

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

Funds in Court in England & Wales Accounts 1998-1999

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scrutinises public spending
on behalf of Parliament.

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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 28 February 1999. 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 Courts 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 1998 to 28 February 1999

Basic	6%
Special	8%

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 the unclaimed fund 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 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 1998-1999 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 the 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 28 February 1999 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 the 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 5 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. 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 and 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 6 and 7 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 28 February 1999 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

National Audit Office
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Account of the Receipts and Payments and Transactions in Securities of the Accountant General under the Court Funds Rules for the year ended 28 February 1999

	For the year ended 28 February 1999			For the year ended 28 February 1998		
	Cash Sterling	Securities nominal value Sterling	Common investment Fund Units	Cash Sterling	Securities nominal value Sterling	Common investment Fund Units
Receipts and transfers into Court						
<i>Cash</i>						
Lodgements by suitors etc	1,612,727,307	0	0	1,394,608,710	0	0
Sales of Common Investment Fund units and other securities	35,558,585	0	0	39,669,436	0	0
Dividends	9,775,767	0	0	10,392,259	0	0
Interest credited to Court accounts	137,939,380	0	0	120,736,430	0	0
Exchange rate gain	356,848	0	0	0	0	0
<i>Securities</i>						
Lodged	0	4,473,294	0	0	3,466,276	0
Purchased	0	4,211,543	486,415	0	8,913,060	396,378
Total receipts and transfers into Court	1,796,357,887	8,684,837	486,415	1,565,406,835	12,379,336	396,378
Less: Payments and transfers out of Court						
<i>Cash</i>						
Payments to suitors etc.	(1,374,591,261)	0	0	(1,288,119,051)	0	0
Cost of purchase of Common Investment Fund Units and other securities	(66,879,499)	0	0	(58,397,318)	0	0
Transfer of fees etc. to The Lord Chancellor's Department Vote (Class VIII Vote 1) (Note 4)	(7,139,808)	0	0	(6,879,866)	0	0
<i>Securities</i>						
Transferred and delivered	0	(6,904,666)	0	0	(5,225,649)	0
Sold	0	(3,568,325)	(1,098,126)	0	(9,641,305)	(1,086,752)
Exchange rate loss	0	(2,425)	0	0	0	0
Total payments and transfers out of Court	(1,448,610,568)	(10,475,416)	(1,098,126)	(1,353,396,235)	(14,866,954)	(1,086,752)
Net movement in year	347,747,319	(1,790,579)	(611,711)	212,010,600	(2,487,618)	(690,374)

Statement of Balances

	As at 28 February 1999		
	Cash Sterling	Securities nominal value Sterling	Common investment Fund Units
Balance 1 March 1998 (see Note 1)	1,920,985,671	39,174,223	9,533,184
<i>Add</i>			
Net movement in year(s)	347,747,319	(1,790,579)	(611,711)
Balances 28 February 1999 (see Notes 1,2a)	2,268,732,990	37,383,644	8,921,473

Notes to the Accounts

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

	1999 £	1998 £
Sterling cash balances representing		
Court funds (including interest) placed on basic account	791,037,609	715,288,789
Court funds (including interest) placed on special account	1,252,262,931	1,030,268,245
Receivership funds	87,182,873	79,332,690
Unclaimed balances	32,864,990	33,130,337
Other suitors money etc. deposited in the Supreme Court	81,795,509	50,485,626
Suitors money held as foreign currency	23,589,078	12,479,984
	<u>2,268,732,990</u>	<u>1,920,985,671</u>
The balances were held		
Bank of England (as on account)	10,684,163	17,679,941
Monies held as foreign currency (a)	23,589,078	12,479,984
National Debt Commissioners (b)	2,253,045,985	1,903,763,856
Amounts awaiting banking	3,960,925	3,830,446
	<u>2,291,280,151</u>	<u>1,937,754,227</u>
Less cheques issued prior to 1 March 1999 and not yet cashed	<u>(22,547,161)</u>	<u>(16,768,556)</u>
	<u>2,268,732,990</u>	<u>1,920,985,671</u>

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 28 February 1999.

Currency	Closing balance	Exchange rates	Sterling conversion
CAN\$	82.02	2.4152	34
AUS\$	159.00	2.5802	62
DK	1,767,892.77	10.8466	162,991
EURO	268,543.37	1.4589	184,073
SF	488,742.17	2.3216	210,519
SKR	5,321.53	13.1324	405
USO	36,879,531.10	1.6013	23,030,994
Total			<u>23,589,078</u>

b The National Debt Commissioners' balance excludes an estimated £43,900,660 of basic and special account interest accrued but not yet credited to Court Funds. The National Debt Commissioners' balance at 28 February 1999 including this accrued interest was £2,296,946,645.

- 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. The 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.
- d The opening balance of security nominal value has been restated to reflect amendments made in respect of some holdings.

2 Units held in the Common Investment Funds at 28 February 1999 were as follows

Title of Fund	1999	1998
Capital Fund	5,184,971	5,287,402
High Yield Fund	2,702,745	1,340,227
Gross Income Fund	<u>1,033,757</u>	<u>2,905,555</u>
	<u>8,921,473</u>	<u>9,533,184</u>

3 In addition to the balances of cash, securities and Common Investment Fund Units on 28 February 1999, further items were held on behalf of the Accountant General as follows

- **at the Court Funds Office:** £253,625 (National Savings Certificate category 2) (excluding interest and index linked increase) in National Savings Certificates, two private bonds and three packets (1998: £413,647);
- **at the Bank of England:** five packets and 39,602,431 units in various unit trusts (1998: five packets and 40,946,888 units);
- **at the British Museum:** four gold and 1,747 silver coins (1998: four gold, 1,747 silver coins); and
- **at Euroclear, Brussels:** US \$45,000 British Columbia Rate 7.75% USD (1998: \$45,000), and US \$45,000 Union Bank of Switzerland Rate 9.125% (1998: \$45,000).

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

4 The £7,139,808 (1998: £6,879,866) 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 £7,124,490 (1998: £6,861,104);
- interest earned on foreign currency deposits where no Court order has been made for the payment out of interest £15,317 (1998: £18,561);
- sums under five pence remaining on accounts when closed; and
- negligible residues from dividends which cannot be exactly apportioned.

National Debt Commissioners' Accounts

Foreword

The National Debt Commissioners' Accounts (Account B) cover the year ended 28 February 1999. 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 year and the balances held at the year end.

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.

During the year the nominal amount of securities held by the Commissioners rose by £352.1 million to £2,452.7 million. This reflected the increase in the liability of the Commissioners to the Accountant General of the Supreme Court from £1,940.1 million at the beginning of the year to £2,289.9 million at 28 February 1999.

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.

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.

IH Peattie
Comptroller General
National Debt Office

23 March 2000

Statement of Internal Financial Control

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.

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;
- 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.

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 1998-99 no Internal Audit work was performed on this area.

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.

IH Peattie
Comptroller General
National Debt Office

23 March 2000

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. These financial statements have been prepared in the form and on the basis determined by Treasury.

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 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 13. 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 13 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 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 irregularities 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 28 February 1999, 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 the direction made thereunder by Treasury; 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

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 year ended 28 February 1999

	Notes	£	Previous year £
Cash receipts			
From Accountant General		394,000,000	353,000,000
Consolidated Fund - deficit income		32,640,798	0
Interest on securities etc.		184,947,107	125,936,340
Sale of securities etc.	1	1,293,326,568	1,455,816,053
		1,904,914,473	1,934,752,393
Cash payments			
To Accountant General		189,000,000	276,000,000
Purchase of securities etc.		1,678,360,672	1,654,717,346
Consolidated Fund - surplus income		32,640,798	0
Lord Chancellor's Department for Funds in Court administration		4,876,203	3,974,350
National Debt Commissioners for expenses		36,800	63,300
		1,904,914,473	1,934,754,996
Excess of receipts over payments (payments over receipts)		0	(2,603)
Securities at cost			
Purchases		1,678,360,672	1,654,717,346
Sales	1	1,282,207,425	1,422,429,138
Net movement in securities in year		396,153,247	232,288,208

Statement of balances at 28 February 1999

	Notes	Cash £	Securities (at cost) £	Previous year Cash £	Securities (at cost) £
Balance at beginning of financial year		0	2,125,258,017	2,603	1,892,969,809
Net movement in year		0	396,153,247	(2,603)	232,288,208
Balance at end of financial year	2	0	2,521,411,264	0	2,125,258,017

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.	1,282,207,425	1,422,429,138
Profit (loss) on disposal	11,119,143	33,386,915
Received for securities sold etc	<u>1,293,326,568</u>	<u>1,455,816,053</u>

2 Securities held at year end

	Nominal £	Cost £	Market value £
Securities			
Government and government guaranteed stocks	2,438,138,057	2,506,839,044	2,857,892,684
Local authority stocks and bonds	8,138,000	8,072,220	12,389,699
Loans to local authorities	6,500,000	6,500,000	6,724,851
Total securities	<u>2,452,776,057</u>	2,521,411,264	2,877,007,234
Cash invested		0	0
		<u>2,521,411,264</u>	<u>2,877,007,234</u>

3 Securities, at cost, as in Note 2 above, represent

	£	£	£
Liability of the Investment Account to the Accountant General of the Supreme Court			2,289,946,645
<i>Add</i> Accumulated sum retained to provide for depreciation in the value of the securities			<u>3,750,631</u>
			2,293,697,276
<i>Add</i> Accumulated net profit on sales (or transfers) of securities from 1 October 1965 (including £11,119,143 for current year)		226,916,002	
<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	225,126,560
			<u>2,518,823,836</u>
<i>Comprising</i>			
Adjustment for surplus income payable to the Consolidated Fund in respect of 1998-99			(2,587,428)
Securities at cost			<u>2,521,411,264</u>
			<u>2,518,823,836</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		184,947,107
<i>Less</i> interest due to be paid or credited to Court Accounts	144,805,878	
<i>Less</i> paid to Lord Chancellor's Department for fund administration in 1998-1999	4,876,203	
<i>Less</i> paid to NILO Services Account for management expenses in 1998-1999	36,800	
<i>Less</i> amount, determined by Treasury, retained to provide for depreciation in the value of securities	0	
	<u>0</u>	<u>149,718,881</u>
Surplus income payable to the Consolidated Fund		35,228,226
<i>Less</i> surplus income in respect of 1998-1999 paid to the Consolidated Fund in 1998-1999		<u>(32,640,798)</u>
Surplus income in respect of 1998-1999 remaining to be paid to the Consolidated Fund		<u>2,587,428</u>

IH Peattie
Comptroller General
National Debt Office

23 March 2000

Common Investment Scheme: Capital Court Fund

Investment Manager's Account

The Investment Manager's Accounts (Account C) cover the period 1 March 1998 to 28 February 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 three common investment funds: the Capital Fund, the High Yield Fund and the Gross Income Fund. Separate accounts have been prepared for each. Details of the dividends declared and the final valuation of units for the year are contained in the Notes to the Accounts. Dividends on the units of the Gross Income Fund were paid without deduction of income tax under Section 328 of the Income and Corporation Taxes Act 1988.

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
Gross Income Fund	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 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 29 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 ending 28 February 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 28 February 1999, of the income distributed and not distributed, and of the movements in net assets for the year then ended 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 year ended 28 February 1999

	Notes	1999		1998	
		£	£	£	£
Net gains on investments during the period	2		383,725		6,620,370
Gross income	3	1,302,501		1,386,629	
Expenses	4	(269,790)		(267,276)	
Net income before taxation		1,032,711		1,119,353	
Taxation	5	(273,918)		(303,887)	
Net income after taxation for the period			758,793		815,466
Total return for the period			1,142,518		7,435,836
Distribution	6		(1,016,446)		(1,305,615)
Net increase in unitholders' funds from investment activities			126,072		6,130,221

Statement of Movements in Unitholders' Funds for the year ended 28 February 1999

		1999		1998	
		£	£	£	£
Net assets at the start of the period			51,300,642		47,036,801
<i>Movement due to sales and repurchase of units</i>					
Amounts received on creation of units		2,849,738		3,048,257	
Less Amounts paid on cancellation of units		(3,831,515)		(4,914,637)	
			(981,777)		(1,866,380)
Net increase in unitholders' funds from investment activities (see above)			126,072		6,130,221
Net assets at the end of the period			50,444,937		51,300,642

Portfolio Statement as at 28 February 1999

	Holding at 28 February 1999	Market value £	% of total net assets
United Kingdom			
Mineral extraction 5.32% (1998 - 4.61%)			
BP Amoco	200,814	1,778,208	3.53
Enterprise Oil	156,129	424,671	0.84
Lasmo	400,000	479,000	0.95
		2,681,879	5.32
General manufacturers 8.36% (1998 - 15.26%)			
Arjo Wiggins Appleton	208,001	250,641	0.50
British Aerospace	151,548	601,267	1.19
De La Rue	65,000	133,900	0.27
FKI	250,000	406,250	0.81
Graham Group	100,000	133,500	0.26
Laird Group	100,000	223,000	0.44
Lucas Varity	100,000	283,750	0.56
Pilkington	250,000	157,500	0.31
RMC Group	26,000	178,815	0.35
Rolls Royce	175,000	477,531	0.95
Smith (DS) Holdings	138,181	154,763	0.31
Vosper Thornycroft	44,000	378,840	0.75
Weir Group	315,332	835,630	1.66
		4,215,387	8.36
Consumer goods 12.60% (1998 - 9.12%)			
Allied Domecq	100,000	479,500	0.95
Associated British Food	70,000	336,000	0.67
British American Tobacco	76,651	438,252	0.87
Coats Viyella	400,000	152,000	0.30
Diageo	88,000	603,460	1.20
Glaxo Wellcome	122,000	2,427,190	4.81
Smithkline Beecham	85,000	747,788	1.48
Zeneca	45,000	1,168,875	2.32
		6,353,065	12.60
Services 16.37% (1998 - 16.93%)			
Airtours	150,000	714,750	1.42
Asda Group	239,000	371,944	0.74
Bass	81,964	709,194	1.41
British Airways	145,000	669,356	1.33
Debenhams	156,000	682,500	1.35
EMI Group	126,000	574,560	1.14
Granada Group	70,000	879,550	1.74
Kingfisher	50,000	392,500	0.78
Marks & Spencer	70,000	294,700	0.58
Peninsular & Oriental Deferred	48,086	352,591	0.70
Rank Group	134,665	319,829	0.63
Reed International	85,000	509,788	1.01
Sainsbury (J)	75,000	268,688	0.53
Stagecoach Holdings	200,000	471,000	0.93
Tesco	225,000	396,563	0.79
United News & Media	100,000	648,250	1.29
		8,255,763	16.37

Portfolio Statement as at 28 February 1999 *(continued)*

	Holding at 28 February 1999	Market value £	% of total net assets
Utilities 11.63% (1998 - 4.78%)			
BG	141,000	517,118	1.03
British Energy	60,000	399,750	0.79
British Telecommunications	65,000	702,325	1.39
Cable & Wireless	153,000	1,303,178	2.58
Centrica	150,000	174,563	0.35
National Power	60,000	297,750	0.59
PowerGen	30,000	228,900	0.45
Vodafone Airtouch	162,299	1,857,918	3.68
Yorkshire Water	85,000	387,600	0.77
		5,869,102	11.63
Financials 19.27% (1998 - 22.81%)			
3i Group	30,000	185,250	0.37
Aberdeen Asset Management	243,292	301,682	0.60
Allied Zurich	50,000	460,750	0.91
Barclays	50,480	839,230	1.66
British Land	200,000	1,020,000	2.02
Cardiff Property	135,000	386,775	0.77
Electra Investments	45,000	310,050	0.61
Guardian Royal Exchange	238,095	841,963	1.67
Legal & General Group	75,000	582,938	1.16
Lloyds TSB Group	180,000	1,607,400	3.18
National Westminster Bank	100,000	1,291,000	2.56
Northern Rock	75,000	369,938	0.73
PIC International	100,000	64,500	0.13
Prudential	65,000	553,800	1.10
Royal & Sun Alliance Group	32,000	168,880	0.33
Slough Estates	85,000	280,500	0.56
Standard Chartered	56,839	459,543	0.91
		9,724,199	19.27
Unit Trusts 21.84% (1998 - 23.06%)			
Schroder American Fund Income Units	459,203	2,666,133	5.28
Schroder Emerging Markets Fund Units	38,039	281,303	0.56
Schroder Institutional European Fund (Income Units)	948,121	4,544,486	9.00
Schroder Institutional European Smaller Companies Fund (Income Units)	981,447	440,866	0.87
Schroder Institutional Japanese Smaller Companies Fund (Income Units)	1,407,500	310,846	0.62
Schroder Institutional Pacific Fund (Income Units)	694,659	1,087,836	2.16
Schroder Institutional US Smaller Companies Fund (Income Units)	361,844	259,732	0.51
Schroder Japan Fund Units	279,425	1,430,265	2.84
		11,021,467	21.84
Portfolio of Investments		48,120,862	95.39
Net current assets		2,324,075	4.61
Net assets		50,444,937	100.00

Balance Sheet as at 28 February 1999

	Notes	1999 £	1998 £
Portfolio of investments		48,120,862	49,541,527
Net current assets			
Debtors	7	163,186	160,195
Cash and bank balances	8	2,501,794	2,057,200
		<u>2,664,980</u>	<u>2,217,395</u>
Creditors	9	(340,905)	(458,280)
Distribution payable on income units		0	0
		<u>(340,905)</u>	<u>(458,280)</u>
Net current assets		2,324,075	1,759,115
Net assets		50,444,937	51,300,642
Unitholders' Funds		<u>50,444,937</u>	<u>51,300,642</u>

Summary of Material Portfolio Changes for the year ended 28 February 1999

Purchases	Cost £
BP Amoco	1,710,351
Glaxo Wellcome	1,464,083
Smithkline Beecham	575,186
Debenhams	549,389
BG	546,015
Dixons Group	531,277
Schroder American Fund Income Units	513,182
Prudential	508,839
British Telecommunications	488,891
Stagecoach Holdings	435,000
Rolls Royce	426,129
Yorkshire Water	419,538
Associated British Foods	409,224
Tesco	407,889
Sainsbury (J)	402,231
British Energy	395,137
Marks & Spencer	368,724
Vosper Thornycroft	350,165
Slough Estates	327,571
Schroder Inst European Fund Income Units	307,096
Total purchases for the period	£13,829,990
Sales	Proceeds £
Airtours	1,222,393
British Aerospace	1,159,206
Lloyds TSB Group	1,085,725
Schroder Institutional European Fund Income Units	978,585
Christies International	990,000
Blue Circle Industries	827,006
Lucas Varity	730,122
Inspec	700,682
Wessex Water	680,400
Bunzl	622,252
Dixons Group	570,315
Asda Group	464,911
Schroder Institutional European Smaller Fund Income Units	461,167
Schroder Japan Fund Income Units	443,936
Woolwich	405,879
Dalgety	410,500
British Land	397,861
Vodafone Airtouch	382,041
Norwich Union	359,112
Royal & Sun Alliance Group	346,448
Total sales for the period	£15,634,379

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 28 February 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.

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.

2 Net gains on investments

The net gains on investments during the period comprise

	1999 £	1998 £
Proceeds from sales of investments during the period	15,634,379	8,080,493
Original cost of investments sold during the period	(9,814,846)	(6,527,307)
Gains realised on investments sold during the period	5,819,533	1,553,186
Net appreciation thereon already recognised in earlier periods	(6,172,355)	(1,631,479)
	(352,822)	(78,293)
Net unrealised appreciation for the period	736,547	6,698,663
Net gains on investments	383,725	6,620,370

3 Gross income

	1999 £	1998 £
UK dividends	644,903	899,194
Overseas dividends	6,613	28,927
Scrip dividends	105,799	64,151
Bank interest	166,663	146,315
FIDs	378,523	248,042
	<u>1,302,501</u>	<u>1,386,629</u>

4 Expenses

	1999 £	1998 £
<i>Payable to the Manager, Associates of the Manager and Agents of either of them</i>		
Manager's periodic charge	269,790	267,276
Total expenses	<u>269,790</u>	<u>267,276</u>

5 Taxation

	1999 £	1998 £
Tax attributable to franked investment income	117,607	185,624
Income tax	156,311	118,546
Adjustments in respect of prior periods	0	(283)
Total taxation	<u>273,918</u>	<u>303,887</u>

The Fund is treated as an unauthorised unit trust and is therefore subject to basic rate income tax on its income. No relief is available for management expenses incurred.

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

Unitholders are treated as receiving annual payments under a deduction of income tax equal to their respective entitlement to the income available for distribution.

6 Distributions

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

	1999 £	1998 £
<i>Interim</i> Dividend distribution	390,427	658,277
<i>Final</i> Dividend distribution	623,024	642,393
	<u>1,013,451</u>	<u>1,300,670</u>
<i>Add</i> Income deducted on cancellation of units	13,875	13,972
<i>Deduct</i> Income received on creation of units	(10,880)	(9,027)
Net distribution for the period	<u>1,016,446</u>	<u>1,305,615</u>
Net income per statement of total return	758,793	815,466
Undistributed income brought forward	406,086	896,235
Undistributed income carried forward	(148,433)	(406,086)
Net distribution for the period	<u>1,016,446</u>	<u>1,305,615</u>

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

7 Debtors

	1999 £	1998 £
Sales awaiting settlement	0	41,321
Accrued interest	9,604	14,093
Other accrued income	<u>153,582</u>	<u>104,781</u>
	<u>163,186</u>	<u>160,195</u>

8 Cash and bank balances

	1999 £	1998 £
Cash and bank balances	<u>2,501,794</u>	<u>2,057,200</u>

9 Creditors

	1999 £	1998 £
Purchases awaiting settlement	0	119,284
<i>Accrued expenses</i>		
Manager's periodic charge	172,352	242,357
Income tax	154,090	77,639
Tax credits on accrued franked investment income	<u>14,463</u>	<u>19,000</u>
	<u>340,905</u>	<u>458,280</u>

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). Investments made on behalf of the Fund include those in Schroder unit trusts which had a market value of £11,021,467 at 28 February 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 have undertaken any material transactions with the Fund during the year.

12 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.

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 Scheme will be taxed as an unauthorised unit trust from that date.

Distribution Table

Distribution for the period from 2 October 1997 to 1 April 1998

Group A - Units purchased prior to 2 October 1997

Group B - Units purchased on or after 2 October 1997

	Gross income pence per unit	Income Tax @ 23% pence per unit	Equalisation pence per unit	Distribution	
				Paid 15 May 1998 pence per unit	Paid 15 May 1997 pence per unit
Group A	15.32	3.52	0	11.80	12.00
Group B	7.97	1.83	5.66	11.80	12.00

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

Group A - Units purchased prior to 2 April 1998

Group B - Units purchased on or after 2 April 1998

	Gross income pence per unit	Income Tax @ 23% pence per unit	Equalisation pence per unit	Distribution	
				Paid 15 November 1998 pence per unit	Paid 15 November 1997 pence per unit
Group A	9.74	2.24	0	7.50	12.00
Group B	9.74	2.24	0	7.50	12.00

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 Scheme: High Yield Fund

Investment Manager's Account

The Investment Manager's Accounts (Account C) cover the period 1 March 1998 to 28 February 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 three common investment funds: the Capital Fund, the High Yield Fund and the Gross Income Fund. Separate accounts have been prepared for each. Details of the dividends declared and the final evaluation of units for the year are contained in the Notes to the Accounts. Dividends on the units of the Gross Income fund were paid without deduction of income tax under Section 328 of the Income and Corporation Taxes Act 1988.

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
Gross Income Fund	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 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 35 to 43 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 40.

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 31, 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 ending 28 February 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 31 and 32, 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 31 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 High Yield Fund at 28 February 1999, and of the income distributed and not distributed, and of the movement in net assets for the year then ended 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 year ended 28 February 1999

	Notes	1999		1998	
		£	£	£	£
Net gains on investments during the period	2		151,528		2,229,066
Other gains	3		15		0
Gross income	4	670,167		953,647	
Expenses	5	(103,497)		<u>(103,377)</u>	
Net income before taxation			566,670		850,270
Taxation	6	(146,142)		<u>(203,028)</u>	
Net income after taxation for the period			420,528		<u>647,242</u>
Total return for the period			572,071		2,876,308
Distributions	7		(422,695)		<u>(602,497)</u>
Net increase in unitholders' funds from investment activities			149,376		<u>2,273,811</u>

Statement of Movements in Unitholders' Funds for the year ended 28 February 1999

		1999		1998	
		£	£	£	£
Net assets at the start of the period			13,578,372		12,228,194
<i>Movement due to sales and repurchase of units</i>					
Amounts received on creation of units		183,491		182,835	
Less Amounts paid on cancellation of units		(1,135,061)		<u>(1,106,468)</u>	
			(951,570)		(923,633)
Net increase in unitholders' funds from investment activities (see above)			149,376		<u>2,273,811</u>
Net assets at the end of the period			12,776,178		<u>13,578,372</u>

Portfolio Statement as at 28 February 1999

	Holding	Market value £	% of total net assets
United Kingdom			
Mineral extraction 7.84% (1998 - 9.59%)			
BP Amoco	47,075	416,849	3.26
Enterprise Oil	20,000	54,400	0.43
LASMO 7.75% Convertible Bonds 4 October 2005	£100,000	98,500	0.77
Rio Tinto	16,000	129,520	1.01
Shell Transport & Trading	87,000	302,760	2.37
		<u>1,002,029</u>	<u>7.84</u>
General Manufacturers 9.42% (1998 - 12.40%)			
BICC	60,000	53,700	0.42
Coats Viyella	50,000	19,000	0.15
Cookson Group 7% Convertible Unsecured Loan Stock 2 November 2004	£85,000	85,850	0.67
De La Rue	6,000	12,360	0.10
Elementis	54,000	39,690	0.31
Graham Group	35,000	46,725	0.36
Laird Group	20,000	44,600	0.35
Low & Bonar	30,000	54,450	0.43
Pilkington	75,000	47,250	0.37
Prowting 14.5% Cumulative Preference	100,000	189,844	1.49
Rexam 7.75% Convertible Cumulative Preference	46,666	56,466	0.44
RMC Group	10,000	68,775	0.54
Tarmac Finance 9.5% Convertible Capital Bonds 2006	£100,000	110,000	0.86
TI Group	30,000	117,750	0.92
Tomkins	60,000	134,400	1.05
Wagon Industrial Holdings	50,000	123,250	0.96
		<u>1,204,110</u>	<u>9.42</u>
Consumer Goods 13.31% (1998 - 13.78%)			
Allied Domecq	15,000	71,925	0.56
Associated British Foods	10,000	48,000	0.37
British American Tobacco	16,456	94,087	0.74
Cadbury Schweppes	5,000	21,200	0.16
Diageo	25,100	172,123	1.35
Glaxo Wellcome	33,000	656,535	5.14
Imperial Tobacco Group	35,000	257,600	2.01
Northern Foods	37,013	40,529	0.32
Tate & Lyle	20,000	90,500	0.71
United Biscuits	22,222	40,722	0.32
Zeneca	8,000	207,800	1.63
		<u>1,701,021</u>	<u>13.31</u>
Services 17.38% (1998- 24.79%)			
Airtours	20,000	95,300	0.75
Allders	55,263	54,710	0.43
BAA 5.75% Convertible Unsecured Loan Stock 29 March 2006	£90,000	120,825	0.95
Bass	13,392	115,874	0.91
Boots	7,341	73,428	0.57
British Airways 9.75% Convertible Capital Bonds 2005	£40,000	82,000	0.64
Carlton Communications	21,582	133,808	1.05
Carpentright	40,000	145,000	1.13
Granada Group	9,000	113,085	0.88
Greenalls Group	35,000	133,875	1.05
Greenalls Group 7% Convertible Subordinated Bonds 24 September 2003	£95,000	103,788	0.81
MFI Furniture Group	100,000	32,500	0.25
NFC	52,500	80,325	0.63
Peninsular & Oriental Steam Navigation Deferred	16,736	122,717	0.96
Railtrack Group	6,000	92,910	0.73
Rank Group	25,610	60,824	0.48
Rank Group 8.25p (Net) Convertible Cumulative Redeemable Preference	70,000	77,700	0.61

Portfolio Statement as at 28 February 1999 (continued)

	Holding	Market value £	% of total net assets
Services 17.38% (1998 - 24.79%) - continued			
Reuters Group	10,500	91,508	0.72
Salvesen (Christian)	150,000	117,750	0.92
Selfridges	13,000	31,070	0.24
United News & Media	22,000	142,615	1.12
Williams Holdings	36,923	142,892	1.12
Williams Holdings 8p Convertible Cumulative Redeemable Preference	36,923	55,569	0.43
		<u>2,220,073</u>	<u>17.38</u>
Utilities 9.62% (1988- 7.48%)			
BG	52,941	194,161	1.52
British Telecommunications	63,000	680,715	5.33
National Power	29,717	147,471	1.15
Powergen	10,000	76,300	0.60
Yorkshire Water	28,477	129,855	1.02
		<u>1,228,502</u>	<u>9.62</u>
Financials 20.93% (1998 - 15.63%)			
Allied Zurich	16,456	151,642	1.19
Barclays	11,000	182,875	1.43
British Land	15,391	78,494	0.61
Brixton Estate	52,191	97,858	0.77
CGU	12,330	113,313	0.89
Frogmore Estates	30,000	119,400	0.93
Garban Intercapital	60,000	168,000	1.31
Guardian Royal Exchange	19,047	67,355	0.53
Halifax	4,000	30,720	0.24
HSBC Holdings	15,251	277,416	2.17
Legal & General Group	10,000	77,725	0.61
Limit	50,000	76,000	0.59
Lloyds TSB Group	45,000	401,850	3.15
London Merchant	75,000	76,500	0.60
Man (ED & F) Group	50,000	152,750	1.20
National Westminster Bank	21,000	271,110	2.12
National Westminster Bank 9% Non Cumulative Preference Series 'A'	120,000	192,600	1.51
Prudential	10,000	85,200	0.67
Royal & Sun Alliance Group	10,000	52,775	0.41
		<u>2,673,583</u>	<u>20.93</u>
Investment Trusts 2.72% (1998 - 2.25%)			
City of Oxford Investment Trust	340,000	82,450	0.64
Schroder Split Fund Income	170,000	204,000	1.60
3I Group	10,000	61,750	0.48
		<u>348,200</u>	<u>2.72</u>
Government Securities 14.07% (1998 - 12.52%)			
Conversion 9.5% Stock 2004	£192,000	237,216	1.86
Treasury 8.5% Stock 2005	£131,000	159,624	1.25
Treasury 7.5% Stock 2006	£144,000	169,776	1.33
Treasury 8.5% Stock 2007	£230,000	289,110	2.26
Treasury 9% Stock 2008	£222,000	296,703	2.32
Conversion 9% Stock 2011	£228,200	320,233	2.51
Treasury 9% Stock 2012	£228,000	324,694	2.54
		<u>1,797,356</u>	<u>14.07</u>
United States of America			
General Manufacturers 0.00% (1998 - 0.08%)			
		-	-
Portfolio of Investments			
		12,174,874	95.29
Net current assets		<u>601,304</u>	<u>4.71</u>
Total net assets		<u>12,776,178</u>	<u>100.00</u>

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

Balance Sheet as at 28 February 1999

	Notes	1999 £	1998 £
Portfolio of Investments		12,174,874	13,375,733
Net current assets			
Debtors	8	154,775	260,329
Cash and bank balances	9	774,169	417,449
		928,944	677,778
Creditors	10	(169,217)	(140,755)
Distribution payable on income units		(158,423)	(334,384)
		(327,640)	(475,139)
Net current assets		601,304	202,639
Net assets		12,776,178	13,578,372
Unitholders' Funds		12,776,178	13,578,372

Summary of Material Portfolio Changes for the year ended 28 February 1999

Major purchases	Cost £
Treasury 9% Stock 2012	307,586
Treasury 9% Stock 2008	287,041
Treasury 8.5% Stock 2007	284,113
Treasury 10% Stock 2003	256,772
Conversion 9.5% Stock 2004	229,710
Barclays	199,672
Treasury 8% Stock 2009	156,340
United News & Media	148,295
BP Amoco	146,168
Garban Intercapital	137,536
Williams Holdings	119,948
Conversion 9% Stock 2011	109,804
London Merchant	100,369
Reuters Group	99,288
TI Group	97,200
Granada Group	96,807
Carpetright	93,311
Prudential	92,974
HSBC Holdings	91,573
Limit	91,565
Total purchases for the period	£4,264,896

Major sales	Proceeds £
Treasury 6.5% Stock 2003	908,053
Swallow Group	481,418
Lonmin	421,593
Treasury 10% Stock 2003	266,433
Airtours	247,203
Railtrack Group	234,612
Thorn	214,285
London & Manchester Group	210,000
Treasury 9.75% Stock 2002	196,656
Peninsular & Oriental Steam Navigation Deferred	181,582
British Steel	181,282
Greenalls Group	179,984
Imperial Tobacco Group	171,194
Treasury 9% Stock 2008	160,560
Treasury 8% Stock 2009	154,498
Williams Holdings	131,623
Tomkins	124,275
British Aerospace 7.75p (net) Convertible Cumulative Redeemable Preference	109,368
NFC 7.75% Convertible Bonds 22 August 2007	105,000
Morrison (WM) 5.25% Convertible Cumulative Redeemable Preference	95,485
Total sales for the period	£5,617,285

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 28 February 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.

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.

2 Net gains on investments

The net gains on investments during the period comprise

	1999 £	1998 £
Proceeds from sales of investments during the period	5,617,285	7,557,302
Original cost of investments sold during the period	(5,084,213)	(6,731,708)
Gains realised on investments sold during the period	533,072	824,594
Net appreciation thereon already recognised in earlier periods	(491,982)	(195,967)
	41,090	629,627
Net unrealised appreciation for the period	110,438	1,599,439
Net gains on investments	151,528	2,229,066

3 Other gains

Other gains comprise:

	1999 £	1998 £
Other currency gains	15	0

4 Gross income

	1999 £	1998 £
UK dividends	312,995	601,481
Overseas dividends	131	253
Scrip dividends	34,765	37,379
Interest on debt securities	180,956	191,917
Bank interest	42,254	26,266
FIDs	99,066	96,351
	670,167	953,647

5 Expenses

	1999 £	1998 £
<i>Payable to the Manager, Associates of the Manager and Agents of either of them</i>		
Manager's periodic charge	103,461	103,374
<i>Other expenses</i>		
Interest payable	36	0
Dividend expenses	0	3
Total expenses	103,497	103,377

6 Taxation

	1999 £	1998 £
Tax attributable to franked investment income	58,587	120,296
Income tax	87,535	90,446
Double tax relief	0	(38)
Overseas withholding tax	20	38
Adjustments in respect of prior periods	0	(7,714)
Total taxation	<u>146,142</u>	<u>203,028</u>

The Fund is treated as an unauthorised unit trust and is therefore subject to basic rate income tax on its income. No relief is available for management expenses incurred.

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

Unitholders are treated as receiving annual payments under a deduction of income tax equal to their respective entitlement to the income available for distribution.

7 Distributions

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

	1999 £	1998 £
<i>Interim</i> Dividend distribution	257,821	255,889
<i>Final</i> Dividend distribution	158,423	334,384
	<u>416,244</u>	<u>590,273</u>
<i>Add</i> Income deducted on cancellation of units	7,718	14,573
<i>Deduct</i> Income received on creation of units	(1,267)	(2,349)
Net distribution for the period	<u>422,695</u>	<u>602,497</u>
Net income per statement of total return	420,528	647,242
Undistributed income brought forward	2,551	(42,194)
Undistributed income carried forward	(384)	(2,551)
Net distribution for the period	<u>422,695</u>	<u>602,497</u>

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

8 Debtors

	1999 £	1998 £
Sales awaiting settlement	46,670	159,268
Accrued interest	3,463	3,113
Other accrued income	104,642	97,948
	<u>154,775</u>	<u>260,329</u>

9 Cash and bank balances

	1999 £	1998 £
Cash and bank balances	<u>774,169</u>	<u>417,449</u>

10 Creditors

	1999	1998
	£	£
<i>Accrued expenses</i>		
Manager's periodic charge	67,058	93,955
Withholding tax	10	0
Income tax	93,792	35,236
Tax credits on accrued franked investment income	8,357	11,564
	<u>169,217</u>	<u>140,755</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). Investments made on behalf of the Fund include those in Schroder unit trusts which had a market value of £204,000 at 28 February 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 have 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 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 Scheme will be taxed as an unauthorised unit trust from that date.

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.

Distribution Table

Distribution for the period from 16 February 1998 to 15 August 1998

Group A - Units purchased prior to 16 February 1998

Group B - Units purchased on or after 16 February 1998

	Gross income	Income Tax @ 23%	Equalisation	Distribution	
				Paid 1 October 1998	Paid 1 October 1997
	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group A	12.01	2.76	0	9.25	8.50
Group B	5.25	1.21	5.21	9.25	8.50

Distribution for the period from 16 August 1998 to 15 February 1999

Group A - Units purchased prior to 16 August 1998

Group B - Units purchased on or after 16 August 1998

	Gross income	Income Tax @ 23%	Equalisation	Distribution	
				Paid 1 April 1999	Paid 1 April 1998
	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group A	7.60	1.75	0	5.85	11.50
Group B	3.70	0.85	3.00	5.85	11.50

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 Scheme: Gross Income Fund

Investment Manager's Account

The Investment Manager's Accounts (Account C) cover the period 1 March 1998 to 28 February 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 three common investment funds: the Capital Fund; the High Yield Fund; and the Gross Income Fund. Separate accounts have been prepared for each. Details of the dividends declared and the final valuation of units for the year are contained in the Notes to the Accounts. Dividends on the units of the Gross Income Fund were paid without deduction of income tax under Section 328 of the Income and Corporation Taxes Act 1988.

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
Gross Income Fund	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 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

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 49 to 57 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 54.

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 45, 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 ending 28 February 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 45 and 46, is responsible for preparing the financial statements 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 45 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 28 February 1999, of the income distributed and not distributed, and of the movements in net assets for the year then ended 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 year ended 28 February 1999

	Notes	1999		1998	
		£	£	£	£
Net gains on investments during the period	2		25,298		629,029
Gross income	3	166,570		232,130	
Expenses	4	(22,655)		(29,411)	
Net income before taxation		143,915		202,719	
Taxation	5	(975)		4,357	
Net income after taxation for the period			142,940		207,076
Total return for the period			168,238		836,105
Distributions	6		(177,773)		(253,731)
Net (decrease)/increase in unitholders' funds from investment activities			(9,535)		582,374

Statement of Movements in Unitholders' Funds for the year ended 28 February 1999

		1999		1998	
		£	£	£	£
Net assets at the start of the period			3,628,687		3,682,928
<i>Movement due to sales and repurchase of units</i>					
Amounts received on creation of units		15,227		28,265	
Less Amounts paid on cancellation of units		(835,787)		(664,880)	
			(820,560)		(636,615)
Net (decrease)/increase in unitholders' funds from investment activities (see above)			(9,535)		582,374
Net assets at the end of the period			2,798,592		3,628,687

Portfolio Statement as at 28 February 1999

	Holding at 28 February 1999	Market value £	% of total net assets
United Kingdom			
Mineral extraction 7.25% (1998 - 7.50%)			
BP Amoco	12,521	110,873	3.96
Enterprise Oil	5,000	13,600	0.49
Rio Tinto	3,000	24,285	0.87
Shell Transport & Trading	15,500	53,940	1.93
		202,698	7.25
General Manufacturers 5.86% (1998 - 12.90%)			
BICC	15,000	13,425	0.48
Coats Viyella	10,000	3,800	0.14
Elementis	12,000	8,820	0.32
Imperial Chemical Industries	1,500	8,145	0.29
Laird Group	5,000	11,150	0.40
Low & Bonar	10,000	18,150	0.65
Rexam 7.75% Convertible Cumulative Preference	15,555	18,822	0.67
RMC Group	2,500	17,194	0.61
Senior Engineering	15,000	18,450	0.66
TI Group	6,000	23,550	0.84
Tomkins	10,000	22,400	0.80
		163,906	5.86
Consumer Goods 11.34% (1998 - 12.33%)			
Allied Domecq	6,000	28,770	1.03
BAT Industries	5,001	28,593	1.02
Glaxo Wellcome	8,000	159,160	5.69
Northern Foods	8,960	9,811	0.35
Tate & Lyle	5,000	22,625	0.81
United Biscuits	8,888	16,287	0.58
Zeneca	2,000	51,950	1.86
		317,196	11.34
Services 13.33% (1998 - 12.74%)			
Asda Group	10,000	15,563	0.56
BAA 5.75% Convertible Unsecured Loan Stock 29 March 2006	£20,000	26,850	0.96
Carpentright	5,000	18,125	0.65
First Leisure	5,000	10,550	0.38
Greenalls Group 7% Convertible Subordinated Bonds 24 September 2003	£20,000	21,850	0.78
Marks & Spencer	8,000	33,680	1.20
MFI Furniture Group	35,000	11,375	0.41
Peninsular & Oriental Steam Navigation Deferred	3,000	21,998	0.79
Railtrack Group	1,500	23,228	0.83
Rank Group	6,215	14,761	0.53
Rank Group 8.25p Cumulative Convertible Redeemable Preference	20,000	22,200	0.79
Safeway	12,000	32,400	1.16
Scottish & Newcastle	3,000	20,663	0.74
Selfridges	3,000	7,170	0.26
United News & Media	6,000	38,895	1.39
Williams Holdings 8% Cumulative Convertible Redeemable Preference	18,461	27,784	0.98
Wolverhampton & Dudley Breweries	5,000	25,875	0.92
		372,967	13.33

Portfolio Statement as at 28 February 1999 *(continued)*

	Holding at 28 February 1999	Market value £	% of total net assets
Utilities 10.33% (1998 - 8.66%)			
BG	8,647	31,713	1.13
British Telecommunications	16,000	172,880	6.18
National Power	6,651	33,006	1.18
PowerGen	2,000	15,259	0.55
Yorkshire Water	8,000	36,480	1.29
		289,338	10.33
Financials 16.29% (1998 - 15.61%)			
Allied Zurich	5,001	46,084	1.65
British Land	3,408	17,381	0.62
CGU	3,000	27,570	0.99
ED & F Man Group	11,338	34,638	1.24
Frogmore Estates	5,000	19,900	0.71
Garban Intercapital	10,000	28,000	1.00
Halifax	2,000	15,360	0.55
HSBC Holdings	3,050	55,480	1.98
Limit	10,000	15,200	0.54
Lloyds TSB Group	11,500	102,695	3.66
London Merchant	18,222	18,586	0.66
National Westminster Bank	5,000	64,550	2.31
Royal & Sun Alliance Group	2,000	10,554	0.38
		455,998	16.29
Investment Trusts 2.72% (1998 - 2.06%)			
City of Oxford Investment Trust	115,000	27,887	1.00
Schroder Split Fund Income	40,000	48,000	1.72
		75,887	2.72
Government Securities 27.23% (1998 - 28.45%)			
Conversion 9.5% Stock 2004	£88,000	108,724	3.88
Conversion 9% Stock 2011	£108,000	151,556	5.42
Treasury 8.5% Stock 2005	£57,000	69,455	2.48
Treasury 7.5% Stock 2006	£62,000	73,098	2.61
Treasury 8.5% Stock 2007	£65,000	81,705	2.92
Treasury 9% Stock 2008	£96,000	128,304	4.58
Treasury 9% Stock 2012	£105,000	149,530	5.34
		762,372	27.23
Portfolio of Investments		2,640,362	94.35
Net current assets		158,230	5.65
Net assets		£2,798,592	100.00%

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

Balance Sheet as at 28 February 1999

	Notes	1999 £	1998 £
Portfolio of Investments		2,640,362	3,637,828
Net current assets/(liabilities)			
Debtors	7	58,909	81,600
Cash and bank balances	8	115,419	63,757
		<u>174,328</u>	<u>145,357</u>
Creditors	9	(16,098)	(27,334)
Bank overdrafts		0	(127,164)
		<u>(16,098)</u>	<u>(154,498)</u>
Net current assets/(liabilities)		<u>158,230</u>	<u>(9,141)</u>
Net assets		<u>2,798,592</u>	<u>3,628,687</u>
Unitholders' Funds		<u>2,798,592</u>	<u>3,628,687</u>

Summary of Material Portfolio changes for the year ended 28 February 1999

Major purchases	Cost £
Treasury 9% Stock 2012	141,652
Treasury 10% Stock 2003	119,511
United Utilities	100,460
Treasury 8.5% Stock 2007	82,075
Treasury 8.5% Stock 2005	66,922
Treasury 9% Stock 2008	62,615
Yorkshire Water	57,606
United News & Media	50,049
Safeway	45,219
Scottish & Newcastle	25,538
Williams Holdings 8% Cumulative Convertible Redeemable Preference	23,250
Garban International	21,989
TI Group	19,440
City of Oxford Investment Trust	18,492
PowerGen	17,126
Asda Group	15,571
RMC Group	14,892
Treasury 7.5% Stock 2006	14,729
National Power	12,804
P&O Deferred	12,264
Total purchases for the period	£944,820
Major sales	Proceeds £
Treasury 6.5% Stock 2003	371,811
Treasury 9.75% Stock 2002	129,062
Treasury 10% Stock 2003	124,008
Treasury 11.75% Stock 2003/07	120,257
United Utilities	110,097
Railtrack Group	101,381
Williams Holdings	91,994
Treasury 9% Stock 2008	72,678
Anglian Water	62,954
British Aerospace 7.75p Cumulative Convertible Redeemable Preference	58,754
Scottish Power	58,450
Zeneca	52,696
Shell Transport & Trading	48,514
Greenalls Group 7% Convertible Subordinated Bonds	46,429
London & Manchester Group	42,000
Morgan Crucible	39,983
Imperial Chemical Industries	38,623
Rexan 7.75% Convertible Cumulative Preference	31,212
GKN	31,003
BG	27,664
Total sales for the period	£1,973,832

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 28 February 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.

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.

2 Net gains on investments

The net gains on investments during the period comprise

	1999 £	1998 £
Proceeds from sales of investments during the period	1,973,832	1,141,649
Original cost of investments sold during the period	(1,658,344)	(1,102,885)
Gains realised on investments sold during the period	315,488	38,764
Net (appreciation)/depreciation thereon already recognised in earlier periods	(253,567)	69,030
	61,921	107,794
Net unrealised (depreciation)/appreciation for the period	(36,623)	521,235
Net gains on investments	25,298	629,029

3 Gross income

	1999	1998
	£	£
UK dividends	62,518	105,735
Scrip dividends	6,703	6,803
Interest on debt securities	65,909	87,364
Bank interest	9,531	16,170
FIDs	21,909	16,058
	<u>166,570</u>	<u>232,130</u>

4 Expenses

	1999	1998
	£	£
<i>Payable to the Manager, Associates of the Manager and Agents of either of them</i>		
Manager's periodic charge	22,655	29,411
Total expenses	<u>22,655</u>	<u>29,411</u>

5 Taxation

	1999	1998
	£	£
Tax attributable to franked investment income	933	0
Tax reclaim	0	(373)
Adjustments in respect of prior periods	42	(3,984)
Total taxation	<u>975</u>	<u>(4,357)</u>

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

	1999	1998
	£	£
<i>Interim</i> Dividend distribution	92,956	123,392
<i>Final</i> Dividend distribution	71,624	121,088
	164,580	244,480
<i>Add</i> Income deducted on cancellation of units	13,360	9,597
<i>Deduct</i> Income received on creation of units	(167)	(346)
Net distribution for the period	177,773	253,731
Net income per statement of total return	142,940	207,076
Undistributed income brought forward	77,950	124,605
Undistributed income carried forward	(43,117)	(77,950)
Net distribution for the period	177,773	253,731

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

7 Debtors

	1999	1998
	£	£
Sales awaiting settlement	10,770	39,816
Accrued interest	585	695
Other accrued income	22,209	20,333
Other debtors	25,345	20,756
	58,909	81,600

8 Cash and bank balances

	1999	1998
	£	£
Cash and bank balances	115,419	63,757

9 Creditors

	1999	1998
	£	£
<i>Accrued expenses</i>		
Manager's periodic charge	15,024	26,417
Tax credits on accrued franked investment income	1,074	917
	16,098	27,334

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 Limited are shown in 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.

Distribution Table

Distribution for the period from 16 December 1997 to 15 June 1998

Group A - Units purchased prior to 16 December 1997

Group B - Units purchased on or after 16 December 1997

	Gross income	Income tax @ 23%	Equalisation	Distribution paid 1 August 1998	Distribution paid 1 August 1997
	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group A	11.04	2.54	0	8.50	8.00
Group B	4.08	0.94	5.36	8.50	8.00

Distribution for the period from 16 June 1998 to 15 December 1998

Group A - Units purchased prior to 16 June 1998

Group B - Units purchased on or after 16 June 1998

	Gross income	Income tax @ 23%	Equalisation	Distribution paid 1 February 1999	Distribution paid 1 February 1998
	pence per unit	pence per unit	pence per unit	pence per unit	pence per unit
Group A	8.83	2.03	0	6.80	8.50
Group B	3.99	0.92	3.73	6.80	8.50

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 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.

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