the value of income retained in each account.

- 6 When preparing the accounts and the respective financial statements including the notes, the Investment Manager shall comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds.
- 7 The Report and accounts shall be sent to the Comptroller and Auditor General not later than the last day of April following the end of the year in respect of which the Report is made.
- 8 The Direction shall be reproduced as an appendix to the accounts.
- 9 This Direction replaces the Direction dated 19 August 1994.

*TG Hull*  
Treasury Officer of Accounts

19 August 1999

# Common Investment Scheme: High Yield Fund

## Investment Manager's Account

The Investment Manager's Accounts (Account C) cover the period 1 March 1999 to 19 July 1999. They have been prepared in accordance with a direction given by the Treasury on 19 August 1999 in pursuance of Section 45(2) of the Administration of Justice Act 1982.

Under Section 42 of the Act the Lord Chancellor appointed Schroder Investment Management (UK) Limited as investment manager of the common investment funds with effect from 1 July 1993.

There are two common investment funds: the Capital Fund and the High Yield Fund. Separate accounts have been prepared for each. Details of the dividends declared and the final valuation of units for the period are contained in the Notes to the Financial Statements.

In addition to these accounts, accounts of the Funds are sent to the Accountant General once at least in every half year. Currently, they are prepared as at the following dates

Capital Fund	1 April and 1 October
High Yield Fund	15 February and 15 August

The half year accounts, which include schedules of investments as at the date of the accounts, are available from the Accountant General to persons beneficially entitled to units in the Fund. The Investment Manager produces an annual report (also available from the Accountant General) which gives general information on the Funds and details of their performance.

## Statement of Manager's responsibilities in relation to the Accounts of the Funds

The Treasury Direction of 19 August 1999 requires the Manager to follow best commercial practice. In preparing the Funds' Accounts, the Manager follows the Financial Services (Regulated Schemes) Regulations 1991 as amended ('the Regulations'). These require the Manager to prepare accounts for each annual accounting period which give a true and fair view of the financial affairs of the Funds and of their income/expenditure for the period. In preparing the accounts the Manager is required to

- select suitable accounting policies and apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds;
- follow generally accepted accounting principles and applicable accounting standards; and
- keep proper accounting records, which enable him to demonstrate that the accounts as prepared comply with the above requirements.

The Manager is responsible for the Management of the Funds in accordance with their Trust Deeds and the Regulations.

*Jim Horsburgh*  
Schroder Investment Management (UK) Limited

12 April 2001



# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Common Investment High Yield Fund on pages 39 to 49 under Section 45(3) of the Administration of Justice Act 1982. These financial statements have been prepared in accordance with the accounts direction issued by Treasury and the accounting policies set out on page 45.

## Respective responsibilities of the Lord Chancellor, Investment Manager and Auditor

### **The Lord Chancellor's responsibilities**

Under Section 42(1) of the Administration of Justice Act 1982 (the Act), the Lord Chancellor may make schemes (common investment schemes) establishing common investment funds for the purposes of investing funds in court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the common investment schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the common investment funds established. As indicated on page 35, the Lord Chancellor appointed Schroder Investment Management (UK) Limited to be the Investment Manager for the Common Investment High Yield Fund for the financial period from 1 March to 19 July 1999.

### **The Investment Manager's responsibilities**

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager, as described on pages 35 and 36, is responsible for preparing the financial statements in respect of transactions in the Common Investment High Yield Fund. The Treasury has directed the Investment Manager to prepare a Statement of Accounts for each financial year in accordance with best commercial practice.

### **The Auditor's responsibilities**

My responsibilities as independent auditor are established by statute and guided by the United Kingdom Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued in January 1997 and with directions issued by Treasury under the Administration of Justice Act 1982. I also report whether, in all material respects, the financial transactions of the Fund conform to the authorities that govern them.

I also report if, in my opinion, the Investment Manager's Account on page 35 is not consistent with the financial statements, if proper accounting records have not been kept or if I have not received all the information and explanations I require for my audit.

## 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 financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Investment Manager in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's 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 error, or by fraud or other irregularity and that, in all material respects, the financial transactions conform to the authorities which govern them. In forming my opinion, I have 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 of the financial position of the Common Investment High Yield Fund at 19 July 1999 and of the net income and movement in net assets for the period from 1 March to 19 July 1999 and have been properly prepared in accordance with the Administration of Justice Act 1982 and directions made thereunder by the Treasury; and
- in all material respects the financial transactions of the Fund conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

31 March 2004

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Statement of Total Return for the period ended 19 July 1999

	Notes	19 July 1999		28 February 1999	
		£	£	£	£
Net gains on investments during the period	2	<b>925,943</b>		151,528	
Other gains	3	<b>0</b>		15	
Gross income	4	<b>295,725</b>		670,167	
Expenses	5	<b>(43,462)</b>		(103,497)	
Net income before taxation		<b>252,263</b>		566,670	
Taxation	6	<b>(54,666)</b>		(146,142)	
Net income after taxation for the period		<b>197,597</b>		420,528	
<b>Total return for the period</b>		<b>1,123,540</b>		572,071	
Distribution	7	<b>(81,362)</b>		(422,695)	
<b>Net increase in unitholders' funds from investment activities</b>		<b>1,042,178</b>		149,376	

## Statement of Movements in Unitholders' Funds for the period ended 19 July 1999

		19 July 1999		28 February 1999	
		£	£	£	£
<b>Net assets at the start of the period</b>		<b>12,776,178</b>		13,578,372	
Movement due to sales and repurchase of units					
Amounts received on creation of units		<b>42,775</b>		183,491	
Amounts received on merger with Gross Income Fund		<b>2,766,033</b>			
Less Amounts paid on cancellation of units		<b>(852,717)</b>		(1,135,061)	
		<b>1,956,091</b>		(951,570)	
Net increase in unitholders' funds from investment activities (see above)		<b>1,042,178</b>		149,376	
<b>Net assets at the end of the period</b>		<b>15,774,447</b>		12,776,178	

## Portfolio Statement as at 19 July 1999

	Holding at 19 July 1999	Market value £	Total net assets %
<b>United Kingdom</b>			
<b>Mineral extraction 10.93% (28 February 1999 - 7.84%)</b>			
BP Amoco	59,596	744,056	4.72
Enterprise Oil	25,000	121,908	0.77
LASMO 7.75% Convertible Bonds 4 October 2005	£100,000	100,500	0.64
Rio Tinto	19,000	215,935	1.37
Shell Transport & Trading	102,500	541,969	3.43
		<b>1,724,368</b>	<b>10.93</b>
<b>General manufacturers 10.64% (28 February 1999 - 9.42%)</b>			
Coats Viyella	60,000	26,700	0.17
Cookson Group Convertible Unsecured Loan Stock 2 November 2004	£150,000	146,445	0.93
De La Rue	6,000	23,910	0.15
Elementis	66,000	73,920	0.47
Graham Group	35,000	46,200	0.29
Laird Group	25,000	75,375	0.48
Low & Bonar	80,000	174,800	1.11
Pilkington	75,000	78,375	0.50
Prowting 14.5% Cumulative Preference	100,000	189,010	1.20
Rexam 7.75% Convertible Cumulative Preference	62,221	79,954	0.51
RMC Group	12,500	130,594	0.83
Senior	40,000	52,800	0.33
Tarmac Finance 9.5% Convertible Capital Bonds 2006	£100,000	102,470	0.65
TI Group	36,000	158,580	1.00
Tomkins	70,000	193,991	1.23
Wagon Industrial Holdings	50,000	125,000	0.79
		<b>1,678,124</b>	<b>10.64</b>
<b>Consumer Goods 13.23% (28 February 1999 - 13.31%)</b>			
Allied Domecq	21,000	120,960	0.77
Associated British Foods	8,800	36,696	0.23
Balfour Beatty	125,000	123,750	0.78
Balfour Beatty Convertible Cumulative Redeemable Preference	150,000	159,375	1.01
British American Tobacco	21,457	115,653	0.73
Cadbury Schweppes	10,000	40,863	0.26
Diageo	25,100	164,531	1.04
Glaxo Wellcome	41,000	709,505	4.50
Imperial Tobacco Group	25,000	168,938	1.07
Northern Foods	45,973	60,684	0.39
Tate & Lyle	25,000	97,250	0.62
United Biscuits	31,110	57,983	0.37
Zeneca	10,000	230,350	1.46
		<b>2,086,538</b>	<b>13.23</b>

## Portfolio Statement as at 19 July 1999 *(continued)*

	<b>Holding at 19 July 1999</b>	<b>Market value £</b>	<b>Total net assets %</b>
<b>Services 17.67% (28 February 1999 - 17.38%)</b>			
Airtours	20,000	108,500	0.69
Allders	55,263	73,776	0.47
Asda Group	85,000	185,088	1.17
BAA 5.75% Convertible Unsecured Loan Stock 29 March 2006	£110,000	131,032	0.83
Bass	13,392	126,153	0.80
Boots	7,341	55,902	0.35
Carlton Communications	21,582	114,816	0.73
Carpentryright	45,000	196,875	1.25
Exel	52,500	115,500	0.73
Granada Group	18,000	118,350	0.75
Greenalls Group	31,500	120,330	0.76
Greenalls Group 7% Convertible Subordinated Bonds 24 September 2003	£115,000	119,842	0.76
Marks & Spencer	8,000	31,060	0.20
MFI Furniture Group	135,000	50,963	0.32
Peninsular & Oriental Steam Navigation Deferred	19,736	206,340	1.31
Rank Group	31,825	83,302	0.53
Rank Group 8.25p (Net) Convertible Cumulative Redeemable Preference	90,000	96,300	0.61
Reuters Group	10,500	94,894	0.60
Salvesen (Christian)	150,000	206,250	1.31
Scottish & Newcastle	21,000	138,600	0.88
Selfridges	16,000	44,320	0.28
United News & Media	28,000	178,150	1.13
Williams Holdings	36,923	130,154	0.82
Wolverhampton & Dudley	10,000	61,750	0.39
		<b><u>2,788,247</u></b>	<b><u>17.67</u></b>
<b>Utilities 9.68% (28 February 1999 - 9.62%)</b>			
BG	61,588	234,884	1.49
British Telecommunications	79,000	874,530	5.54
Kelda Group	36,477	175,637	1.11
NatPower	36,368	163,474	1.04
Powergen	12,000	78,960	0.50
		<b><u>1,527,485</u></b>	<b><u>9.68</u></b>

Portfolio Statement as at 19 July 1999 *(continued)*

	<b>Holding at 19 July 1999</b>	<b>Market value £</b>	<b>Total net assets %</b>
<b>Financials 20.08% (28 February 1999 - 20.93%)</b>			
Allied Zurich	21,457	164,682	1.04
Barclays	11,000	205,040	1.30
British Land	18,799	101,139	0.64
Brixton Estate	52,191	128,129	0.81
CGNU	15,330	137,204	0.87
Frogmore Estates	35,000	165,025	1.05
Garban Intercapital	70,000	203,350	1.29
HSBC Holdings	54,903	426,871	2.71
Legal & General Group	40,000	64,200	0.41
Limit	60,000	78,600	0.50
Lloyds TSB Group	56,500	478,555	3.03
London Merchant	93,222	114,197	0.72
Man (ED & F) Group	61,338	226,337	1.43
National Westminster Bank	26,000	344,630	2.18
National Westminster Bank 9% Non Cumulative Preference Series 'A'	120,000	183,756	1.17
Prudential	10,000	86,350	0.55
Royal & Sun Alliance Group	6,909	37,775	0.24
Sun Life & Provincial	4,628	21,341	0.14
		<b>3,167,181</b>	<b>20.08</b>
<b>Investment Trusts 3.11% (28 February 1999 - 2.72%)</b>			
City of Oxford Investment Trust	455,000	161,525	1.02
Schroder Split Fund Income	210,000	243,600	1.55
3I Group	10,000	85,175	0.54
		<b>490,300</b>	<b>3.11</b>
<b>Government Securities 13.37% (28 February 1999 - 14.07%)</b>			
Conversion 9% Stock 2011	£318,200	424,224	2.69
Treasury 10% Stock 2003	£293,000	341,843	2.17
Treasury 8.5% Stock 2005	£332,000	386,714	2.45
Treasury 7.5% Stock 2006	£206,000	231,626	1.47
Treasury 9% Stock 2008	£384,000	485,798	3.08
Treasury 9% Stock 2012	£176,000	238,621	1.51
		<b>2,108,826</b>	<b>13.37</b>
<b>Portfolio of Investments</b>		15,571,069	98.71
<b>Net current assets</b>		203,378	1.29
<b>Total net assets</b>		<b>15,774,447</b>	<b>100.00</b>

*Unless otherwise stated the above securities are ordinary shares or common stock.*

## Balance Sheet as at 19 July 1999

	Notes	19 July 1999	28 February 1999
		£	£
<b>Portfolio of Investments</b>		<b>15,571,069</b>	12,174,874
<i>Net current assets</i>			
Debtors	8	<b>110,969</b>	154,775
Cash and bank balances	9	<b>337,762</b>	774,169
		<u><b>448,731</b></u>	<u>928,944</u>
Creditors	10	<b>(167,450)</b>	(169,217)
Distribution payable on income units		<b>(77,903)</b>	(158,423)
		<u><b>(245,353)</b></u>	<u>(327,640)</u>
Net current assets		<b>203,378</b>	601,304
<b>Net assets</b>		<u><b>15,774,447</b></u>	<u>12,776,178</u>
<b>Unitholders' Funds</b>		<u><b>15,774,447</b></u>	<u>12,776,178</u>

## Summary of Material Portfolio changes for the period ended 19 July 1999

<b>Major purchases</b>	<b>Cost £</b>
Treasury 9% Stock 2008	386,684
Treasury 10% Stock 2003	340,320
Treasury 8.5% Stock 2005	266,400
Glaxo Wellcome	172,240
British Telecommunications	164,320
Balfour Beatty 10.75%	156,780
Conversion 9% Stock 2011	151,308
Scottish & Newcastle	149,071
BP Amoco	125,961
Asda Group	124,322
Lloyds TSB	109,221
Treasury 9% Stock 2012	95,354
Low & Bonar	93,053
Treasury 8.5% Stock 2007	81,640
National Westminster	73,075
Treasury 7.5% Stock 2006	73,048
Cookson Group 7%	65,403
Shell	64,635
Conversion 9.5% Stock 2004	64,054
Balfour Beatty	63,179
<b>Total purchases for the period</b>	<b>£4,018,408</b>
<b>Major sales</b>	<b>Proceeds £</b>
Treasury 8.5% Stock 2007	350,755
Conversion 9.5% Stock 2004	292,926
Treasury 9% Stock 2008	168,525
Treasury 9% Stock 2012	166,649
Railtrack Group	97,907
British Airways 9.75% Convertible Capital Bonds 2005	85,098
Williams Holdings 8% Convertible Cumulative Redeemable Preference	84,221
Imperial Tobacco Group	73,112
Guardian Royal Exchange	47,310
Halifax	31,043
Treasury 8.5% Stock 2005	30,075
Safeway	29,784
Royal & Sun Alliance Group	26,626
Conversion 9% Stock 2011	24,012
Greenalls Group	11,900
First Leisure	11,661
Imperial Chemical Industries	10,577
Associated British Foods	5,000
British American Tobacco	858
Sun Life & Provincial	117
<b>Total sales for the period</b>	<b>£1,548,156</b>



# Notes to the Financial Statements

## 1 Accounting policies

### *Basis of accounting*

The accounts are subject to an Accounts Direction issued by Treasury and are prepared in accordance with best commercial practice, including the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997.

### *Accounting period end date*

The Accounts Direction requires accounts to be prepared for each year ending 28 February. As a result of the appointment of a new investment manager at 19 July 1999, accounts have been prepared at that date to facilitate the hand over. Therefore the statement of total return and statement of movements in unitholders' funds for 19 July 1999 reflect four and a half months' activities and the comparative amounts are for a full year. These accounts will, in conjunction with corresponding accounts for the period 20 July 1999 to 28 February 2000, be presented under Section 45 of the Administration of Justice Act 1982.

### *Valuation*

Listed investments have been valued at mid-market value at 19 July 1999, net of any accrued interest which is included in the balance sheet as an income related item.

### *Income*

Dividends receivable from equity investments are credited to the income account when they are first quoted ex-dividend. Interest receivable from bank deposits and fixed interest securities is accounted for on an accruals basis.

### *Expenses*

Expenses of the Fund are charged against income.

### *Interest on fixed interest securities bought or sold*

Interest on fixed interest securities bought or sold is excluded from the capital cost of securities, and is dealt with as part of the income of the fund.

### *Distribution policy*

Distributions are made on 1 April and 1 October each year and are based on the available net income at 15 February and 15 August respectively. The ordinary element of scrip dividends is treated as income and forms part of the distributable income.

Previously, in accordance with Schedule 1 item 8(2) of the Statutory Instrument 1991 no. 1209 covering the Common Investment Funds Scheme 1965, income of the Fund may have been withheld from distribution with a view to avoiding fluctuations in the amount distributed. However, as outlined in Note 6, the tax status of the Fund changed from 6 April 1999. As a result, the Fund is required to distribute all income accrued under the pre 6 April tax regime. On this occasion, an additional distribution will be made based upon the available net income at 5 April 1999.

**2 Net gains on investments**

The net gains on investments during the period comprise

	<b>19 July 1999</b>	28 February 1999
	£	£
Proceeds from sales of investments during the period	<b>1,548,156</b>	5,617,285
Original cost of investments sold during the period	<b>(1,484,605)</b>	(5,084,213)
Gains realised on investments sold during the period	<b>63,551</b>	533,072
Net appreciation thereon already recognised in earlier periods	<b>(130,132)</b>	(491,982)
	<b>(66,581)</b>	41,090
Net unrealised appreciation for the period	<b>992,524</b>	110,438
<b>Net gains on investments</b>	<b>925,943</b>	151,528

**3 Other gains**

Other gains comprise

	<b>19 July 1999</b>	28 February 1999
	£	£
Other currency gains	<b>0</b>	15

**4 Gross income**

	<b>19 July 1999</b>	28 February 1999
	£	£
UK dividends	<b>209,115</b>	312,995
Overseas dividends	<b>(1)</b>	131
Scrip dividends	<b>0</b>	34,765
Interest on debt securities	<b>73,494</b>	180,956
Bank interest	<b>7,746</b>	42,254
FIDs	<b>5,371</b>	99,066
	<b>295,725</b>	670,167

**5 Expenses**

	<b>19 July 1999</b>	28 February 1999
	£	£
<i>Payable to the Manager, Associates of the Manager and Agents of either of them</i>		
Manager's periodic charge	<b>43,462</b>	103,461
<i>Other expenses</i>		
Interest payable	<b>0</b>	36
Dividend expenses	<b>0</b>	0
Total expenses	<b>43,462</b>	103,497

## 6 Taxation

	19 July 1999	28 February 1999
	£	£
Tax attributable to franked investment income	<b>21,087</b>	58,587
Income tax	<b>17,878</b>	87,535
Double tax relief	<b>0</b>	0
Deferred tax	<b>7,953</b>	0
Corporation tax	<b>7,748</b>	0
Overseas withholding tax	<b>0</b>	20
Adjustments in respect of prior periods	<b>0</b>	0
<b>Total taxation</b>	<b>54,666</b>	146,142

Up until 5 April 1999 the Fund was treated as an unauthorised unit trust for tax purposes and was subject to basic rate income tax on its income. Relief was not available for management expenses incurred. Unitholders were treated as receiving annual payments under a deduction of income tax equal to their respective entitlement to the income available for distribution. With effect from 6 April 1999 the Fund has been taxed as an authorised unit trust and is subject to corporation tax. Relief is available for management expenses.

The prior year adjustments represent estimated net tax debtor balances written off as a result of subsequently finalised tax assessments.

## 7 Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise

	19 July 1999	28 February 1999
	£	£
Interim Dividend distribution 5 April 1999	<b>77,903</b>	257,821
Final Dividend distribution	<b>0</b>	158,423
	<b>77,903</b>	416,244
<i>Add</i> Income deducted on cancellation of units	<b>3,660</b>	7,718
<i>Deduct</i> Income received on creation of units	<b>(201)</b>	(1,267)
Net distribution for the period	<b>81,362</b>	422,695
Net income per statement of total return	<b>197,597</b>	420,528
Undistributed income brought forward	<b>384</b>	2,551
Undistributed income carried forward	<b>(116,619)</b>	(384)
Net distribution for the period	<b>81,362</b>	422,695

*Details of the distributions per unit are set out in the Distribution tables.*

**8 Debtors**

	<b>19 July 1999</b>	28 February 1999
	£	£
Sales awaiting settlement	<b>0</b>	46,670
Accrued interest	<b>605</b>	3,463
Other accrued income	<b>110,364</b>	104,642
Other debtors	<b>0</b>	0
	<b><u>110,969</u></b>	<u>154,775</u>

**9 Cash and bank balances**

	<b>19 July 1999</b>	28 February 1999
	£	£
Cash and bank balances	<b><u>337,762</u></b>	<u>774,169</u>

**10 Creditors**

	<b>19 July 1999</b>	28 February 1999
	£	£
<b>Accrued expenses</b>		
Manager's periodic charge	<b>36,028</b>	67,058
Withholding tax	<b>10</b>	10
Corporation tax	<b>6,203</b>	0
Deferred tax	<b>7,953</b>	0
Income tax	<b>110,099</b>	93,792
Tax credits on accrued franked investment income	<b>7,156</b>	8,357
	<b><u>167,449</u></b>	<u>169,217</u>

**11 Contingent liabilities**

There were no contingent liabilities at the balance sheet date.

**12 Related party transactions**

Schroder Investment Management Limited, who provide investment management services for the Fund are regarded as a related party (as defined by FRS 8). Management fees paid to Schroder Investment Management Ltd are shown Note 4. The balances due at the period end in respect of these fees are shown in Note 10. Other than the related party transactions disclosed above, none of the key management staff nor any other related party has undertaken any material transactions with the Fund during the year.

**13 Investment objective**

The aim of the Fund is to provide an income return in excess of the Capital Fund, but still offer some scope for capital growth.

**14 Fund merger**

As at 5 April 1999, the assets and liabilities of the Gross Income Fund have been transferred to the High Yield Fund and unitholders in the Gross Income Fund have received units in the High Yield Fund. As a result, £2,766,033 was received in respect of creations, as shown in the Statement of Movements in Unitholders' Funds.

## 15 Financial instruments

In accordance with the investment objectives, the Fund holds certain financial instruments. These comprise

- securities held in accordance with the investment objectives and policies; and
- cash and short term debtors and creditors arising directly from operations.

In accordance with current tax legislation the Fund is not permitted to trade in financial instruments. In accordance with these regulations, the Fund's use of financial instruments satisfies these regulatory requirements.

The main risks arising from the Fund's financial instruments are market price, interest rate and liquidity risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

### *Market price risk*

The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Scheme Particulars and in the Regulations for Collective Investment Schemes 1991 mitigates the risk of excessive exposure to any particular type of security or issuer.

### *Interest rate risk*

The Fund invests in fixed rate securities. The income of the Fund may be affected by the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movement or the expectation of such movements in the future.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

### *Liquidity risk*

The Fund's assets comprise mainly readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell.

### *Interest rate risk profile*

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows

	Nominal value £	Weighted average interest rate	Weighted average period for which rated is fixed
Fixed rate bonds (£)			
19 July 1999	2,284,200	8.50%	7.80 years
28 February 1999	1,885,200	8.47%	8.60 years
Cash at bank			
19 July 1999	337,762	5.03%	n/a
28 February 1999	774,169	5.73%	n/a

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date.

### *Short term debtors and creditors*

Other short term debtors and creditors have been excluded from disclosure of financial instruments. All financial liabilities are due to be settled within one year, or on demand.

### *Fair value of financial assets and liabilities*

Securities held by the Fund are valued at mid-market value (see Note 1). The difference between this value and the fair value of the securities is immaterial. Other financial assets and liabilities of the Fund are included in the balance sheet at fair value.

## Distribution Table

### Distribution for the period from 16 February 1999 to 5 April 1999

Group A - Units purchased prior to 16 February 1999

Group B - Units purchased on or after 16 February 1999

	Gross income	Income Tax @ 23%	Equalisation	Distribution payable 1 October 1999
	pence per unit	pence per unit	pence per unit	pence per unit
Group A	3.78	0.87	0	2.91
Group B	0.62	0.14	2.43	2.91

Equalisation applies to units purchased during the distribution period (Group B units). It is the average amount of income, excluding income brought forward from previous distribution periods, included in the purchase price of Group B units and is refunded to the holders of these units as a return of capital.

Being capital it is not liable to income tax but must be deducted from the costs of units for capital gains tax purposes.

# Common Investment Funds

## Accounts Direction given by the Treasury

The Treasury, in pursuance of Section 45(2) of the Administration of Justice Act 1982, hereby gives the following Direction

- 1 The Investment Manager of the Common Investment Funds shall prepare in respect of the period from 1 March 1997 and thereafter for each period of one year ending on the last day of February, a Report and separate accounts in respect of the
  - I Capital Fund;
  - II High Yield Fund; and
  - III Gross Income Fund.
- 2 The accounts for each of the Funds referred to above shall give a true and fair view of the disposition of the assets and liabilities of the Fund at the year end and of the income, distribution of income, and movement of the Fund for the year. Subject to the foregoing requirement, and without limiting the information given, each account shall reflect best commercial accounting practices.
- 3 The Report and accounts shall include
  - a a foreword, and the following financial statements in respect of each Fund;
  - b a statement of total return;
  - c a statement of movements in unitholders' funds;
  - d a portfolio statement;
  - e a balance sheet;
  - f a summary of material portfolio charges;
  - g notes to the financial statements; and
  - h a distribution table.

including in each case such notes as may be necessary for the purposes referred to in the following paragraphs.
- 4 The foreword shall consist of information concerning the Common Investment Funds. It shall, inter alia
  - a state that the accounts have been prepared in accordance with directions given by the Treasury in pursuance of Section 45(2) of the Administration of Justice Act 1982;
  - b include an explanation of the statutory background to the accounts; and
  - c refer to the Manager's Report and accounts which is prepared annually and to the additional accounts prepared at least once in every half year for each fund, indicating in each case how copies may be obtained.
- 5 The Notes to the accounts shall include a note of the statutory authority permitting income of each account to be withheld from distribution, together with details of the value of income retained in each account.

- 6 When preparing the accounts and the respective financial statements including the notes, the Investment Manager shall comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds.
- 7 The Report and accounts shall be sent to the Comptroller and Auditor General not later than the last day of April following the end of the year in respect of which the Report is made.
- 8 This Direction shall be reproduced as an appendix to the accounts.
- 9 This Direction replaces the Direction dated 19 April 1994.

*TG Hull*  
(Second) Treasury Officer of Accounts

19 August 1999



## Common Investment Scheme: Gross Income Fund

### Investment Manager's Account

The Investment Manager's Accounts (Account C) cover the period 1 March 1999 to 5 April 1999. They have been prepared in accordance with a direction given by the Treasury on 19 August 1999 in pursuance of Section 45(2) of the Administration of Justice Act 1982.

Under Section 42 of the Act the Lord Chancellor appointed Schroder Investment Management (UK) Limited as investment manager of the common investment funds with effect from 1 July 1993.

Accounts have been prepared for the Gross Income Fund. Details of the dividends declared and the final valuation of units for the period are contained in the Notes to the Financial Statements.

In addition to these accounts, accounts of the Fund are sent to the Accountant General once at least in every half year. Currently they are prepared as at 15 June and 15 December.

The half year accounts, which include schedules of investments as at the date of the accounts, are available from the Accountant General to persons beneficially entitled to units in the Fund. The Investment Manager produces an annual report (also available from the Accountant General) which gives general information on the Fund and details of its performance.

## Statement of Manager's responsibilities in relation to the Accounts of the Fund

The Treasury Direction of 19 August 1999 requires the Manager to follow best commercial practice. In preparing the Funds' Accounts, the Manager follows the Financial Services (Regulated Schemes) Regulations 1991 as amended ('the Regulations'). These require the Manager to prepare accounts for each annual accounting period which give a true and fair view of the financial affairs of the Fund and of its income/expenditure for the period. In preparing the accounts the Manager is required to

- select suitable accounting policies and apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds;
- follow generally accepted accounting principles and applicable accounting standards; and
- keep proper accounting records, which enable him to demonstrate that the accounts as prepared comply with the above requirements.

The Manager is responsible for the Management of the Funds in accordance with its Trust Deeds and the Regulations.

*Jim Horsburgh*  
Schroder Investment Management (UK) Limited

12 April 2001

# Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Common Investment Gross Income Fund on pages 57 to 66 under Section 45(3) of the Administration of Justice Act 1982. These financial statements have been prepared in accordance with the accounts direction issued by Treasury and the accounting policies set out on page 62.

## Respective responsibilities of the Lord Chancellor, Investment Manager and Auditor

### **The Lord Chancellor's responsibilities**

Under Section 42(1) of the Administration of Justice Act 1982 (the Act), the Lord Chancellor may make schemes ('common investment schemes') establishing common investment funds for the purpose of investing funds in court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the common investment schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the common investment funds established. As indicated on page 53, the Lord Chancellor appointed Schroder Investment Management (UK) Limited to be the Investment Manager for the Common Investment Gross Income Fund for the financial period from 1 March to 5 April 1999.

### **The Investment Manager's responsibilities**

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager, as described on page 54, is responsible for preparing the Accounts in respect of transactions in the Common Investment Gross Income Fund. The Treasury has directed the Investment Manager to prepare a Statement of Accounts for each financial year in accordance with best commercial practice.

### **The Auditor's responsibilities**

My responsibilities as independent auditor are established by statute and guided by the United Kingdom Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued in January 1997 and with directions issued by Treasury under the Administration of Justice Act 1982. I also report whether, in all material respects, the financial transactions of the Fund conform to the authorities that govern them.

I also report if, in my opinion, the Investment Manager's Account on page 53 is not consistent with the financial statements, if proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

## 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 financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Investment Manager in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's 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 error, or by fraud, or other irregularity and that, in all material respects, the financial transactions 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 of the financial position of the Common Investment Gross Income Fund at 5 April 1999, and of the net income and movements in net assets for the period 1 March to 5 April 1999 and have been properly prepared in accordance with the Administration of Justice Act 1982 and directions made thereunder by the Treasury; and
- in all material respects the financial transactions of the Fund conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

31 March 2004

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Statement of Total Return for the period ended 5 April 1999

	Notes	5 April 1999		28 February 1999	
		£	£	£	£
Net gains on investments during the period	2		<b>44,647</b>		25,298
Gross income	3	<b>24,886</b>		166,570	
Expenses	4	<b>(1,889)</b>		(22,655)	
Net income before taxation		<b>22,997</b>		143,915	
Taxation	5	<b>532</b>		(975)	
Net income after taxation for the period			<b>23,529</b>		142,940
<b>Total return for the period</b>			<b>68,176</b>		168,238
Distributions	6		<b>(66,646)</b>		(177,773)
<b>Net (decrease)/increase in unitholders' funds from investment activities</b>			<b>1,530</b>		(9,535)

## Statement of Movements in Unitholders' Funds for the period ended 5 April 1999

	5 April 1999		1998	
	£	£	£	£
<b>Net assets at the start of the period</b>		<b>2,798,592</b>		3,628,687
Movement due to sales and repurchase of units				
Amounts received on creation of units	<b>0</b>		15,227	
Less Amounts paid on cancellation of units	<b>(34,079)</b>		(835,787)	
		<b>(34,079)</b>		(820,560)
Net (decrease)/increase in unitholders' funds from investment activities (see above)		<b>1,530</b>		(9,535)
<b>Net assets at the end of the period</b>		<b>2,766,043</b>		2,798,592

## Portfolio Statement as at 5 April 1999

	Holding at 5 April 1999	Market value £	Total net assets %
<b>United Kingdom</b>			
<b>Mineral extraction 8.47% (28 February 1999 - 7.25%)</b>			
BP Amoco	12,521	125,961	4.55
Enterprise Oil	5,000	17,900	0.65
Rio Tinto	3,000	25,755	0.93
Shell Transport & Trading	15,500	64,635	2.34
		<b>234,251</b>	<b>8.47</b>
<b>General manufacturers 6.28% (28 February 1999 - 5.86%)</b>			
BICC	15,000	13,875	0.50
Coats Viyella	10,000	4,375	0.16
Elementis	12,000	11,220	0.41
Imperial Chemical Industries	1,500	8,265	0.30
Laird Group	5,000	11,025	0.40
Low & Bonar	10,000	17,250	0.62
Rexam 7.75% Convertible Cumulative Preference	15,555	18,666	0.67
RMC Group	2,500	20,381	0.74
Senior Engineering	15,000	22,275	0.80
TI Group	6,000	23,700	0.86
Tomkins	10,000	22,750	0.82
		<b>173,782</b>	<b>6.28</b>
<b>Consumer Goods 12.05% (28 February 1999 - 11.34%)</b>			
Allied Domecq	6,000	27,690	1.00
BAT Industries	5,001	25,568	0.92
Glaxo Wellcome	8,000	172,240	6.23
Northern Foods	8,960	9,677	0.35
Tate & Lyle	5,000	21,050	0.76
United Biscuits	8,888	16,309	0.59
Zeneca	2,000	60,720	2.20
		<b>333,254</b>	<b>12.05</b>
<b>Services 15.51% (28 February 1999 - 13.33%)</b>			
Asda Group	25,000	37,688	1.36
BAA 5.75% Convertible Unsecured Loan Stock 29 March 2006	£20,000	25,628	0.93
Carpetright	5,000	18,250	0.66
First Leisure	5,000	11,750	0.42
Greenalls Group 7% Convertible Subordinated Bonds 24 September 2003	£20,000	20,654	0.75
Marks & Spencer	8,000	32,480	1.17
MFI Furniture Group	35,000	12,075	0.44
Peninsular & Oriental Steam Navigation Deferred	3,000	26,880	0.97
Railtrack Group	1,500	20,438	0.74
Rank Group	6,215	14,046	0.51
Rank Group 8.25% Convertible Cumulative Redeemable Preference	20,000	21,900	0.79
Safeway	12,000	29,715	1.07
Scottish & Newcastle	6,000	39,495	1.43
Selfridges	3,000	7,590	0.27
United News & Media	6,000	34,770	1.26
Williams Holdings 8% Convertible Cumulative Redeemable Preference	18,460	26,861	0.97
Wolverhampton & Dudley Breweries	10,000	48,900	1.77
		<b>429,120</b>	<b>15.51</b>

## Portfolio Statement as at 5 April 1999 *(continued)*

	<b>Holding</b>	<b>Market value £</b>	<b>Total net assets</b>
<b>Utilities 10.02% (28 February 1999- 10.33%)</b>			
BG	8,647	31,864	1.15
British Telecommunications	16,000	164,320	5.94
National Power	6,651	31,526	1.14
Powergen	2,000	13,650	0.50
Yorkshire Water	8,000	35,760	1.29
		<b>277,120</b>	<b>10.02</b>
<b>Financials 16.48% (28 February 1999 - 16.29%)</b>			
Allied Zurich	5,001	43,859	1.59
British Land	3,408	17,994	0.65
CGU	3,000	28,050	1.01
ED & FMan Group	11,338	33,164	1.20
Frogmore Estates	5,000	20,750	0.75
Garban Intercapital	10,000	24,150	0.87
HSBC Holdings	3,050	62,479	2.26
Limit	10,000	13,450	0.49
Lloyds TSB Group	11,500	109,221	3.95
London Merchant	18,222	18,222	0.66
National Westminster Bank	5,000	73,075	2.64
Royal & Sun Alliance Group	2,000	11,350	0.41
		<b>455,764</b>	<b>16.48</b>
<b>Investment Trusts 2.63% (28 February 1999 - 2.72%)</b>			
City of Oxford Investment Trust	115,000	28,463	1.03
Schroder Split Fund Income	40,000	44,400	1.60
		<b>72,863</b>	<b>2.63</b>
<b>Government Securities 25.66% (28 February 1999 - 27.23%)</b>			
Conversion 9.5% 2004	£52,000	64,054	2.32
Conversion 9% 2011	£108,000	151,308	5.47
Treasury 8.5% 2005	£57,000	69,380	2.51
Treasury 7.5% 2006	£62,000	73,048	2.64
Treasury 8.5% 2007	£65,000	81,640	2.95
Treasury 9% 2008	£131,000	174,833	6.32
Treasury 9% 2012	£67,000	95,354	3.45
		<b>709,617</b>	<b>25.66</b>
<b>Portfolio of Investments</b>		2,685,771	97.10
<b>Net current assets</b>		80,272	2.90
<b>Net assets</b>		<b>2,766,043</b>	<b>100.00</b>

*Unless otherwise stated the above securities are ordinary shares or common stock.*

## Balance Sheet as at 5 April 1999

	Notes	5 April 1999	28 February 1999
		£	£
<b>Portfolio of Investments</b>		<b>2,685,771</b>	2,640,362
<i>Net current assets/(liabilities)</i>			
Debtors	7	<b>68,884</b>	58,909
Cash and bank balances	8	<b>83,412</b>	115,419
		<b>152,296</b>	174,328
Creditors	9	<b>(5,795)</b>	(16,098)
Bank overdrafts		<b>0</b>	0
Distribution payable		<b>(66,229)</b>	0
		<b>(72,024)</b>	(16,098)
Net current assets/(liabilities)		<b>80,272</b>	158,230
<b>Net assets</b>		<b>2,766,043</b>	2,798,592
<b>Unitholders' Funds</b>		<b>2,766,043</b>	2,798,592



## Summary of Material Portfolio changes for the period ended 5 April 1999

<b>Purchases</b>	<b>Cost</b>
	<b>£</b>
Treasury 9% Stock 2008	95,933
Wolverhampton & Dudley	25,005
Scottish & Newcastle	21,915
Asda Group	21,659
<b>Total purchases for the period</b>	<b>£164,512</b>
<b>Sales</b>	<b>Proceeds</b>
	<b>£</b>
Treasury 9% Stock 2012	53,941
Treasury 9% Stock 2008	49,553
Conversion 9.5% Stock 2004	44,280
Halifax	15,776
British American Tobacco	200
<b>Total sales for the period</b>	<b>£163,750</b>

# Notes to the Financial Statements

## 1 Accounting policies

### *Basis of accounting*

The accounts are subject to an Accounts Direction issued by Treasury and are prepared in accordance with best commercial practice, including the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997.

### *Valuation*

Listed investments have been valued at mid market value at 5 April 1999, net of any accrued interest which is included in the balance sheet as an income related item.

### *Income*

Dividends receivable from equity investments are credited to the income account when they are first quoted ex-dividend. Interest receivable from bank deposits and fixed interest securities is accounted for on an accruals basis.

### *Expenses*

Expenses of the Fund are charged against income.

### *Interest on fixed interest securities bought or sold*

Interest on fixed interest securities bought or sold is excluded from the capital cost of securities, and is dealt with as part of the income of the Fund.

### *Distribution policy*

Distributions are made on 1 August and 1 February each year and are based on the available net income at 15 June and 15 December respectively. The ordinary element of scrip dividends is treated as income and forms part of the distributable income.

Previously, in accordance with Schedule 1 item 8(2) of the Statutory Instrument 1991 no. 1209 covering the Common Investment Funds Scheme 1965, income of the Fund may have been withheld from distribution with a view to avoiding fluctuations in the amount distributed. However, as outlined in Note 13, the tax status of the Fund changed from 6 April 1999 and the Fund's assets and liabilities were transferred to the High Yield Fund. As a result, the Fund is required to distribute all income accrued under the pre 5 April tax regime. On this occasion, an additional distribution will be made based upon the available net income at 5 April 1999.

## 2 Net gains on investments

The net gains on investments during the period comprise

	<b>5 April 1999</b>	28 February 1999
	£	£
Proceeds from sales of investments during the period	<b>163,750</b>	1,973,832
Original cost of investments sold during the period	<b>(155,514)</b>	(1,658,344)
Gain realised on investments sold during the period	<b>8,236</b>	315,488
Net (appreciation)/depreciation thereon already recognised in earlier periods	<b>(9,362)</b>	(253,567)
	<b>(1,126)</b>	61,921
Net unrealised (depreciation)/appreciation for the period	<b>45,773</b>	(36,623)
<b>Net gains on investments</b>	<b>44,647</b>	25,298

## 3 Gross income

	<b>5 April 1999</b>	28 February 1999
	£	£
UK Dividends	<b>17,658</b>	62,518
Scrip Dividends	<b>0</b>	6,703
Interest on debt securities	<b>5,324</b>	65,909
Bank interest	<b>524</b>	9,531
FIDs	<b>1,380</b>	21,909
	<b>24,886</b>	166,570

## 4 Expenses

	<b>5 April 1999</b>	28 February 1999
	£	£
<i>Payable to the Manager, Associates of the Manager and Agents of either of them</i>		
Manager's periodic charge	<b>1,889</b>	22,655
Total expenses	<b>1,889</b>	22,655

## 5 Taxation

	<b>5 April 1999</b>	28 February 1999
	£	£
Tax attributable to franked investment income	<b>1,673</b>	933
Tax reclaim	<b>0</b>	0
Adjustments in respect of prior periods	<b>(2,205)</b>	42
<b>Total taxation</b>	<b>(532)</b>	975

Distributions on the Gross Income Fund are paid without deduction of income tax (under Section 328(1) (b) of the Income and Corporation Taxes Act 1988). Depending on individual circumstances, unitholders may be subject to taxation on distributions.

The expenses of the Gross Income Fund are subject to taxation. This non-recoverable taxation is based on the amount of net income required to pay the expenses chargeable against the income of the Fund.

The prior year adjustments represent estimated net tax debtor balances written off as a result of subsequently finalised tax assessments.

## 6 Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise

	<b>5 April 1999</b>	28 February 1999
Interim Dividend distribution	<b>48,460</b>	92,956
Final Dividend distribution	<b>17,769</b>	71,624
	<b>66,229</b>	164,580
<i>Add</i> Income deducted on cancellation of units	<b>417</b>	13,360
<i>Deduct</i> Income received on creation of units	<b>0</b>	(167)
Net distribution for the period	<b>66,646</b>	177,773
Net income per statement of total return	<b>23,529</b>	142,940
Undistributed income brought forward	<b>43,117</b>	77,950
Undistributed income carried forward	<b>0</b>	(43,117)
Net distribution for the period	<b>66,646</b>	177,773

*Details of the distributions per unit are set out in the Distribution tables.*

## 7 Debtors

	<b>5 April 1999</b>	28 February 1999
Sales awaiting settlement	<b>200</b>	10,770
Accrued interest	<b>59</b>	585
Other accrued income	<b>43,266</b>	22,209
Other debtors	<b>25,359</b>	25,345
	<b>68,884</b>	58,909

## 8 Cash and bank balances

	<b>5 April 1999</b>	28 February 1999
Cash and bank balances	<b>83,412</b>	115,419

## 9 Creditors

	<b>5 April 1999</b>	28 February 1999
Accrued expenses		
Manager's periodic charge	<b>5,795</b>	15,024
Tax credits on accrued franked investment income	<b>0</b>	1,074
	<b>5,795</b>	16,098

## 10 Contingent liabilities

There were no contingent liabilities at the balance sheet date.

## 11 Related party transactions

Schroder Investment Management Limited, who provide investment management services for the Fund are regarded as a related party (as defined by FRS 8). Management fees paid to Schroder Investment Management Ltd are shown Note 4. The balances due at the period end in respect of these fees are shown in Note 9. None of the key management staff nor any other related party has undertaken any material transactions with the Fund during the year.

## 12 Investment objective

The aim of the Fund is to secure a high income return with some measure of long term capital growth.

## 13 Going concern/post balance sheet events

From 6 April 1999 there have been significant changes in the way that company dividends are taxed. Legislation has also been passed which has changed the basis of taxation for the Common Investment Scheme from 6 April 1999. The Gross Income Fund was terminated at 6 April 1999 since it was no longer able to recover the tax credits on dividends it received. The assets and liabilities of the Gross Income Fund have been transferred to the High Yield Fund and unitholders in the Gross Income Fund have received units in the High Yield Fund.

## 14 Financial instruments

In accordance with the investment objectives, the Fund holds certain financial instruments. These comprise

- securities held in accordance with the investment objectives and policies; and
- cash and short term debtors and creditors arising directly from operations.

In accordance with current tax legislations the Fund is not permitted to trade in financial instruments. In accordance with these regulations, the Fund's use of financial instruments satisfies these regulatory requirements.

The main risks arising from the Fund's financial instruments are market price, interest rate and liquidity risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year.

### *Market price risk*

The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the Manager in pursuance of the investment objective and policy. Adherence to investment guidelines and to investment and borrowing powers set out in the Trust Deed, the Scheme Particulars and in the Regulations for Collective Investment Schemes 1991 mitigates the risk of excessive exposure to any particular type of security or issuer.

### *Interest rate risk*

The Fund invests in fixed rate securities. The income of the Fund may be affected by the Manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

### *Liquidity risk*

The Fund's assets comprise mainly readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell.

*Interest rate risk profile*

The interest rate risk profile of financial assets and liabilities at the balance sheet date was as follows

	Nominal value £	Weighted average interest rate %	Weighted average period for which rated is fixed
Fixed rate bonds			
5 April 1999	582,000	8.60	9.24 years
28 February 1999	621,000	8.65	9.36 years
Cash at bank			
5 April 1999	83,412	5.02	n/a
28 February 1999	115,419	5.73	n/a

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date.

*Short term debtors and creditors*

Other short term debtors and creditors have been excluded from disclosure of financial instruments. All financial liabilities are due to be settled within one year, or on demand.

*Fair value of financial assets and liabilities*

Securities held by the Fund are valued at mid-market value (see Note 1). The difference between this value and the fair value of the securities is immaterial. Other financial assets and liabilities of the Fund are included in the balance sheet at fair value.

## Distribution Table

### Distribution for the period from 16 December 1998 to 5 April 1999

Group A - Units purchased prior to 16 December 1998

Group B - Units purchased on or after 16 December 1998

	Gross income pence per unit	Income Tax @ 23% pence per unit	Equalisation pence per unit	Distribution paid 15 May 1999 pence per unit
Group A	6.17	1.42	0	4.75
Group B	6.17	1.42	0	4.75

### Additional distribution for the period from 16 December 1998 to 5 April 1999

Group A - Units purchased prior to 16 December 1998

Group B - Units purchased on or after 16 December 1998

	Gross income pence per unit	Income Tax @ 23% pence per unit	Equalisation pence per unit	Distribution payable pence per unit
Group A	2.26	0.52	0	1.74
Group B	2.26	0.52	0	1.74

Equalisation applies to units purchased during the distribution period (Group B units). It is the average amount of income, excluding income brought forward from previous distribution periods, included in the purchase price of Group B units and is refunded to the holders of these units as a return of capital.

Being capital, it is not liable to income tax but must be deducted from the costs of units for capital gains tax purposes.

## Common Investment Funds

### Accounts Direction given by the Treasury

The Treasury, in pursuance of Section 45(2) of the Administration of Justice Act 1982, hereby gives the following Direction

- 1 The Investment Manager of the Common Investment Funds shall prepare in respect of the period from 1 March 1997 and thereafter for each period of one year ending on the last day of February, a Report and separate accounts in respect of the
  - I Capital Fund;
  - II High Yield Fund; and
  - III Gross Income Fund.
- 2 The accounts for each of the Funds referred to above shall give a true and fair view of the disposition of the assets and liabilities of the Fund at the year end and of the income, distribution of income, and movement of the Fund for the year. Subject to the foregoing requirement, and without limiting the information given, each account shall reflect best commercial accounting practices.
- 3 The Report and accounts shall include
  - a a foreword, and the following financial statements in respect of each Fund;
  - b a statement of total return;
  - c a statement of movements in unitholders' funds;
  - d a portfolio statement;
  - e a balance sheet;
  - f a summary of material portfolio charges;
  - g notes to the financial statements; and
  - h a distribution table.including in each case such notes as may be necessary for the purposes referred to in the following paragraphs.
- 4 The foreword shall consist of information concerning the Common Investment Funds. It shall, inter alia
  - a state that the accounts have been prepared in accordance with directions given by the Treasury in pursuance of Section 45(2) of the Administration of Justice Act 1982;
  - b include an explanation of the statutory background to the accounts; and
  - c refer to the Manager's Report and accounts which is prepared annually and to the additional accounts prepared at least once in every half year for each fund, indicating in each case how copies may be obtained.
- 5 The Notes to the accounts shall include a note of the statutory authority permitting income of each account to be withheld from distribution, together with details of the value of income retained in each account.



- 6 When preparing the accounts and the respective financial statements including the notes, the Investment Manager shall comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds.
- 7 The Report and accounts shall be sent to the Comptroller and Auditor General not later than the last day of April following the end of the year in respect of which the Report is made.
- 8 This Direction shall be reproduced as an appendix to the accounts.
- 9 This Direction replaces the Direction dated 19 April 1994.

*TG Hull*  
(Second) Treasury Officer of Accounts

19 August 1999

# Common Investment Scheme: Capital Fund

## Investment Manager's Foreword

### Statutory background

Section 45(1) of the Administration of Justice Act 1982 (the Act) requires the Investment Manager to prepare accounts in respect of the Common Investment Schemes. Under Section 45 of the Act, the Lord High Chancellor of Great Britain (Lord Chancellor) appointed JP Morgan Fleming Asset Management (UK) Limited, formerly Fleming Investment Management Limited, as Investment Manager of the Common Investment Schemes with effect from 20 July 1999 to 31 August 2003.

For the period covered by these accounts there were two Common Investment Funds: these being the Capital Fund and the High Yield Fund.

### Role of Court Funds Office

The Court Funds Office manages funds held in Court in the name of the Accountant General of the Supreme Court under the Administration of Justice Act 1982. Certain funds may be invested in Common Investment Schemes. Under the direction of the Court and on behalf of the Accountant General, the responsibilities of the Court Funds Office includes

- buying and selling units in the Common Investment Schemes;
- distribution to unit holders of dividends calculated by the Investment Manager;
- payment of Investment Manager's fees; and
- investment management oversight through the Strategic Investment Board.

### Fund information

The objective of the Capital Fund is to secure a high long term capital growth with a small but growing income level. The accounts show the investment of funds in UK Equities and Global Equities. The Distribution Statement on page 86 and note 7 to the accounts also provides details of the dividend declared.

The Capital Fund pays a dividend twice a year. The Fund goes ex-dividend on the following dates and pays six weeks later.

Capital Fund	Ex-dividend	2 October	Pay Date	15 November
	Ex-dividend	1 March	Pay Date	28 April

The Investment Manager produced an annual investment report for the period ending 29 February 2000. This report provides further details on asset allocation; financial performance; including portfolio commentary; a review of the period; and market outlook. This report is available from the Accountant General of the Supreme Court and can be obtained from the Court Funds Office, 22 Kingsway, London, WC2B 6LE.

### Closure of Capital Fund

The High Yield Fund was closed and merged into the Capital Fund on 10 April 2003 in accordance with Statutory Instrument 778.

Subsequently, on 1 September 2003 the assets of the combined Capital Fund were transferred to Legal & General (Unit Trust Managers) Limited who were appointed as the new Investment Manager from that date.

### Accounts and Audit

These accounts are in respect of the Capital Fund for the period 20 July 1999 to 29 February 2000 and have been prepared in accordance with a Direction issued by Treasury under section 45(2) of the Act as detailed on page 92.

The Comptroller and Auditor General is appointed external auditor under section 45(3) of the Act.

*Mark White*  
Chief Executive Officer  
JP Morgan Fleming Asset Management (UK) Limited

17 November 2004

# Statement of Lord Chancellor's and Investment Manager's responsibilities

## Lord Chancellor's responsibilities

Under section 42(1) of the Administration of Justice Act 1982 (the Act), the Lord Chancellor may make schemes (Common Investment Schemes) establishing Common Investment Funds for the purpose of investing funds in court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the Common Investment Schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the Common Investment Funds established. As indicated on page 70, the Lord Chancellor appointed JP Morgan Fleming Asset Management (UK) Limited, formerly Fleming Investment Management Limited, to be Investment Manager for the period from 20 July 1999 to 31 August 2003.

## Investment Manager's responsibilities

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager is responsible for preparing the financial statements in respect of the Common Investment Scheme Capital Fund.

The Treasury Direction requires the Investment Manager to follow best commercial practice. In preparing the Fund's Accounts, the Manager follows the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds. These require the Investment Manager to prepare accounts for each annual accounting period which give a true and fair view of the financial affairs of the Funds and of their income/expenditure for the period. In preparing the accounts the Manager is required to

- select suitable accounting policies and apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds;
- follow applicable accounting standards; and
- keep proper accounting records, which enable the Investment Manager to demonstrate that the accounts as prepared comply with the above requirements.

The Investment Manager is responsible for the management of the Funds in accordance with the Investment Management Agreement with the Lord High Chancellor dated 20 July 1999 and the Common Investment Scheme Statutory Instrument 1991 No. 1209.

# Statement on Internal Control

## 1 Introduction

JP Morgan Fleming Asset Management (UK) Limited (JPMFAM(UK)) formerly Fleming Investment Management Limited, part of the JP Morgan Fleming Asset Management group of companies (JPMFAM) was appointed as Investment Manager for the Common Investment Funds in July 1999. JPMFAM is a global investment manager that provides financial expertise and investment products and services for retail and institutional investors including mutual funds, investment trusts, governments, corporations, endowments, foundations and individuals. The management of JPMFAM are responsible for the identification of control objectives relating to the provision of investment management services and design, implementation and maintenance of JPMFAM's control procedures, to ensure with reasonable assurance on an ongoing basis that the control objectives are achieved. In carrying out these responsibilities, JPMFAM has regard not only to the interests of the client but also regulatory and general business requirements.

At the outset of a client relationship, the client and JPMFAM(UK) agree on the investment objectives and guidelines, if applicable, that will govern the account. Investment professionals (portfolio managers) manage the portfolios within these specifications. Adherence to investment policy and procedures is monitored by portfolio managers who are responsible for continual review of the accounts under their supervision, and by Guideline Management and Control Group. Various departments within JPMFAM also review adherence to investment policies and guidelines as well as compliance with the authorising documents, the organisation's controls and applicable regulatory requirements.

## 2 Scope of responsibility

As Chief Executive Officer of JPMFAM(UK), I have responsibility for maintaining an effective system of internal control that supports the achievement of JPMFAM's policies, aims and objectives, whilst safeguarding the management of the investments including the Common Investment Funds for which I have overall management responsibility.

## 3 The purpose of the system of internal control

A robust risk management and control culture is essential to our mission of being the pre-eminent asset management organisation world wide. JPMFAM's management controls are designed to reinforce the group's control objectives to maintain effective operations, provide accurate financial reporting and ensure compliance with applicable policies, controls and regulations. An integral part of the system of controls is the control environment, which represents the collective effect of various factors on establishing, enhancing and maintaining the effectiveness of specific controls. The control environment reflects the overall attitude, awareness and actions of management and employees concerning the importance of control and its emphasis in the investment management business. These factors are reflected in the policies and procedures.

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 JPMFAM's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in JPMFAM(UK) between July 1999 and August 2003 (the point at which responsibility for these funds were transferred) and accords with the requirements of the combined code and the requirements of the Financial Services Authority (FSA).

## 4 Capacity to handle risk

In order to cultivate a strong risk management culture and provide a framework to pro-actively manage risks in the business, Business Control Committees (BCCs), formerly known as Risk Committees, have been established providing the basis of a defined risk governance structure.

The BCCs represent a critical business-driven forum for reporting, monitoring, and escalating operational risk issues. These committees are 'owned' by senior management within each business, which in turn encourages the "first line of defence" for each risk to be fully accountable and to provide transparency regarding risks and what is being done about them. Output from our Self Assessment, Error Reporting, Action Plan, and Integrated Reporting processes (together with relevant Key Risk Indicators) is used to help ensure that the BCCs stay focused on the critical issues.

Direct oversight on the business is provided by the BCCs meeting periodically, and which are made up of representatives from the business including senior managers, risk managers, compliance and internal audit.

JPMFAM(UK) has a formal hiring practice that is designed to ensure that new employees are qualified for job responsibilities. New position hiring must be approved by the head of the department requiring the position and the Human Resources department. The hiring policy includes a minimum education and experience requirement, completion of reference, background and credit investigations, and execution of confidentiality statements.

JPMFAM(UK)'s staff receive reviews of their performance at least annually from their supervisors using standard performance evaluation methods and criteria.

The Compliance function undertakes a program of sample monitoring to check that the investment management business is acting in accordance with applicable conduct of business related laws and regulations. In addition, Compliance staff liaise with the business areas on a daily basis to address compliance issues as they arise. In the course of monitoring and liaising with the business areas, it can sometimes become apparent that additional training on compliance matters is required and this will be provided. Money laundering sessions are obligatory for all JPMFAM's employees and take place once a year. In order to increase employees' risk awareness we focus on topics such as business or operational risk, money laundering and compliance with regulatory guidelines.

The risk management team is responsible for the investigation and review of business errors and breaches of investment guidelines. In addition, the team is responsible for the regular review of operational risk, e.g. transaction reports and systems, the production of monthly reports to cover the above, business continuity planning, counterparty risk, unquoted securities, new products, material issues, new risks and seed capital investments. It is the responsibility of each individual business unit that the risks are dealt with effectively.

## 5 The risk and control framework

Underlying the global structure of JPMFAM is a management structure consisting of global, regional and local management team members. Business units and functions are primarily responsible for managing their own risks and controls and for ensuring that they are compliant with firm-wide and local control policies, procedures and regulations. There are Chief Investment Officers assigned to Fixed Income, Equity, Private Equity and Hedge Funds reporting to the Chief Executive Officer of JPMFAM.

JPMFAM(UK)'s internal controls are evaluated regularly through a control self-assessment process. The assessment process is generally organised by functional unit or product and is used by business units to assess the effectiveness of their control environment. Assessments identify key operating risks faced by the business, describe controls in place to mitigate the risks identified, assess the effectiveness of these controls and identify tasks required to rectify control gaps.

As part of its overall risk management process JPMFAM has an approval procedure for new products, services and activities. Risks are reviewed and signed off by members of Risk Management, Compliance, Tax, Investment Management, Operations, Legal, Audit and Finance Departments.

A centralised Risk Management and Controls group provides a consolidated risk control function for JPMFAM acting as both an important control group and advisors to the business on risk policies and best practice.

The risk management function provides oversight, co-ordination, support and a consolidated view of risks and controls to senior management. The risk management group is responsible for providing guidance on managing operational and fiduciary risks taken in the investment management business.

The Legal and Compliance Departments advise management and business units on legal and regulatory matters and monitor compliance with regulatory and registration requirements. The Compliance department provides regulatory advice on compliance with conduct of business rules and is responsible with other business areas, for certain regulatory reporting requirements and for advising the businesses on their responsibilities for establishing and implementing procedures, which comply with regulations.

The General Auditing Department (i.e. Internal Audit) is responsible primarily for objectively evaluating and reporting on risks and controls. Internal Audit conducts and participates in special projects relating to risks and controls and advises managers on issues related to risks and controls. Internal Audit co-ordinates with Risk Management, Legal and Compliance and through audits, reviews risks and controls at multiple locations using the same standards, identifies best practices for cross-border business activities and reports on global risk and control issues to global business managers.

The status of outstanding General Auditing Department and management self-assessment control issues is reported to the Business Control Committees on a regular basis. Additionally, the General Auditor reports directly and regularly to the Chair of the Audit Committee of the Board of the overall holding company for the whole group, JP Morgan Chase and Co.

Inherent to internal controls is the principle of segregation of functions and duties. JPMFAM is structured to delineate responsibilities in a manner that reinforces segregation of duties between investment decision; recording transactions; custody of assets; trade execution (for equities); trade affirmation; transaction processing; fund transfers; reconciliation activities; performance measurement; risk management and legal and compliance.

In conducting its day to day operations, JPMFAM retains the services of certain outside service providers that the organisation believes are reliable. A number of factors are considered in performing due diligence of and selecting outsource service providers, including, among other things, each service provider's reliability for prompt and accurate delivery of services.

## 6 Review of effectiveness

As Chief Executive Officer for JPMFAM(UK) and as investment manager for the Common Investment Funds, I 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 managers within JPMFAM 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.

External Auditors perform annual reviews in accordance with the Statement on Auditing Standards No.70 established by the American Institute of Certified Public Accountants and within the framework set out in Technical Release Audit 4/97 – FRAG 21/94 (revised) issued by the Institute of Chartered Accountants in England and Wales.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of JPMFAM(UK) and the BCC, and plans to address any weaknesses and ensure continuous improvement of the system.

*Mark White*  
Chief Executive Officer  
JP Morgan Fleming Asset Management (UK) Limited

17 November 2004

# The Certificate and Report of The Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Common Investment Capital Fund on pages 78 to 91 under Section 45(3) of the Administration of Justice Act 1982. These financial statements have been prepared in accordance with the accounts direction issued by Treasury and the accounting policies set out on page 87.

## Respective responsibilities of the Lord Chancellor, Investment Manager and Auditor

### **The Lord Chancellor's responsibilities**

Under Section 42(1) of the Administration of Justice Act 1982 (the Act), the Lord Chancellor may make schemes (common investment schemes) establishing common investment funds for the purpose of investing funds in court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the common investment schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the common investment funds established. As indicated on page 70, the Lord Chancellor appointed JP Morgan Asset Management to be the Investment Manager for the Common Investment Capital Fund for the period 20 July 1999 to 31 August 2003.

### **The Investment Manager's responsibilities**

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager, as described on page 72, is responsible for preparing the financial statements in respect of transactions in the Common Investment Capital Fund. The Treasury has directed the Investment Manager to prepare Accounts for each financial year in accordance with best commercial practice.

### **The Auditor's responsibilities**

My responsibilities as independent auditor are established by statute and guided by the United Kingdom Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued in January 1997 and with directions issued by Treasury under the Administration of Justice Act 1982. I also report whether, in all material respects, the financial transactions of the Fund conform to the authorities that govern them.

I also report if, in my opinion, the Investment Manager's Foreword on page 70 is not consistent with the financial statements, if proper accounting records have not been kept or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 73 to 75 reflects the Investment Manager's governance and internal control arrangements. I report 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 Investment Manager's statement covers all risks and controls. I am also not required to form an opinion on the effectiveness of JP Morgan Asset Management corporate governance procedures or its risk and control procedures.



## 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 financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Investment Manager in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's 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 error or by fraud or other irregularity and that, in all material respects, the financial transactions conform to the authorities which govern them. In forming my opinion, I have 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 of the financial position of the Common Investment Capital Fund as at 29 February 2000 and of the net income and movements in net assets for the period from 20 July 1999 to 29 February 2000;
- the financial statements have been properly prepared in accordance with the Administration of Justice Act 1982 and directions made thereunder by the Treasury; and
- in all material respects the financial transactions of the Fund during the period from 20 July 1999 to 29 February 2000 conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

2 December 2004

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Statement of Total Return for the period 20 July 1999 to 29 February 2000

	29 February 2000		19 July 1999	
	£	£	£	£
Net (losses)/gains on investments during the period (Note 2)		<b>(66,180)</b>		4,366,510
Other losses (Note 3)		<b>(46,849)</b>		0
Total income (Note 4)	<b>591,365</b>		546,179	
Expenses (Note 5)	<b>(159,497)</b>		(117,680)	
Net income before taxation	<b>431,868</b>		428,499	
Taxation (Note 6)	<b>(9,637)</b>		(37,084)	
Net income after taxation for the period		<b>422,231</b>		391,415
<b>Total return for the period</b>		<b>309,202</b>		4,757,925
Distributions (Note 7)		<b>(540,549)</b>		(467,565)
<b>Net (decrease)/increase in unitholders' funds from investment activities</b>		<b>(231,347)</b>		4,290,360

## Statement of Movements in Unitholders' Funds for the period 20 July 1999 to 29 February 2000

	29 February 2000		19 July 1999	
	£	£	£	£
<b>Net assets at the start of the period</b>		<b>54,388,276</b>		50,444,937
<i>Movement due to sales and repurchase of units</i>				
Amounts received on creation of units	<b>163,535</b>		1,363,761	
Less Amounts paid on cancellation of units	<b>(942,524)</b>		(1,710,782)	
Net cash out of fund		<b>(778,989)</b>		(347,021)
Net (decrease)/increase in unitholders' funds from investment activities (see above)		<b>(231,347)</b>		4,290,360
Other gains		<b>46,168</b>		0
<b>Net assets at the end of the period</b>		<b>53,424,108</b>		54,388,276

The notes on pages 87 to 91 form part of these accounts.

## Portfolio Statement as at 29 February 2000

	Holding	Market value £	Total net assets %
<b>Mineral Extraction 8.52% (19 July 1999 – 7.40%)</b>			
Bayer	5,500	146,398	0.27
Billiton	85,600	221,704	0.41
BP Amoco	401,628	1,957,937	3.66
Brambles Industries	6,000	95,830	0.18
Cominco	4,100	37,766	0.07
Compania Vale Do Rio Doce ADR	2,900	49,864	0.09
Endesa	4,900	65,595	0.12
ENI	30,000	88,681	0.17
Fort James	3,300	39,325	0.07
Imerys	900	68,610	0.13
Imperial Chemical Industries	38,200	185,843	0.35
Lonmin	15,100	102,680	0.19
Martin Marietta Materials	3,700	83,128	0.16
Pechiney	2,443	90,884	0.17
Pohang Iron & Steel ADR	2,300	40,429	0.08
Rio Tinto	17,000	159,460	0.30
Shell Transport & Trading	160,765	700,132	1.31
Texaco	4,000	120,194	0.22
Total Fina	3,644	305,796	0.57
<b>General Manufacturers 6.20% (19 July 1999 – 8.13%)</b>			
Amec	23,500	36,543	0.07
Barratt Developments	70,848	121,859	0.23
Bodycote International	30,800	79,618	0.15
Britax International	125,000	138,125	0.26
British Vita	41,300	86,524	0.16
Bunzl	38,600	110,975	0.21
Canon	6,000	158,111	0.30
Capita	8,100	129,398	0.24
De La Rue	55,250	151,938	0.28
Dover	4,000	97,628	0.18
FKI	123,000	333,330	0.62
Georgia-Pacific	2,800	61,578	0.12
Hays	52,000	218,920	0.41
Heidelberg Zement	2,156	77,644	0.15
Illinois Toolworks	3,400	111,453	0.21
Intel	900	64,438	0.12
Johnson Matthey	20,600	148,732	0.28
Meyer International	41,826	211,221	0.40
Pace Micro Technology	18,800	209,150	0.39
RMC	26,000	189,800	0.36
Rolls-Royce	48,400	99,825	0.19
Sumitomo	22,000	154,513	0.29
Sumitomo Electric Industries	10,000	83,495	0.16
United Technologies	3,800	122,609	0.23
Wolseley	34,000	104,125	0.19
<b>Consumer Goods 9.83% (19 July 1999 – 10.08%)</b>			
American Home Products	2,900	79,850	0.15
Anheuser-Busch	2,000	81,238	0.15
Baxter International	2,100	72,497	0.14
Bridgestone	9,000	127,406	0.24
British American Tobacco	48,651	126,736	0.24
Brown-Forman	4,500	135,486	0.25
Cadbury Schweppes	47,300	177,848	0.33
CVS	1,800	39,871	0.07

Portfolio Statement as at 29 February 2000 *(continued)*

	<b>Holding</b>	<b>Market value £</b>	<b>Total net assets %</b>
Diageo	43,800	211,773	0.40
Fujitsu	7,000	147,328	0.27
GKN	32,500	265,200	0.50
Glaxo Wellcome	90,300	1,370,754	2.57
Imperial Tobacco	25,000	104,750	0.20
Johnson & Johnson	3,050	138,619	0.26
ITO-Yokado	2,000	73,808	0.14
KAO	4,000	67,235	0.13
Lilly (EMI)	2,100	79,106	0.15
Merck & Company	4,500	175,570	0.33
Nidec	300	35,981	0.07
Philip Morris	10,000	127,280	0.24
Ralston-Ralston Purina	8,000	143,314	0.26
Saint Gobain	880	77,417	0.14
Shire Pharmaceuticals	15,800	162,345	0.30
SmithKline Beecham	85,000	603,075	1.13
Sony	900	168,663	0.32
SSL International	9,600	59,376	0.11
Staples	4,300	73,627	0.14
Takeda Chemical	3,000	107,252	0.20
Target	1,100	41,088	0.08
Unilever	21,797	84,082	0.16
Unilever NV	2,900	83,426	0.16
<b>Services 25.44% (19 July 1999 – 16.86%)</b>			
Aegis	64,100	137,014	0.26
Airtours	50,000	141,625	0.27
Arriva	17,000	30,600	0.06
AstraZeneca	36,000	741,240	1.38
Aventis	3,910	126,383	0.24
Bass	52,564	352,967	0.66
Bausch & Lomb	3,700	123,704	0.23
British Aerospace	62,721	196,630	0.37
British Sky Broadcasting	42,700	694,729	1.30
BTG	8,500	107,313	0.20
Circuit City Stores	5,000	127,874	0.24
Daily Mail	13,172	152,268	0.29
Davis Service	34,799	106,659	0.20
Dixons	15,428	209,821	0.39
EMAP	11,000	147,400	0.28
Exel	75,500	251,415	0.47
Gannett	4,000	165,010	0.31
Granada	73,000	465,740	0.87
Hilton	80,172	185,799	0.34
IMS Health	10,600	135,127	0.25
Kansas City Southern	2,350	117,272	0.22
Kingfisher	16,800	80,220	0.15
Lex Service	22,000	73,150	0.14
Manchester United	5,500	17,133	0.03
May Department Stores	7,000	116,255	0.22
Morrison Supermarkets	253,000	303,600	0.55
National Express	11,852	68,742	0.13
Nortel Networks	1,800	127,094	0.24
Ocean	11,411	138,644	0.26
P & O	48,086	343,094	0.64
Pearson	25,000	525,500	0.98
Premier Farnell	41,400	182,160	0.34

Portfolio Statement as at 29 February 2000 *(continued)*

	<b>Holding</b>	<b>Market value £</b>	<b>Total net assets %</b>
Railtrack	9,101	58,701	0.11
Rank	85,465	135,035	0.25
Reuters	30,000	410,700	0.77
Scottish & Newcastle	30,000	123,150	0.23
Secom	2,000	113,480	0.21
Serco	6,000	140,100	0.26
Tesco	154,100	264,282	0.49
Thus	13,918	86,848	0.16
Trafficmaster	21,828	237,925	0.45
United News & Media	27,685	232,969	0.44
Viacom	2,100	74,076	0.14
Vodafone Airtouch	1,266,995	4,501,000	8.42
Washington Post	360	111,182	0.21
Williams	4,100	108,590	0.20
WPP	25,800	315,147	0.59
<b>Utilities 12.51% (19 July 1999 – 13.46%)</b>			
BG	82,667	228,368	0.43
Bowthorpe	20,500	256,763	0.40
British Energy	40,313	97,054	0.18
British Telecommunications	111,600	1,234,296	2.31
Cable & Wireless	56,400	741,660	1.30
Centrica	111,000	237,263	0.44
Energis	14,500	464,725	0.87
Ericsson	3,500	212,047	0.40
Exodus Communications	600	54,099	0.10
Exxon Mobil	4,224	201,424	0.38
General Electric	3,700	309,808	0.58
Hutchison Whampoa	15,000	148,641	0.28
Kelda	35,000	90,563	0.17
Kingston Communications	12,800	175,360	0.33
Korea Telecom	1,100	30,136	0.06
National Grid	51,600	253,356	0.47
Nippon Telegraph & Telephone	21	184,059	0.34
Nokia	2,090	263,529	0.49
NTT Mobile Communications Network	13	332,079	0.62
Powergen UK	9,600	41,928	0.08
SBC Communications	8,600	207,006	0.39
Scottish Power	50,700	243,867	0.46
SK Telecom	3,300	94,274	0.18
Talisman Energy	5,700	93,623	0.18
Telecom Italia Mobile	57,560	191,738	0.36
Telewest Communications	55,300	240,555	0.45
Thames Water	20,000	139,000	0.26
<b>Financials 18.64% (19 July 1999 – 17.58%)</b>			
Abbey National	30,600	217,566	0.41
Alliance & Leicester	33,700	191,248	0.36
Allied Zurich	42,000	226,170	0.42
American International	2,000	111,999	0.21
Amvescap	33,000	237,435	0.44
AXA	2,500	198,969	0.37
Bank of America	2,800	81,697	0.15
Bank of New York	7,000	147,709	0.28
Bank of Scotland	55,800	315,270	0.59
Bank of Tokyo Mitsubishi	7,000	54,289	0.10
Banque National De Paris	1,700	85,094	0.16

Portfolio Statement as at 29 February 2000 *(continued)*

	<b>Holding</b>	<b>Market value £</b>	<b>Total net assets %</b>
Barclays	37,480	571,945	1.07
Bay Hypo Und Vereinsbank	2,000	68,812	0.13
Britannic	11,700	85,995	0.16
British Land	36,000	125,100	0.23
Cattles	39,200	87,612	0.16
CGU	21,200	160,166	0.30
Chase Manhattan	3,400	171,419	0.32
Citigroup	8,500	278,295	0.52
Dresdner Bank	2,700	82,052	0.15
Exchange	42,000	72,450	0.14
Fannie Mae	3,350	112,466	0.21
Fortis	3,800	60,348	0.11
Halifax	33,500	190,280	0.36
HSBC	74,000	545,750	1.02
ING	2,700	86,466	0.16
Legal & General	300,000	463,500	0.87
Lloyds TSB	180,000	1,049,400	1.96
National Westminster Bank	68,500	823,028	1.54
Nikko Securities	18,000	147,074	0.27
Norwich Union	62,000	242,265	0.45
Orix	1,000	109,559	0.21
Overseas Union Bank	26,266	74,324	0.14
Perpetual	5,000	135,000	0.25
Proctor & Gamble	1,800	100,336	0.19
Provident Financial	30,000	154,500	0.29
Prudential	53,400	498,756	0.93
Roche	26	177,518	0.33
Royal Bank of Scotland	45,399	378,174	0.71
Shohkoh Fund	180	23,561	0.04
SLM	2,573	51,034	0.10
Standard Chartered	41,839	374,041	0.70
Sumitomo Bank	4,000	29,915	0.06
Union Bank of Switzerland	460	70,866	0.13
Wells Fargo	9,000	188,664	0.35
Woolwich	59,000	171,100	0.32
Zurich Allied	540	144,749	0.27
<b>Investment Trusts 1.34% (19 July 1999 – 0.88%)</b>			
3i	13,000	146,640	0.27
Electra Investment Trust	27,000	299,025	0.56
Templeton Emerging Markets	200,000	271,250	0.51
<b>Unit Trusts 4.88% (19 July 1999 – 22.75%)</b>			
FUTM Select American Smaller Companies	260,000	575,900	1.18
FUTM Select UK Smaller Companies	859,112	1,961,782	3.70
<b>Information Technology 10.22% (19 July 1999 – 0.00%)</b>			
Advantest	800	91,891	0.17
ARM	6,000	286,500	0.54
Cap Gemini	1,000	174,605	0.33
Cisco Systems	3,900	326,477	0.61
CMG	5,427	334,900	0.63
EMC	2,500	188,446	0.35
Equant	800	57,084	0.11
FI	22,000	156,200	0.29
Filtronic	3,900	87,068	0.16
Galileo International	4,200	45,144	0.08
IBM	3,300	213,279	0.40

Portfolio Statement as at 29 February 2000 *(continued)*

	<b>Holding</b>	<b>Market value £</b>	<b>Total net assets %</b>
Kon Philips Electronics	1,100	129,358	0.24
Logica	13,400	362,068	0.68
Marconi	32,000	252,640	0.47
MCI Worldcom	7,350	207,908	0.39
Microsoft	5,900	333,900	0.63
MISYS	37,596	357,162	0.66
Morse	15,000	110,250	0.21
Psion	1,600	84,992	0.16
Qualcom	1,200	108,293	0.20
ROHM	900	185,010	0.35
RM	11,000	98,725	0.18
Sage	27,871	222,271	0.42
Samsung Electronics	1,400	116,216	0.22
Sema	10,900	147,804	0.28
Siebel Systems	1,200	105,491	0.26
Softbank	300	276,781	0.52
Sun Microsystems	4,200	253,488	0.47
Vivendi	1,500	111,606	0.21
<b>Portfolio of investments</b>		52,130,517	97.58
Net current assets		1,293,591	2.42
<b>Total net assets</b>		53,424,108	100.00%

Unless otherwise stated the above securities are ordinary shares or common stock.

## Balance Sheet as at 29 February 2000

	<b>29 February 2000</b>	19 July 1999
	£	£
<b>Portfolio of investments</b>	<b>52,130,517</b>	52,822,443
<b>Net current assets</b>		
Debtors (Note 9)	<b>176,447</b>	161,229
Cash and bank balances (Note 10)	<b>1,463,856</b>	1,688,773
	<b>1,640,303</b>	1,850,002
<i>Less</i>		
Creditors (Note 11)	<b>(173,206)</b>	(284,169)
Distribution payable on income units	<b>(173,506)</b>	0
	<b>(346,712)</b>	(284,169)
<b>Net current assets</b>	<b>1,293,591</b>	1,565,833
<b>Net assets</b>	<b>53,424,108</b>	54,388,276
<b>Unitholders' Funds</b>	<b>53,424,108</b>	54,388,276

*The notes on pages 87 to 90 form parts of these accounts.*

Mark White  
Chief Executive Officer  
JP Morgan Fleming Asset Management (UK) Limited

17 November 2004



## Summary of Material Portfolio Changes for the period 20 July 1999 to 29 February 2000

<b>Purchases</b>	<b>Cost £</b>
FUTM Select UK Smaller Companies	1,658,638
Vodafone Airtouch	1,617,364
Shell Transport & Trading	807,198
Royal Bank of Scotland	607,765
HSBC	534,894
Unilever	532,261
FUTM Select American Smaller Companies	488,280
WPP	388,031
Energis	386,502
British Sky Broadcasting	382,383
GKN	361,243
CGU	344,090
ARM	334,441
Microsoft	317,746
SBC Communications	302,336
Morrison (WM) Supermarkets	300,502
Norwich Union	290,471
General Electric	283,337
Capita	259,658
Telewest Communications	259,246
Other securities	25,957,128
<b>Total of all purchases for the period</b>	<b>£36,413,514</b>

<b>Sales</b>	<b>Proceeds £</b>
Kingfisher	4,631,174
Schroder Institutional European Income Fund	4,485,371
Schroder Retail American Fund	2,847,589
Schroder Japan Fund	1,951,326
Schroder Institutional Pacific Fund	1,391,333
Cable & Wireless	893,977
British Land	807,355
Weir	781,919
Enterprise Oil	748,730
British Telecommunications	739,839
Lasmo	659,876
British Airways	610,098
Vodafone Airtouch	537,443
Aggreko	525,069
United News & Media	481,060
Schroder Institutional Japan Smaller Companies	479,817
Airtours	443,732
Arjo Wiggins Appleton	440,115
Schroder Institutional Europe Smaller Companies	433,996
BASS	425,865
Other securities	12,723,576
<b>Total of all sales for the period</b>	<b>£37,039,260</b>

## Distribution Statement

### Final distribution

Group A—Units purchased prior to 2 October 1999

Group B—Units purchased 2 October 1999 to 29 February 2000

	Gross income	Tax at 10%	Net income	Equalisation	Distribution payable	Distribution paid
	pence per unit	pence per unit	pence per unit	pence per unit	28 April 2000 pence per unit	15 May 1999 pence per unit
Group A	3.80	0.38	3.42	0.00	3.42	7.25
Group B	2.24	0.22	2.02	1.40	3.42	7.25

### Interim distribution

Group A—Units purchased prior to 6 April 1999

Group B—Units purchased 6 April 1999 to 1 October 1999

	Gross income	Tax at 10%	Net income	Equalisation	Distribution paid
	pence per unit	pence per unit	pence per unit	pence per unit	15 November 1999 pence per unit
Group A	7.88	0.78	7.10	0.00	7.10
Group B	4.41	0.44	3.97	3.13	7.10

Equalisation applies only to units purchased during the distribution period (group B units). It is the average amount of income included in the purchase price of all group B units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

*Details of amounts distributed are provided in note 7*

# Notes to the Financial Statements

## 1 Accounting policies

### *Basis of accounting*

The accounts are subject to an Accounts Direction issued by Treasury (as detailed on page 92) and are prepared under the historic cost basis as modified by the revaluation of investments and in accordance with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997.

### *Accounting period end date*

The Accounts Direction requires accounts to be prepared for each period of one year ending on the last day of February. As a result of the appointment of a new Investment Manager at 20 July 1999, accounts have been prepared at that date to facilitate the handover. Therefore, the statement of movements in unitholders' funds to 29 February 2000 reflects seven and half months' activities.

### *Valuation*

Listed investments have been valued at mid-market value at 29 February 2000.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate at close of business on 29 February 2000.

### *Income*

Dividends receivable from equity investments are credited to the income account when they are first quoted ex-dividend. Interest receivable from bank deposits is accounted for on an accruals basis.

### *Expenses*

Expenses of the Fund are charged against income.

### *Distribution policy*

Distributions are made on 28 April and 15 November each year and are based on the available net income at 1 March and 2 October respectively. The ordinary element of scrip dividends is treated as income and forms part of the distributable income.

### *Prior period comparatives*

The comparatives used are the audited figures reporting in the closing accounts of the previous Investment Manager and cover the period from 1 March to 19 July 1999.

**2 Net (losses)/gains on investments**

The net (losses)/gains on investments during the period comprise

	<b>29 February 2000</b>	19 July 1999
	£	£
Proceeds from sales of investments during the period	<b>37,039,260</b>	4,363,687
Original cost of investments sold during the period	<b>(31,557,597)</b>	(3,390,557)
Gains realised on investments sold during the period	<b>5,481,663</b>	973,130
Net appreciation thereon already recognised in earlier periods	<b>(6,616,620)</b>	(922,507)
	<b>(1,134,957)</b>	50,623
Net unrealised appreciation for the period	<b>1,068,777</b>	4,315,887
Net (losses)/gains on investments	<b>(66,180)</b>	4,366,510

**3 Other losses**

	<b>29 February 2000</b>	19 July 1999
	£	£
Other losses comprise		
Currency losses	<b>(46,849)</b>	0

**4 Total income**

	<b>29 February 2000</b>	19 July 1999
	£	£
UK dividends	<b>472,396</b>	439,621
Overseas dividends	<b>65,945</b>	41,711
Bank interest	<b>53,024</b>	35,297
Foreign income dividends	<b>0</b>	29,550
	<b>591,365</b>	546,179

**5 Expenses**

	<b>29 February 2000</b>	19 July 1999
	£	£
<i>Payable to the Investment Manager, associates of the Investment Manager and agents of either of them</i>		
Investment Manager's periodic charge	<b>159,497</b>	117,680

**6 Taxation**

	<b>29 February 2000</b>	19 July 1999
	£	£
Income tax	<b>0</b>	35,761
Overseas tax	<b>9,637</b>	0
Adjustments in respect of prior periods	<b>0</b>	1,323
	<b>9,637</b>	37,084

**7 Distributions**

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise

	<b>29 February 2000</b>	19 July 1999
	£	£
<i>Interim</i> Dividend distribution	<b>365,537</b>	373,929
<i>Final</i> Dividend distribution	<b>173,506</b>	91,699
	<b>539,043</b>	465,628
<i>Add</i> Income deducted on cancellation of units	<b>1,979</b>	5,731
<i>Deduct</i> Income received on creation of units	<b>(473)</b>	(3,794)
Net distribution for the period	<b>540,549</b>	467,565

Details of the distribution per unit are set out in the table on page 91.

**8 Movement between net income and distributions**

	<b>29 February 2000</b>	19 July 1999
	£	£
Net income after taxation	<b>422,231</b>	391,415
<i>Add</i> undistributed income brought forward	<b>72,282</b>	148,432
<i>Less</i> undistributed income carried forward	<b>(132)</b>	(72,282)
Amounts transferred from capital	<b>46,168</b>	0
Distributions	<b>540,549</b>	467,565

**9 Debtors**

	<b>29 February 2000</b>	19 July 1999
	£	£
Due for units created	<b>54</b>	0
Accrued income	<b>111,644</b>	161,229
Other debtors	<b>46,168</b>	0
Income tax recoverable	<b>18,581</b>	0
	<b>176,447</b>	161,229

**10 Cash and bank balances**

	<b>29 February 2000</b>	19 July 1999
	£	£
Cash and bank balances	<b><u>1,463,856</u></b>	<u>1,688,773</u>

**11 Creditors**

	<b>29 February 2000</b>	19 July 1999
	£	£
Accrued expenses	<b>173,206</b>	89,335
Income tax payable	<b>0</b>	194,834
	<b><u>173,206</u></b>	<u>284,169</u>

**12 Units in issue**

The number of units in issue at the end of the period was 5,073,263.

**13 Contingent liabilities**

The aggregate contingent liabilities not provided for at the balance sheet date was nil.

**14 Related party transactions**

The Court Funds Office (CFO), who provide investment management oversight services for the Fund are a related party (as defined by FRS 8). Details of units created and cancelled are shown in the Statement of Movements in Unitholders' Funds. The balances due to and from the Court Funds Office in respect of these transactions are detailed in Notes 9 and 11.

JP Morgan Fleming Asset Management (UK) Limited, formerly Fleming Investment Management Limited, who provide investment management services could be regarded as a related party (as defined by FRS 8). Investments made on behalf of the Fund include those in JPMF unit trusts, which had a market value of £2,537,682 at 29 February 2000.

Management fees paid to JP Morgan Fleming Asset Management (UK) Limited are shown in Note 5. The balances due at the period end in respect of these fees are shown in Note 11.

Other than the related party transactions disclosed above, none of the key management staff nor any other related party has undertaken any material transactions with the Fund during the period.

**15 Financial instruments**

In pursuing its investment objective as stated on page 70, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the Investment Manager's policies for managing these risks are summarised below. These policies have been applied throughout the period.

*Market price risk*

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations, which are monitored by the Investment Manager in pursuance of the investment objective and policy as set out in Statutory Instrument 1209 (1991).

Adherence to investment guidelines and to investment and borrowing powers set out in the Investment Management Agreement with the Lord High Chancellor and the Statutory Instrument 1209 (1991) mitigates the risk of excessive exposure to any particular type of security or issuer.

*Foreign currency risk*

At the period end date, 25.57% of the net assets of the fund were denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

	<b>29 February 2000 £</b>
US Dollar	7,229,994
Euro	2,701,499
Japanese Yen	2,672,308
Swiss Francs	393,133
Swedish Krona	212,047
Hong Kong Dollar	148,641
Canadian Dollar	131,389
Australian Dollar	95,830
Singapore Dollar	74,324
	<b><u>13,659,165</u></b>

*Interest rate risk*

Interest rate risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in interest rates.

The Fund does not invest in either fixed or floating rate securities and interest rate risk exposure is restricted to interest receivable on bank deposits or payable on bank overdraft positions which will be affected by fluctuations in interest rates.

*Liquidity risk*

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions.

*Credit risk*

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Investment Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

## Common Investment Funds

### Accounts Directions given by the Treasury

The Treasury, in pursuance of section 45(2) of the Administration of Justice Act 1982, hereby gives the following Direction:

- 1 The Investment Manager of the Common Investment Funds shall prepare in respect of the period from 20 July 1999 to 29 February 2000 and thereafter for each period of one year ending on the last day of February until the final period from 1 March to 31 August 2003, accounts in respect of the
  - I Capital Fund; and
  - II High Yield Fund.
- 2 The accounts for each of the Funds referred to above shall give a true and fair view of the disposition of the assets and liabilities of the Fund at the year end and of the net income and movement in the net assets of the Fund for the year. Subject to the foregoing requirement, and without limiting the information given, each account shall reflect best commercial accounting practices.
- 3 The Report and accounts shall include
  - a a Foreword;
  - b a Statement of Responsibilities;
  - c a Statement on Internal Control;
  - d a Statement of Total Return;
  - e a Statement of Movements in Unitholder's Funds;
  - f a Portfolio Statement;
  - g a Balance Sheet;
  - h a Summary of Material Portfolio Changes; and
  - i a Distribution Statement.

The accounts for each Fund shall also include such notes as may be necessary to present a true and fair view and for the purposes referred to in the following paragraphs.

- 4 The Foreword shall consist of information concerning the Common Investment Funds. It shall, amongst other things:
  - a state that the accounts have been prepared in accordance with directions given by the Treasury in pursuance of Section 45(2) of the Administration of Justice Act 1982;
  - b include an explanation of the statutory background to the accounts.
- 5 When preparing the accounts, the Investment Manager shall comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds.
- 6 This Direction replaces the Direction dated 19 August 1999.

David A Cruden FCA  
Head of the Central Accountancy Team  
Her Majesty's Treasury

26 May 2004



# Common Investment Scheme: High Yield Fund

## Investment Manager's Foreword

### Statutory background

Section 45(1) of the Administration of Justice Act 1982 (the Act) requires the Investment Manager to prepare accounts in respect of the Common Investment Schemes. Under Section 45 of the Act, the Lord High Chancellor of Great Britain (Lord Chancellor) appointed JP Morgan Fleming Asset Management (UK) Limited, formerly Fleming Investment Management Limited, as Investment Manager of the Common Investment Schemes with effect from 20 July 1999 to 31 August 2003.

For the period covered by these accounts there were two Common Investment Funds: these being the Capital Fund and the High Yield Fund.

### Role of Court Funds Office

The Court Funds Office manages funds held in Court in the name of the Accountant General of the Supreme Court under the Administration of Justice Act 1982. Certain funds may be invested in Common Investment Schemes. Under the direction of the Court and on behalf of the Accountant General, the responsibilities of the Court Funds Office includes

- buying and selling units in the Common Investment Schemes;
- distribution to unit holders of dividends calculated by the Investment Manager;
- payment of Investment Manager's fees; and
- investment management oversight through the Strategic Investment Board.

### Fund Information

The objective of the High Yield Fund is to secure a high income yield, which will grow together with modest capital growth as befits a high yield portfolio. The accounts show the investment of funds in UK Equities and UK Gilt Securities. The Distribution Statement on page 107 and Note 6 to the accounts also provides details of the dividends declared.

The High Yield Fund pays a dividend twice a year. The Fund goes ex-dividend on the following dates and pays six weeks later.

High Yield Fund	Ex-dividend	16 August	Pay Date	1 October
	Ex-dividend	1 March	Pay Date	28 April

The Investment Manager produced an annual investment report for the period ending 29 February 2000. This report provides further details on asset allocation; financial performance; including portfolio commentary; a review of the period; and market outlook. This report is available from the Accountant General of the Supreme Court and can be obtained from the Court Funds Office, 22 Kingsway, London WC2B 6LE.

### Merger with Capital Fund

The High Yield Fund was closed and merged into the Capital Fund on 10 April 2003 in accordance with Statutory Instrument 778.

Subsequently, on 1 September 2003 the assets of the combined Capital Fund were transferred to Legal & General (Unit Trust Managers) Limited who were appointed as the new Investment Manager from that date.

## Accounts and Audit

These accounts are in respect of the High Yield Fund for the period 20 July 1999 to 29 February 2000 and have been prepared in accordance with a Direction issued by Treasury under Section 45(2) of the Act as detailed on page 113.

The Comptroller and Auditor General is appointed external auditor under Section 45(3) of the Act.

*Mark White*  
Chief Executive Officer  
JP Morgan Fleming Asset Management (UK) Limited

17 November 2004

# Statement of Lord Chancellor's and Investment Manager's responsibilities

## Lord Chancellor's responsibilities

Under Section 42(1) of the Administration of Justice Act 1982 (the Act), the Lord Chancellor may make schemes (Common Investment Schemes) establishing Common Investment Funds for the purpose of investing funds in court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the Common Investment Schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the Common Investment Funds established. As indicated on page 93, the Lord Chancellor appointed JP Morgan Fleming Asset Management (UK) Limited, formerly Fleming Investment Management Limited, to be Investment Manager for the period from 20 July 1999 to 31 August 2003.

## Investment Manager's responsibilities

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager is responsible for preparing the financial statements in respect of the Common Investment Scheme High Yield Fund.

The Treasury Direction requires the Investment Manager to follow best commercial practice. In preparing the Funds' Accounts, the Manager follows disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds. These require the Investment Manager to prepare accounts for each annual accounting period which give a true and fair view of the financial affairs of the Funds and of their income/expenditure for the period. In preparing the accounts the Manager is required to

- select suitable accounting policies and apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds;
- follow applicable accounting standards; and
- keep proper accounting records, which enable the Investment Manager to demonstrate that the accounts as prepared comply with the above requirements.

The Investment Manager is responsible for the management of the Funds in accordance with the Investment Management Agreement with the Lord High Chancellor dated 20 July 1999 and the Common Investment Scheme Statutory Instrument 1991 No. 1209.

# Statement of Internal Control

## 1 Introduction

JP Morgan Fleming Asset Management (UK) Limited (JPMFAM(UK)) formerly Fleming Investment Management Limited, part of the JP Morgan Fleming Asset Management group of companies (JPMFAM) was appointed as Investment Manager for the Common Investment Funds in July 1999. JPMFAM is a global investment manager that provides financial expertise and investment products and services for retail and institutional investors including mutual funds, investment trusts, governments, corporations, endowments, foundations and individuals. The management of JPMFAM are responsible for the identification of control objectives relating to the provision of investment management services and design, implementation and maintenance of JPMFAM's control procedures, to ensure with reasonable assurance on an ongoing basis that the control objectives are achieved. In carrying out these responsibilities, JPMFAM has regard not only to the interests of the client but also regulatory and general business requirements.

At the outset of a client relationship, the client and JPMFAM(UK) agree on the investment objectives and guidelines, if applicable, that will govern the account. Investment professionals (portfolio managers) manage the portfolios within these specifications. Adherence to investment policy and procedures is monitored by portfolio managers who are responsible for continual review of the accounts under their supervision, and by Guideline Management and Control Group. Various departments within JPMFAM also review adherence to investment policies and guidelines as well as compliance with the authorising documents, the organisation's controls and applicable regulatory requirements.

## 2 Scope of responsibility

As Chief Executive Officer of JPMFAM(UK), I have responsibility for maintaining an effective system of internal control that supports the achievement of JPMFAM's policies, aims and objectives, whilst safeguarding the management of the investments including the Common Investment Funds for which I have overall management responsibility.

## 3 The purpose of the system of internal control

A robust risk management and control culture is essential to our mission of being the pre-eminent asset management organisation worldwide. JPMFAM's management controls are designed to reinforce the group's control objectives to maintain effective operations, provide accurate financial reporting and ensure compliance with applicable policies, controls and regulations. An integral part of the system of controls is the control environment, which represents the collective effect of various factors on establishing, enhancing and maintaining the effectiveness of specific controls. The control environment reflects the overall attitude, awareness and actions of management and employees concerning the importance of control and its emphasis in the investment management business. These factors are reflected in the policies and procedures.

The system of internal control is designed to manage risk to a reasonable level rather than 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 JPMFAM's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in JPMFAM(UK) between July 1999 and August 2003 (the point at which responsibility for these funds were transferred) and accords with the requirements of the combined code and the requirements of the Financial Services Authority (FSA).

## 4 Capacity to handle risk

In order to cultivate a strong risk management culture and provide a framework to pro-actively manage risks in the business, Business Control Committees (BCCs), formerly known as Risk Committees, have been established providing the basis of a defined risk governance structure.

The BCCs represent a critical business driven forum for reporting, monitoring, and escalating operational risk issues. These committees are 'owned' by senior management within each business, which in turn encourages the 'first line of defence' for each risk to be fully accountable and to provide transparency regarding risks and what is being done about them. Output from our Self Assessment, Error Reporting, Action Plan, and Integrated Reporting processes (together with relevant Key Risk Indicators) is used to help ensure that the BCCs stay focused on the critical issues.

Direct oversight on the business is provided by the BCCs meeting periodically, and which are made up of representatives from the business including senior managers, risk managers, compliance and internal audit.

JPMFAM(UK) has a formal hiring practice that is designed to ensure that new employees are qualified for job responsibilities. New position hiring must be approved by the head of the department requiring the position and the Human Resources department. The hiring policy includes a minimum education and experience requirement, completion of reference, background and credit investigations, and execution of confidentiality statements.

JPMFAM(UK)'s staff receive reviews of their performance at least annually from their supervisors using standard performance evaluation methods and criteria.

The Compliance function undertakes a programme of sample monitoring to check that the investment management business is acting in accordance with applicable conduct of business related laws and regulations. In addition, Compliance staff liaise with the business areas on a daily basis to address compliance issues as they arise. In the course of monitoring and liaising with the business areas, it can sometimes become apparent that additional training on compliance matters is required and this will be provided. Money laundering sessions are obligatory for all JPMFAM's employees and take place once a year. In order to increase employees' risk awareness we focus on topics such as business or operational risk, money laundering and compliance with regulatory guidelines.

The risk management team is responsible for the investigation and review of business errors and breaches of investment guidelines. In addition, the team is responsible for the regular review of operational risk e.g. transaction reports and systems, the production of monthly reports to cover the above, Business Continuity Planning, counterparty risk, unquoted securities, new products, material issues, new risks and seed capital investments. It is the responsibility of each individual business unit that the risks are dealt with effectively.

## 5 The risk and control framework

Underlying the global structure of JPMFAM is a management structure consisting of global, regional and local management team members. Business units and functions are primarily responsible for managing their own risks and controls and for ensuring that they are compliant with firm wide and local control policies, procedures and regulations. There are Chief Investment Officers assigned to Fixed Income, Equity, Private Equity and Hedge Funds reporting to the Chief Executive Officer of JPMFAM.

JPMFAM(UK)'s internal controls are evaluated regularly through a control self assessment process. The assessment process is generally organised by functional unit or product and is used by business units to assess the effectiveness of their control environment. Assessments identify key operating risks faced by the business, describe controls in place to mitigate the risks identified, assess the effectiveness of these controls and identify tasks required to rectify control gaps.

As part of its overall risk management process JPMFAM has an approval procedure for new products, services and activities. Risks are reviewed and signed off by members of Risk Management, Compliance, Tax, Investment Management, Operations, Legal, Audit and Finance Departments.

A centralised Risk Management and Controls group provides a consolidated risk control function for JPMFAM acting as both an important control group and advisors to the business on risk policies and best practice.

The Legal and Compliance Departments advise management and business units on legal and regulatory matters and monitor compliance with regulatory and registration requirements. The Compliance department provides regulatory advice on compliance with conduct of business rules and is responsible with other business areas, for certain regulatory reporting requirements and for advising the businesses on their responsibilities for establishing and implementing procedures, which comply with regulations.

The General Auditing Department (i.e. Internal Audit) is responsible primarily for objectively evaluating and reporting on risks and controls. Internal Audit conducts and participates in special projects relating to risks and controls and advises managers on issues related to risks and controls. Internal Audit co-ordinates with Risk Management, Legal and Compliance and through audits, reviews risks and controls at multiple locations using the same standards, identifies best practices for cross-border business activities and reports on global risk and control issues to global business managers.

The status of outstanding General Auditing Department and management self assessment control issues is reported to the Business Control Committees on a regular basis. Additionally, the General Auditor reports directly and regularly to the Chair of the Audit Committee of the Board of the overall holding company for the whole group, JP Morgan Chase and Co.

Inherent to internal controls is the principle of segregation of functions and duties. JPMFAM is structured to delineate responsibilities in a manner that reinforces segregation of duties between investment decision; recording transactions; custody of assets; trade execution (for equities); trade affirmation; transaction processing; fund transfers; reconciliation activities; performance measurement; risk management and legal and compliance.

In conducting its day to day operations, JPMFAM retains the services of certain outside service providers that the organisation believes are reliable. A number of factors are considered in performing due diligence of and selecting outsource service providers, including, among other things, each service provider's reliability for prompt and accurate delivery of services.

## 6 Review of effectiveness

As Chief Executive Officer for JPMFAM(UK) and as investment manager for the Common Investment Funds, I 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 managers within JPMFAM 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.

External Auditors perform annual reviews in accordance with the Statement on Auditing Standards No.70 established by the American Institute of Certified Public Accountants and within the framework set out in Technical Release Audit 4/97 – FRAG 21/94 (revised) issued by the Institute of Chartered Accountants in England and Wales.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of JPMFAM(UK) and the BCC, and plans to address any weaknesses and ensure continuous improvement of the system.

*Mark White*  
Chief Executive Officer  
JP Morgan Fleming Asset Management (UK) Limited

17 November 2004

# The Certificate and Report of The Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Common Investment High Yield Fund on pages 101 to 112 under Section 45(3) of the Administration of Justice Act 1982. These financial statements have been prepared in accordance with the accounts direction issued by Treasury and the accounting policies set out on page 108.

## Respective responsibilities of the Lord Chancellor, Investment Manager and Auditor

### **The Lord Chancellor's responsibilities**

Under Section 42(1) of the Administration of Justice Act 1982 (the Act), the Lord Chancellor may make schemes (common investment schemes) establishing common investment funds for the purpose of investing funds in court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the common investment schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the common investment funds established. As indicated on page 93, the Lord Chancellor appointed JP Morgan Asset Management to be the Investment Manager for the Common Investment Capital Fund for the period 20 July 1999 to 31 August 2003.

### **The Investment Manager's responsibilities**

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager, as described on page 95, is responsible for preparing the financial statements in respect of transactions in the Common Investment Capital Fund. The Treasury has directed the Investment Manager to prepare Accounts for each financial year in accordance with best commercial practice.

### **The Auditor's responsibilities**

My responsibilities as independent auditor are established by statute and guided by the United Kingdom Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued in January 1997 and with directions issued by Treasury under the Administration of Justice Act 1982. I also report whether, in all material respects, the financial transactions of the Fund conform to the authorities that govern them.

I also report if, in my opinion, the Investment Manager's Foreword on page 93 is not consistent with the financial statements, if proper accounting records have not been kept or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 96 to 98 reflects the Investment Manager's governance and internal control arrangements. I report 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 Investment Manager's statement covers all risks and controls. I am also not required to form an opinion on the effectiveness of JP Morgan Fleming Asset Management (UK) Limited's corporate governance procedures or its risk and control procedures.

## 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 financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Investment Manager in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's 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 error or by fraud or other irregularity and that, in all material respects, the financial transactions conform to the authorities which govern them. In forming my opinion, I have 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 of the financial position of the Common Investment High Yield Fund at 29 February 2000 and of the net income and movements in net assets for the period 20 July 1999 to 29 February 2000;
- the financial statements have been properly prepared in accordance with the Administration of Justice Act 1982 and directions made thereunder by the Treasury; and
- in all material respects, the financial transactions of the Fund during the period from 28 July 1999 to 29 February 2000 conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

2 December 2004

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP



## Statement of Total Return for the period 20 July 1999 to 29 February 2000

	29 February 2000		19 July 1999	
	£	£	£	£
Net (losses)/gains on investments during the period (Note 2)		<b>(2,249,299)</b>		925,943
Total income (Note 3)	<b>333,519</b>		274,638	
Expenses (Note 4)	<b>(46,511)</b>		(43,462)	
Net income before taxation	<b>287,008</b>		231,176	
Taxation (Note 5)	<b>(59,099)</b>		(33,579)	
Net income after taxation for the period		<b>227,909</b>		197,597
<b>Total return for the period</b>		<b>(2,021,390)</b>		1,123,540
Distributions (Note 6)		<b>(331,270)</b>		(81,362)
<b>Net (decrease)/increase in unitholders' funds from investment activities</b>		<b>(2,352,660)</b>		1,042,178

## Statement of Movements in Unitholders' Funds for the period 20 July 1999 to 29 February 2000

	29 February 2000		19 July 1999	
	£	£	£	£
<b>Net assets at the start of the period</b>		<b>15,774,447</b>		12,776,178
<i>Movement due to sales and repurchase of units</i>				
Amounts received on creation of units	<b>0</b>		42,775	
Amounts received on merger with Gross Income Fund	<b>0</b>		2,766,033	
Less Amounts paid on cancellation of units	<b>(905,023)</b>		(852,717)	
Net cash (out of)/into Fund		<b>(905,023)</b>		1,956,091
Net (decrease)/increase in unitholders' funds from investment activities (see above)		<b>(2,352,660)</b>		1,042,178
<b>Net assets at the end of the period</b>		<b>12,516,764</b>		15,774,447

The notes on pages 108 to 112 form part of these accounts.

## Portfolio Statement as at 29 February 2000

	Holding	Market value £	Total net assets %
<b>Mineral Extraction 10.07% (19 July 1999 – 10.93%)</b>			
BHP Billiton	13,000	33,670	0.27
BP Amoco	119,192	581,061	4.64
Enterprise Oil	25,000	79,375	0.63
Laporte (new ord)	128,000	1,280	0.01
Laporte	8,000	37,840	0.30
Lonmin	10,000	68,000	0.54
Rio Tinto	11,000	103,180	0.82
Shell Transport & Trading	82,300	358,417	2.86
<b>General Manufacturers 5.17% (19 July 1999 – 10.64%)</b>			
AMEC	45,000	40,275	0.32
BPB	9,000	24,413	0.20
De La Rue	5,100	14,025	0.11
Elementis	66,000	47,520	0.38
Hanson	12,000	48,780	0.39
Johnson Matthey	3,500	25,270	0.20
Rexam	13,000	23,823	0.19
RMC	10,000	73,000	0.58
Rolls Royce	22,000	45,375	0.36
Smiths Industries	4,000	30,840	0.25
TI	36,000	121,230	0.97
Tomkins	70,000	122,675	0.98
Wimpey (George)	30,000	30,600	0.24
<b>Consumer Goods 11.79% (19 July 1999 – 13.23%)</b>			
Alliance Unichem	14,000	48,230	0.39
Allied Domecq	21,000	54,915	0.44
AstraZeneca	10,000	205,900	1.64
Cadbury Schweppes	10,000	37,600	0.30
Diageo	20,600	99,601	0.80
GKN	10,000	81,600	0.65
Glaxo Wellcome	41,000	622,380	4.97
Imperial Tobacco	25,000	104,750	0.84
Smithkline Beecham	12,000	85,140	0.68
Northern Foods	45,973	42,525	0.34
Tate & Lyle	13,600	34,884	0.28
Unilever	15,000	57,863	0.46
<b>Services 15.33% (19 July 1999 – 17.67%)</b>			
Airtours	15,000	42,488	0.34
BAA 6.75% cum red pref	25,000	94,188	0.75
BBA	16,000	33,760	0.27
Bass	8,802	59,105	0.47
Boots	12,341	56,830	0.45
British Aerospace 7.25% cum red pref	63,000	96,075	0.77
Bunzl	10,000	28,750	0.23
Carlton Communications	21,582	154,527	1.23
Davis Service	12,000	36,780	0.29
De Vere	6,667	18,118	0.14
Firstgroup	30,000	51,000	0.41
Granada	18,000	114,840	0.92
Great Universal Stores	11,000	39,435	0.32
Hilton	20,000	46,350	0.37
Iceland	7,500	20,625	0.16
Kingfisher	11,300	53,958	0.43

Portfolio Statement as at 29 February 2000 *(continued)*

	<b>Holding</b>	<b>Market value</b>	<b>Total net assets</b>
	£	£	%
Lex Service	10,000	33,250	0.27
Mersey Docks and Harbour	7,000	27,755	0.22
National Express	6,000	34,800	0.28
Next	6,000	31,500	0.25
Ocean	4,000	48,600	0.39
Peninsular & Oriental Deferred	12,000	85,620	0.68
Premier Farnell	16,900	74,360	0.59
Rank	31,825	50,284	0.40
Reuters	10,500	143,745	1.15
Safeway	11,000	17,023	0.14
Scottish & Newcastle	18,100	74,301	0.59
Selfridges	16,000	38,400	0.31
Tesco	47,000	80,605	0.64
United News & Media	14,100	118,652	0.95
Williams	30,423	79,860	0.64
Wolverhampton & Dudley Breweries	10,000	35,200	0.28
<b>Utilities 13.97% (19 July 1999 – 9.68%)</b>			
BG	23,001	63,540	0.51
Bowthorpe	6,000	75,150	0.60
British Telecommunications	59,700	660,282	5.28
Cable & Wireless	8,300	109,145	0.87
Kelda	36,477	94,384	0.75
National Grid	17,000	83,470	0.67
National Power	7,368	27,575	0.22
Powergen UK	7,100	31,009	0.25
Scottish Power	22,000	105,820	0.85
Vodafone Airtouch	139,800	496,640	3.97
<b>Financials 22.35% (19 July 1999 – 20.08%)</b>			
Abbey National	23,000	163,530	1.31
Alliance & Leicester	20,000	113,500	0.91
Allied Zurich	21,457	115,546	0.92
Barclays	16,000	244,160	1.95
Britannic	12,000	88,200	0.70
British Land	18,799	65,327	0.52
Brixton Estate	52,191	95,249	0.76
CGU	15,330	115,818	0.93
Garban-Intercapital	15,600	40,014	0.32
Halifax	11,000	62,480	0.50
HSBC	54,903	404,910	3.24
Legal & General	69,000	106,605	0.85
Limit	43,000	49,235	0.39
Lloyds TSB	56,500	329,395	2.63
National Westminster Bank	26,000	312,390	2.50
Norwich Union	21,000	82,058	0.66
Perpetual	1,000	27,000	0.22
Provident Financial	8,000	41,200	0.33
Prudential	10,000	93,400	0.75
Royal Bank of Scotland	12,000	99,960	0.80
Royal & Sun Alliance Insurance	6,909	23,905	0.19
Sun Life & Provincial	16,628	57,782	0.46
Woolwich	22,000	63,800	0.51
<b>Investment Trusts 0.36% (19 July 1999 – 3.11%)</b>			
3i	4,000	45,120	0.36

Portfolio Statement as at 29 February 2000 *(continued)*

	<b>Holding</b>	<b>Market value</b>	<b>Total net assets</b>
	£	£	%
<b>Government Securities 17.60% (19 July 1999 – 13.37%)</b>			
Conversion 9% 2011	£55,600	72,180	0.58
Treasury 8% 2000	£190,000	192,385	1.54
Treasury 7% 2002	£115,400	116,964	0.93
Treasury 6.5% 2003	£314,400	317,120	2.53
Treasury 5% 2004	£320,000	306,880	2.45
Treasury 8.5% 2005	£227,800	254,885	2.04
Treasury 7.5% 2006	£189,400	205,688	1.64
Treasury 5.75% 2009	£268,200	274,181	2.19
Treasury 9% 2012	£70,600	93,538	0.75
Treasury 8% 2021	£130,000	185,952	1.49
Treasury 6% 2028	£148,000	182,602	1.46
<b>Information technology 0.76% (19 July 1999 – 0.00%)</b>			
Marconi	12,000	94,740	0.76
<b>Portfolio of Investments</b>		12,191,535	97.40
<b>Net current assets</b>		325,229	2.60
<b>Total net assets</b>		<b>12,516,764</b>	<b>100.00%</b>

Unless otherwise stated the above securities are ordinary shares or common stock.

## Balance Sheet as at 29 February 2000

	Notes	29 February 2000 £	19 July 1999 £
<b>Portfolio of Investments</b>		<b>12,191,535</b>	15,571,069
<b>Net current assets</b>			
Debtors	8	<b>119,793</b>	103,813
Cash and bank balances	9	<b>844,389</b>	337,762
		<u><b>964,182</b></u>	<u>441,575</u>
<i>Less</i>			
Creditors	10	<b>(469,496)</b>	(160,294)
Distribution payable on income units		<b>(169,457)</b>	(77,903)
		<u><b>(638,953)</b></u>	<u>(238,197)</u>
<b>Net current assets</b>		<b>325,229</b>	203,378
<b>Net assets</b>		<b>12,516,764</b>	15,774,447
		<u><b>12,516,764</b></u>	<u>15,774,447</u>
<b>Unitholders' Funds</b>		<b>12,516,764</b>	15,774,447
		<u><b>12,516,764</b></u>	<u>15,774,447</u>

*The notes on pages 108 to 112 form parts of these accounts.*

Mark White  
Chief Executive Officer  
JP Morgan Fleming Asset Management (UK) Limited

17 November 2004

## Summary of Material Portfolio Changes for the period 20 July 1999 to 29 February 2000

<b>Purchases</b>	<b>Cost £</b>
Treasury 7.5% 2006	678,563
Treasury 6.5% 2003	449,240
Vodafone Airtouch	435,859
Treasury 7.25% 2007	430,365
Treasury 5.75% 2009	354,727
Treasury 7% 2002	330,166
Treasury stock 5% 2004	309,088
Abbey National	214,675
Treasury 6% 2028	203,140
Treasury 8% 2000	192,356
Treasury 8% 2021	188,955
Alliance & Leicester	166,562
Royal Bank of Scotland	153,675
Britannic	118,212
BAA	113,918
British Aerospace	110,088
Cable & Wireless	103,371
Norwich Union	98,419
Tesco	93,441
Treasury 9% 2012	92,535
Other securities	2,335,943
<b>Total of all purchases for the period</b>	<b>£7,173,298</b>
<b>Sales</b>	<b>Proceeds £</b>
Treasury 7.5% 2006	680,741
Treasury 9% 2008	479,140
Treasury 7.25% 2007	435,123
Conversion 9% 2011	422,411
Treasury 10% 2003	334,167
Treasury 9% 2012	238,216
Schroder split fund	226,738
Man (ED & F)	216,787
Treasury 7% 2002	213,278
British Telecommunications	202,777
Carpwright	202,110
Nat West Bank	183,000
Greenalls	175,972
BICC 10.75 cum	175,430
Salvesen (Christian)	170,700
Frogmore Estates	158,280
Prowting	153,463
Cookson	149,775
Low & Bonar	144,935
Garban-Intercapital	131,201
Other securities	3,209,289
<b>Total of all sales for the period</b>	<b>£8,303,533</b>

## Distribution Statement

### Final distribution

Group A—Units purchased prior to 16 August 1999

Group B—Units purchased 16 August 1999 to 29 February 2000

	Gross income	Tax at 10%	Net income	Equalisation	Distribution paid 20 April 2000
	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group A	6.44	0.64	5.80	0	5.80
Group B	1.49	0.15	1.34	4.46	5.80

### Interim distribution

Group A—Units purchased prior to 6 April 1999

Group B—Units purchased 6 April 1999 to 15 August 1999

	Gross income	Tax at 10%	Net income	Equalisation	Distribution paid 1 October 1999
	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group A	5.58	0.56	5.02	0	5.02
Group B	2.82	0.28	2.54	2.48	5.02

Equalisation applies only to units purchased during the distribution period (group B units). It is the average amount of income included in the purchase price of all group B units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

Details of amounts distributed are provided in Note 6.

# Notes to the Financial Statements

## 1 Accounting policies

### *Basis of accounting*

The accounts are subject to an Accounts Direction issued by Treasury (as detailed on page XX) and are prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997.

### *Accounting period end date*

The Accounts Direction requires accounts to be prepared for each year of one year ending on the last day of February. As a result of the appointment of a new Investment Manager at 20 July 1999, accounts have been prepared at that date to facilitate the handover. Therefore, the statement of movements in unitholders' funds to 29 February 2000 reflects seven and half months' activities.

### *Valuation*

Listed investments have been valued at mid-market value at 29 February 2000, net of any accrued interest which is included in the balance sheet as an income related item.

### *Income*

Dividends receivable from equity investments are credited to the income account when they are first quoted ex-dividend. Interest receivable from bank deposits and fixed interest securities is accounted for on an accruals basis.

### *Expenses*

Expenses of the Fund are charged against income.

### *Interest on Fixed Interest Securities Bought and Sold*

Interest on fixed interest securities bought and sold is excluded from the capital cost of securities, and is dealt with as part of the income of the Fund.

### *Distribution policy*

Distributions are made on 28 April and 1 October each year and are based on the available net income at 1 March and 16 August respectively. The ordinary element of scrip dividends is treated as income and forms part of the distributable income.

### *Prior period comparatives*

The comparatives used are the audited figures reporting in the closing accounts of the previous Investment Manager and cover the period from 1 March to 19 July 1999.



## 2 Net (losses)/gains on investments

The net (losses)/gains on investments during the period comprise

	<b>29 February 2000</b>	19 July 1999
	£	£
Proceeds from sales of investments during the period	<b>8,303,533</b>	1,548,156
Original cost of investments sold during the period	<b>(8,423,878)</b>	(1,484,605)
(Losses)/gains realised on investments sold during the period	<b>(120,345)</b>	63,551
Net appreciation thereon already recognised in earlier period	<b>(306,204)</b>	(130,132)
	<b>(426,549)</b>	(66,581)
Net unrealised (depreciation)/appreciation for the period	<b>(1,822,750)</b>	992,524
Net (losses)/gains on investments	<b>(2,249,299)</b>	925,943

## 3 Total income

	<b>29 February 2000</b>	19 July 1999
	£	£
UK Dividends	<b>241,515</b>	188,028
Overseas dividends	<b>0</b>	(1)
Interest on debt securities	<b>88,634</b>	73,494
Bank interest	<b>3,370</b>	7,746
Foreign income dividends	<b>0</b>	5,371
	<b>333,519</b>	274,638

## 4 Expenses

	<b>29 February 2000</b>	19 July 1999
	£	£
<i>Payable to the Investment Manager, associates of the Investment Manager and agents of either of them</i>		
Investment Manager's periodic charge	<b>46,511</b>	43,462

## 5 Taxation

	<b>29 February 2000</b>	19 July 1999
	£	£
Income tax	<b>0</b>	17,878
Deferred tax	<b>(7,953)</b>	7,953
Corporation tax at 20%	<b>17,052</b>	7,748
Provision for corporation tax	<b>50,000</b>	0
	<b>59,099</b>	33,579

## 6 Distributions

The distributions take account of income received on the creation of units and income deducted on the cancellation of units, and comprise

	<b>29 February 2000</b>	19 July 1999
	£	£
<i>Interim</i> Dividend distribution	<b>154,512</b>	77,903
<i>Final</i> Dividend Distribution	<b>169,457</b>	0
	<b>323,969</b>	77,903
<i>Add</i> Income deducted on cancellation of units	<b>7,301</b>	3,660
<i>Deduct</i> Income received on creation of units	<b>0</b>	(201)
Net distribution for the period	<b>331,270</b>	81,362

Details of the distribution per unit are set out in the table on page 107.

## 7 Movement between net income and distributions

	<b>29 February 2000</b>	19 July 1999
	£	£
Net income after taxation	<b>227,909</b>	197,597
<i>Add</i> undistributed income brought forward	<b>116,617</b>	382
<i>Less</i> undistributed income carried forward	<b>(13,256)</b>	(116,617)
Distributions	<b>331,270</b>	81,362

## 8 Debtors

	<b>29 February 2000</b>	19 July 1999
	£	£
Accrued income	<b>74,047</b>	103,813
Other debtors	<b>45,746</b>	0
	<b>119,793</b>	103,813

## 9 Cash and bank balances

	<b>29 February 2000</b>	19 July 1999
	£	£
Cash and bank balances	<b>844,389</b>	337,762

**10 Creditors**

	<b>29 February 2000</b>	19 July 1999
	£	£
Accrued expenses	<b>45,004</b>	36,029
Purchases awaiting settlement	<b>243,558</b>	0
Corporation tax payable	<b>22,635</b>	6,203
Deferred tax	<b>0</b>	7,953
Income tax payable	<b>12,627</b>	110,099
Provision for corporation tax	<b>50,000</b>	0
Prior period distribution payable - High Yield Fund	<b>77,903</b>	0
Prior period distribution payable – Gross Income Fund	<b>17,769</b>	0
Withholding tax	<b>0</b>	10
	<b>469,496</b>	160,294

**11 Units in issue**

The number of units in issue at the end of the period was 2,921,681.

**12 Contingent liabilities**

The aggregate contingent liabilities not provided for at the balance sheet date was nil.

**13 Related party transactions**

The Court Funds Office (CFO), who provide investment management oversight services for the Fund are a related party (as defined by FRS 8). Details of units created and cancelled are shown in the Statement of Movements in Unitholders' Funds. There are no balances due to/from the Court Fund Office in respect of these transactions as at the balance sheet date.

JP Morgan Fleming Asset Management (UK) Limited, formerly Fleming Investment Management Limited, who provide investment management services could be regarded as a related party (as defined by FRS 8).

Management fees paid to JP Morgan Fleming Asset Management (UK) Limited are shown in Note 4. The balances due at the period end in respect of these fees are shown in Note 10.

Other than the related party transactions disclosed above, none of the key management staff nor any other related party has undertaken any material transactions with the Fund during the period.

**14 Financial instruments**

In pursuing its investment objective as stated on page 93, the Fund holds a number of financial instruments. The Fund's financial instruments, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the Investment Manager's policies for managing these risks are summarised below. These policies have been applied throughout the period.

*Market price risk*

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations, which are monitored by the Investment Manager in pursuance of the investment objective and policy as set out in the Statutory Instrument 1209 (1991).

Adherence to investment guidelines and to investment and borrowing powers set out in the Investment Management Agreement with the Lord High Chancellor and the Statutory Instrument 1209 (1991) mitigates the risk of excessive exposure to any particular type of security or issuer.

*Interest rate risk*

At the period end date, 24.34% of the Fund's assets by value were interest bearing.

The table below details the interest rate profile of the Fund's assets as at the period end.

**Table 1 as at 29 February 2000**

	Total value	Fixed rate	Floating rate	Weighted average interest rate %	Weighted average period (years)
	£	£	£		
<b>Government stock</b>					
UK sterling	2,202,375	2,202,375	0	7.0%	8.3
<b>Cash at bank</b>					
UK sterling	844,389	0	844,389		
	<u>3,046,764</u>	<u>2,202,375</u>	<u>844,389</u>		

*Liquidity risk*

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions.

*Credit risk*

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the Investment Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

# Common Investment Funds

## Accounts Directions given by the Treasury

The Treasury, in pursuance of Section 45(2) of the Administration of Justice Act 1982, hereby gives the following Direction:

- 1 The Investment Manager of the Common Investment Funds shall prepare in respect of the period from 20 July 1999 to 29 February 2000 and thereafter for each period of one year ending on the last day of February until the final period from 1 March to 31 August 2003, accounts in respect of the
  - I Capital Fund; and
  - II High Yield Fund.
- 2 The accounts for each of the Funds referred to above shall give a true and fair view of the disposition of the assets and liabilities of the Fund at the year end and of the net income and movement in the net assets of the Fund for the year. Subject to the foregoing requirement, and without limiting the information given, each account shall reflect best commercial accounting practices.
- 3 The Report and accounts shall include
  - a a Foreword;
  - b a Statement of Responsibilities;
  - c a Statement on Internal Control;
  - d a Statement of Total Return;
  - e a Statement of Movements in Unitholder's Funds;
  - f a Portfolio Statement;
  - g a Balance Sheet;
  - h a Summary of Material Portfolio Changes; and
  - i a Distribution Statement.

The accounts for each Fund shall also include such notes as may be necessary to present a true and fair view and for the purposes referred to in the following paragraphs.

- 4 The Foreword shall consist of information concerning the Common Investment Funds. It shall, amongst other things:
  - a state that the accounts have been prepared in accordance with directions given by the Treasury in pursuance of Section 45(2) of the Administration of Justice Act 1982; and
  - b include an explanation of the statutory background to the accounts.
- 5 When preparing the accounts, the Investment Manager shall comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997 to the extent that such requirements are relevant to the Common Investment Funds.
- 6 This Direction replaces the Direction dated 19 August 1999.

David A Cruden FCA  
 Head of the Central Accountancy Team  
 Her Majesty's Treasury

26 May 2004

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