

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

Funds in Court England & Wales Account 2000-2001

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scrutinises public spending
on behalf of Parliament.

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Accountant General's Accounts

Foreword

The Accountant General's Accounts (Account A) cover the year ended 28 February 2001. 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

The Court Funds Office manages money 'held in Court' on behalf of clients who may be

- a suitors 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. The Court Funds Office will hold such monies until authorised to release it on completion of the case and pays interest on it at a competitive rate;
- 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). The investment strategy is determined by the respective courts either on a Capital Appreciation or High-Income basis or a mixture of both and reviewed annually. The investment strategy determined by the courts is implemented by the Investment Division of the former Public Trust Office either in stocks and certain unit and investment trusts or placed on a special account that pays a competitive gross rate of interest with instant access; 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. The investment strategy is determined by the respective courts either on a Capital Appreciation or High-Income basis or a mixture of both. The investment strategy determined by the courts is implemented by the Investment Division of the Official Solicitor and Public Trustee either in stocks and certain unit and investment trusts or placed on a special account that pays a competitive gross rate of interest with instant access. 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 that pays a competitive gross rate of interest with instant access.

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.

The Court Funds Office is controlled by the Rules of the Supreme Court and the Court Funds Rules which has authority to accept payments 'into Court' under certain circumstances and to hold these funds until instructed to make a payment out.

CFO Investment Criteria

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 2000 to 28 February 2001

Basic	5.25%
Special	7%

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

Results for the Year

The accounts on pages 9 to 13 report cash lodgements during the year ending 28 February 2001 of £1.8 billion with cash payments and transactions out of court of £1.7 billion. This net inflow of cash, plus interest earned of £160 million, were the main reasons for overall cash balances held increasing to £2.7 billion at 28 February 2001.

The 2000-2001 accounts also resulted in a £6.6 million increase in the nominal value of securities held, with a closing balance of £45.9 million reported at 28 February 2001. The number of common investment fund units held reduced by 1.2 million with 6.8 million units held at 28 February 2001. Further details of the common investment funds are provided in Part C of the White Paper Accounts.

Audit of Accounts

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.

Transfer of the Court Funds Office

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 2000-2001 accounts were outstanding at the transfer date responsibility for their preparation should also pass to the Chief Executive of the Court Service.

The administrative costs of the Court Funds Office fall outside the scope of these accounts. Instead these costs for the year ending 28 February 2001, and their re-imburement from funds held by the National Debt Commissioners, were reported in the 2000-2001 Annual Report and Accounts of the former Public Trust Office. For accounting periods after 1 April 2001 this information is reported in the Annual Report and Accounts of the Court Service.

Future developments

The Court Funds Office faces a challenging programme of work over the next few years. Key issues relate to the need to replace the Funds Accounting System, which a Court Service project team, with input from CFO staff is taking forward. There is also the ongoing programme of work to strengthen the internal control and governance arrangements within the Court Funds Office with further details of this work provided in the statement on internal financial control on pages 5 and 6.

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

The post of Accountant General during the financial year to 28 February 2001 was held by Nicholas J Smedley as Acting Chief Executive of the former Public Trust Office. Since 1 April 2001 the post of Accountant General has been held by the Chief Executive of the Court Service.

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 Court Funds Office system of internal financial control is designed to manage, rather than eliminate the risk of failure to meet business objectives and can only provide reasonable, but not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, proper accounting records are maintained 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

- regular reports by line managers on the adequacy and effectiveness of the internal management control system in the main operational areas. The CFO Management Board then considers these reports;
- the CFO Management Board's ongoing review of the CFO process for formally identifying, evaluating and managing the significant risks to the achievement of its objectives;
- the undertaking of daily and monthly reconciliations to ascertain and agree the balances held with the Bank of England and the National Debt Commissioners, who hold funds on behalf of the Accountant General;
- the existence of an appropriate control environment, such as clearly defined management responsibilities and evidence of reaction to control failures;
- regular reviews of an annual budget covering the costs of administering the CFO which is agreed by the Court Service Board.

The Lord Chancellor's Department has an Internal Assurance Division (IAD), 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 2001 endorsed by the Audit Committee and Senior Management Board of the former Public Trust Office, and approved by the former Accountant General.

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.

The CFO is also taking action to strengthen internal financial controls as a result of more recent Internal Audit Reports.

At least annually, the Head of Internal Audit provides me with a report on internal audit activity which, for the year ending 31 March 2001, was for the former Public Trust Office. The report covered the findings of audits carried out at the Court Funds Office. Since 1 April 2001 audit coverage of the CFO has been provided as part of IAD's audit of the Court Service.

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, the carrying out of a full risk assessment by Deloitte & Touche including the preparation of a risk register, training of staff and review and update of management and operational controls.

The risk management process requires the CFO to maintain a risk register which is a complete record of the risks the CFO faces and management's response to these risks, including the adequacy of the controls in place to manage risks and any actions planned to strengthen these controls. The more significant of these risks is reported upwards and incorporated into the Supreme Court Group Risk Register. The CFO is continuing to embed these risk management procedures and, in doing so, ensure full compliance with the Court Service's risk management strategy.

Peter Handcock
Accountant General of the Supreme Court

9 May 2003

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 13 under section 45 (3) of the Administration of Justice Act 1982. These financial statements have been prepared in the form and on the basis determined by Treasury.

Respective responsibilities of the Accountant General and Auditor

As described on page 4 the Accountant General is responsible for the preparation of the financial statements in accordance with section 45 (1) (a) of the Administration of Justice Act 1982 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accountant General is also responsible for the preparation of the foreword and the statement on the system of internal financial control. 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 5 and 6 comply 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 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 2001 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

11 June 2003

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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 2001

	28 February 2001			28 February 2000		
	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.	1,811,121,922	0	0	1,663,219,350	0	0
Sales of Common Investment Fund units and other securities	41,026,198	0	0	37,247,235	0	0
Dividends	10,217,056	0	0	11,440,678	0	0
Interest credited to court accounts	160,296,266	0	0	156,873,825	0	0
Exchange rate gain	2,139,750	0	0	261,618	0	0
<i>Securities</i>						
Lodged	0	11,803,828	41,143	0	6,410,436	0
Purchased	0	23,976,978	7,029	0	5,043,750	911,996
Exchange rate gain	0	90,006	0	0	5,005	0
Total receipts and transfers into court	2,024,801,192	35,870,812	48,172	1,869,042,706	11,459,191	911,996
Less payments and transfers out of court						
<i>Cash</i>						
Payments to suitors etc.	(1,709,573,166)	0	0	(1,542,384,423)	0	0
Cost of purchase of Common Investment Fund units and other securities	(101,084,948)	0	0	(85,783,496)	0	0
Transfer of fees etc. to The Lord Chancellor's Department Vote (Class V Vote 1) (Note 4)	(9,346,291)	0	0	(8,914,354)	0	0
<i>Securities</i>						
Transferred and delivered	0	(26,281,522)	(41,143)	0	(5,675,165)	0
Sold	0	(2,905,943)	(1,217,949)	0	(3,990,810)	(1,838,525)
Exchange rate loss	0	0	0	0	0	0
Total payments and transfers out of court	(1,820,004,405)	(29,187,465)	(1,259,092)	(1,637,082,273)	(9,665,975)	(1,838,525)
Net movement in year	204,796,787	6,683,347	(1,210,920)	231,960,433	1,793,216	(926,529)

Statement of Balances at 28 February 2001

	Cash Sterling £	Securities nominal value Sterling £	Common Investment Fund Units £
Balance at beginning of financial year	2,500,693,423	39,176,861	7,994,944
Net movement in year	204,796,787	6,683,347	(1,210,920)
Balance at 28 February 2001 (see notes 1,2 and 3)	<u>2,705,490,210</u>	<u>45,860,208</u>	<u>6,784,024</u>

The notes on pages 11 to 13 form part of these accounts.

Notes to the Accounts

1 Preparation of accounts

The accounts have been prepared in accordance with a Treasury direction dated 31 July 1991. This requires the accounts to be prepared on a cash basis.

2 Cash balances

The cash balances for which the Accountant General is liable are

	2001 £	2000 £
Sterling cash balances representing		
Court funds (including interest) placed on basic account	804,482,155	860,218,798
Court funds (including interest) placed on special account	1,673,488,089	1,458,473,213
Receivership funds	114,258,974	98,198,286
Unclaimed balances	32,072,993	32,302,053
Other Suitors money etc. deposited in the Supreme Court	45,397,943	28,825,481
Suitors money held as Foreign Currency	35,790,056	22,675,592
	2,705,490,210	2,500,693,423
The balances were held		
Bank of England (as on account)	20,166,202	25,306,141
Monies held as Foreign Currency (Note 3)	35,790,056	22,675,592
National Debt Commissioners (a)	2,672,547,741	2,464,822,652
Amounts Awaiting Banking	2,611,810	3,744,572
	2,731,115,809	2,516,548,957
Less cheques issued prior to 1 March and not yet cashed	(25,625,599)	(15,855,534)
	2,705,490,210	2,500,693,423

- a The National Debt Commissioners balance excludes an estimated £46,730,887 of basic and special account interest accrued but not yet credited to Court Funds. The National Debt Commissioner's balance at 28 February 2001 including this accrued interest was £2,719 million.

Further details on the Court Funds Investment Account that is maintained by the National Debt Commissioners are provided in Part B of the White Paper Accounts.

3 Foreign currency

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 2001.

Currency	Closing balance	Exchange rates	Sterling conversion
AUD	159.03	2.7532	58
CAD	85.41	2.2074	39
DKK	957.77	11.7012	82
SEK	5550.33	14.1826	391
EUR	1,298,944.04	1.5680	828,408
USD	47,676,978.63	1.4421	33,060,799
JPY	321,475,518.00	169.1728	1,900,279
Total			<u>35,790,056</u>

4 Contingent liability

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. This initial liability has been reduced by payments made from the Consolidated Fund from time to time, and a liability of £1,632,297 now remains.

Treasury lawyers are of the opinion that the Consolidated Fund's liability to make good suitors money in Court was repealed by the Court of Chancery (Funds) Act 1872 and any future repayments would therefore have to be made by the Courts 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 need to be met by the Court Funds Office.

5 Common Investment Funds

Units held in the Common Investment Funds at 28 February 2001 were as follows

Title of fund	2001	2000
Capital fund	4,492,594	5,073,263
High Yield fund	2,291,430	2,921,681
	<u>6,784,024</u>	<u>7,994,944</u>

Further details of the Common Investment Funds are provided in Part C of the White paper Accounts.

6 Bonds Listed on the Euroclear Exchange

The following Bonds were held on the Euroclear Exchange in Brussels

Description	2001	2000
British Columbia Rate 7.75%	US\$45,000	US\$45,000
Union Bank of Switzerland Rate 9.125%	US\$45,000	US\$45,000
Transco Floating Rate Bonds 12/2009	£7,000	0
Transco 4.1875% Index Linked Bonds 14 December 2022	£7,000	0
Transco 7% Bonds 16 December 2024	£7,000	0

7 Miscellaneous items

In addition to the balances of cash, securities and Common Investment Fund Units on 28 February 2001, further items were held on behalf of the Accountant General as follows

Location	Item	Value (2001)	Value (2000)
Court Funds Office	National Savings Certificates/two private bonds and one packet	£166,425	£221,920
Bank of England	Financial documents ordered into Court (packets)	5 packets	5 packets
Bank of England	Various Unit Trusts	52,901,086 units	41,239,441 units
British Museum	Gold coins	4 coins	4 coins
British Museum	Silver coins	1,747 coins	1,747 coins

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

8 Transfer of fees

The £9,346,291 (2000: £8,914,354) shown in respect of transfer of fees to the Lord Chancellors Department includes

Item	2001 £	2000 £
1 Court of Protection Fees met directly from funds held in court	9,343,129	8,899,953
2 Interest earned on foreign currency deposits where no court order has been made for the payment out of interest	2,599	14,061
	<u>9,345,728</u>	<u>8,914,014</u>

The amounts transferred also include sums under 5 pence remaining on accounts when closed and negligible residues from dividends that cannot be exactly apportioned.

Peter Handcock
Accountant General of the Supreme Court

9 May 2003

National Debt Commissioners' Account

Foreword

The National Debt Commissioners' Accounts (Account B) cover the year ended 28 February 2001. 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.

Section 45(1) of the Act requires the Commissioners to prepare accounts in respect of their transactions under section 39 of the Act. The Commissioners have delegated their authority under this section of the Act to the Comptroller General and as a consequence the Comptroller General is responsible for propriety, regularity and the keeping of proper records.

During the year the nominal amount of securities held by the Commissioners rose by £225.7 million to £2,953.4 million. This reflected the increase in the liability of the Commissioners to the Accountant General of the Supreme Court from £2,508.3 million at the beginning of the year to £2,716.3 million at 28 February 2001.

Section 39(2) of the Act requires the payment into the Consolidated Fund of any surplus interest or dividends 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 be 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.

Statement on the System of Internal Financial Control

The National Debt Office (NDO), which for many years provided administrative support to the National Debt Commissioners (the Commissioners), had been part of the National Investment and Loans Office (NILO) since 1980. As part of the outcome of an examination by the Treasury of the overall efficiency and effectiveness of the Government's cash and debt service activities, the operations of the NDO and the UK Debt Management office (DMO) were integrated with effect from 1 July 2002 and NILO thereafter ceased to exist. Since 1 July the statutory operations carried out within DMO on behalf of the Commissioners have been referred to as CRND.

I succeeded Ian Peattie as Comptroller General to the Commissioners with effect from 1 July. Whilst I acknowledge my responsibility for ensuring that effective system of internal control is maintained and operated by CRND, I have taken assurances from Ian Peattie, the former Accounting Officer, for NILO, as to the system of internal financial control that was in place in NILO during the period covered by these accounts.

The system of internal financial control could provide only reasonable and no absolute assurance that assets were safeguarded, transactions were authorised and properly recorded and that material errors or irregularities were either prevented or would have been detected within a timely period.

The system of internal financial control was 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 included

- 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 indicated the level of transactions; and
- regular reports by internal audit, to standards defined in the Government Internal Audit Manual, which included the head of Internal Audit's independent opinion on the adequacy and effectiveness of the department's system of internal financial control together with recommendations for improvement. The work of internal audit was informed by an analysis of the risks to which the department was exposed, and annual internal audit plans were based on that analysis. The analysis of risk and the internal audit plans were endorsed by the department's Management Team and approved by the Accounting Officer. Internal audit had assessed the NDO as being a low risk area and as such in 2000-2001 no internal audit work was performed on that area.

Ian Peattie's review of the effectiveness of the system of internal financial control was informed by

- the Management Team within the department who had responsibility for the development and maintenance of the financial control framework; and
- the external auditors in their management letter and other reports.

Implementation of the Turnbull Report

As Accounting Officer, Ian Peattie was aware of the recommendations of the Turnbull Committee and he was taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with DAO (GEN) 13/2000.

Jo Whelan
Comptroller General
Commissioners for the Reduction of the National Debt

4 February 2003

The Certificate of the Comptroller and Auditor General to the National Debt Commissioners

I certify that I have audited the financial statements of the Court Funds Investment Account on page 17 to 19 under the Treasury agreement letter dated 23 August 1990.

Respective Responsibilities of the Accounting Officer and the Auditor

As described on page 14, 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 of Internal Control on page 15. My responsibilities, as independent auditor, are 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 the balances at year end, and whether 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 Commissioners for the Reduction of the National Debt 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 15 reflects compliance with Treasury's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

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 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 misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the payments, receipts and transactions in securities 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, payments and transactions in securities of the National Commissioners for the Reduction of the National Debt in respect of the Court Funds Investment Account for the year ended 28 February 2001, and the balances held at that date; and
- in all material respects the receipts, payments and transactions in securities conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

17 July 2003

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The National Debt Commissioners

Court Funds Investment Account

Account of the Receipts and Payments and Transactions in Securities of the National Debt Commissioners for the year ended 28 February 2001

	Notes	£	Previous year £
Cash receipts			
From Accountant General		403,000,000	378,000,000
Consolidated Fund - deficit income		0	0
Interest on securities etc.		175,069,803	159,375,839
Sales of securities etc.	1,5	3,356,373,581	1,542,854,786
		3,934,443,384	2,080,230,625
Cash payments			
To Accountant General		357,000,000	315,000,000
Purchase of securities etc.	5	3,570,538,093	1,760,290,931
Consolidated Fund - surplus income		2,587,428	0
Lord Chancellors' Department for Funds in Court administration		4,223,863	4,939,694
National Debt Commissioners for expenses		94,000	0
		3,934,443,384	2,080,230,625
Securities (at cost)			
Purchases	5	3,570,538,093	1,760,290,931
Sales	1,5	3,347,433,541	1,502,314,453
Net movement in securities in year		233,104,552	257,976,478

Statement of Balances at 28 February 2001

	Note	Securities at (cost) £	Previous years Securities at (cost) £
Balance at beginning of financial year		2,779,387,742	2,521,411,264
Net movement in year		233,104,552	257,976,478
Balance at end of financial year	2	3,002,492,294	2,779,387,742

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.	3,347,433,541	1,502,314,453
Profit (loss) on disposal	8,940,040	40,540,333
Received for securities sold etc.	3,356,373,581	1,542,854,786

2 Securities held at year end

	Nominal £	Cost £	Market value £
Securities			
Government and Government Guaranteed Stocks	2,945,260,304	2,994,420,074	3,251,854,740
Local Authority Stocks and Bonds	8,138,000	8,072,220	11,410,626
Total securities	2,953,398,304	3,002,492,294	3,263,265,366

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

Liability of the Investment Account to the Accountant General of the Supreme Court			2,716,278,628
<i>Add</i> Accumulated sum retained to provide for depreciation in the value of the securities			3,750,631
			<u>2,720,029,259</u>
<i>Add</i> Accumulated net profit on sales (or transfers) of securities from 1 October 1965 (including £8,940,040 for current year)		276,396,376	
<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	274,606,934
			<u>2,994,636,193</u>
<i>Comprising</i>			
Adjustment for surplus income payable to the Consolidated Fund in respect of 2000-2001			(8,806,907)
Adjustment for deficit income payable from the Consolidated Fund in respect of 1999-2000			950,806
Securities at cost			<u>3,002,492,294</u>
			<u>2,994,636,193</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 Trustees and Administration of Funds Act 1986

Interest received on securities		175,069,803
<i>Less</i> interest due to be paid or credited to Court Accounts	161,990,033	
<i>Less</i> paid to Lord Chancellor's Department for Fund administration in 2000-2001	4,223,863	
<i>Less</i> paid to NILO Services Account for management expenses in 2000-2001	49,000	
<i>Less</i> amount, determined by Treasury, retained to provide for depreciation in the value of securities	0	166,262,896
Surplus income payable from the Consolidated Fund		<u>8,806,907</u>

5 Securities exchanged

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

Jo Whelan
Comptroller General
Commissioners for the Reduction of the National Debt

4 February 2003

Common Investment Scheme: Capital Fund

Investment Manager’s Foreword

Statutory background

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

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

Role of Court Funds Office

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

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

Fund information

The objective of the Capital Fund is to secure a high long term capital growth with a small but growing income level. The accounts show the investment of funds in UK Equities and Global Equities. The Distribution Statement on page 36 and note 7 to the accounts also provides details of the dividends declared.

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

Capital Fund	Ex-dividend	1 September	Pay date	15 October
	Ex-dividend	1 March	Pay date	15 April

The Investment Manager produced an annual investment report for the period ending 28 February 2001. This report provides further details on asset allocation; financial performance, including portfolio commentary; a review of the year; and market outlook. This report is available from the Accountant General of the Supreme Court and can be obtained from the Court Funds Office, 22 Kingsway, London, WC2B 6LE.

Closure of Capital Fund

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

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

Accounts and audit

These accounts are in respect of the Capital Fund for the period 1 March 2000 to 28 February 2001 and have been prepared in accordance with a Direction issued by Treasury under section 45(2) of the Act as detailed on page 42.

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

Mark White

17 November 2004

Chief Executive Officer

JP Morgan Fleming Asset Management (UK) Limited

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

Lord Chancellor's responsibilities

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

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

Investment Manager's responsibilities

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

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

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

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

Statement on Internal Control

1 Introduction

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

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

2 Scope of responsibility

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

3 The purpose of the system of internal control

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of JPMFAM's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in JPMFAM(UK) between July 1999 and August 2003 (the point at which responsibility for these funds was transferred) and accords with the requirements of the combined code and the requirements of the Financial Services Authority (FSA).

4 Capacity to handle risk

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

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

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

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

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

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

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

5 The risk and control framework

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

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

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

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

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

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

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

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

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

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

6 Review of effectiveness

As Chief Executive Officer for JPMFAM(UK) and as investment manager for the Common Investment Funds, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within JPMFAM who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

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

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

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

17 November 2004

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

I certify that I have audited the financial statements of the Common Investment Capital Fund on pages 28 to 41 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 37.

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 20, the Lord Chancellor appointed JP Morgan Asset Management to be the Investment Manager for the Common Investment Capital Fund for the period from 20 July 1999 to 31 August 2003.

The Investment Manager's responsibilities

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager, as described on page 22, is responsible for preparing the financial statements in respect of transactions in the Common Investment Capital Fund. The Treasury has directed the Investment Manager to prepare Accounts for each financial year in accordance with best commercial practice.

The Auditor's responsibilities

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

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

I also report if in my opinion the Investment Manager's Foreword on page 20 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 23 to 25 reflects the Investment Manager's governance and internal control arrangements. I report if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Investment Manager's statement covers all risks and controls. I am also not required to form an opinion on the effectiveness of JP Morgan Asset Management's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In my opinion

- the financial statements give a true and fair view of the financial position of the Capital Fund at 28 February 2001 and of the net income and movements in net assets for the year then ended;
- the financial statements have been properly prepared in accordance with the Administration of Justice Act 1982 and directions made thereunder by Treasury; and
- in all material respects the financial transactions of the Fund during the year ending 28 February 2001 conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

2 December 2004

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

Statement of Total Return for the year ended 28 February 2001

	28 February 2001		29 February 2000	
	£	£	£	£
Net losses on investments during the year (Note 2)		(1,882,872)		(66,180)
Other losses (Note 3)		(42,846)		(46,849)
Total income (Note 4)	1,038,478		591,365	
Expenses (Note 5)	(255,209)		(159,497)	
Net income before taxation	783,269		431,868	
Taxation (Note 6)	(23,723)		(9,637)	
Net income after taxation for the year		759,546		422,231
Total return for the year		(1,166,172)		309,202
Distributions (Note 7)		(938,164)		(540,549)
Net decrease in unitholders' funds from investment activities		(2,104,336)		(231,347)

Statement of Movements in Unitholders' Funds for the year ended 28 February 2001

	28 February 2001		29 February 2000	
	£	£	£	£
Net assets at the start of the year		53,424,108		54,388,276
Movement due to sales and repurchase of units				
Amounts received on creation of units	0		163,535	
Less Amounts paid on cancellation of units	(6,232,876)		(942,524)	
Net cash out of Fund		(6,232,876)		(778,989)
Net decrease in unitholders' funds from investment activities (see above)		(2,104,336)		(231,347)
Other gains		49,504		46,168
Net assets at the end of the year		45,136,400		53,424,108

The notes on pages 37 to 41 form part of these accounts.

Portfolio Statement as at 28 February 2001

	Holding	Market value £	Total net assets %
Mineral Extraction 12.65% (29 February 2000 – 8.52%)			
Anadarko Petroleum	1,900	82,301	0.18
Anderson Exploration	5,000	74,067	0.16
Bayer	4,400	148,406	0.33
Billiton	92,500	294,613	0.65
BP Amoco	428,300	2,454,159	5.43
Brambles Industries	3,000	48,681	0.11
Cominco	3,682	40,776	0.09
Compania Vale Do Rio Doce ADR	2,900	51,574	0.11
Endesa	3,840	45,466	0.10
ENI	33,450	150,892	0.33
Enterprise Oil	10,500	66,465	0.15
Imerys	900	69,032	0.15
Imperial Chemical Industries	44,166	227,676	0.50
Ingersoll-Rand	2,430	73,121	0.16
Lonmin	8,600	89,268	0.20
Pechiney	1,923	66,117	0.15
Phillips Petroleum	1,270	46,955	0.10
Pohang Iron & Steel ADR	2,300	34,565	0.08
Rio Tinto	23,800	303,450	0.67
Rio Tinto (AU reg'd)	6,512	78,419	0.17
Shell Transport & Trading	192,000	1,104,000	2.45
Total Fina	1,734	169,431	0.38
General Manufacturers 7.96% (29 February 2000 – 6.20%)			
Alstom	3,386	64,713	0.14
Altadis	12,400	122,743	0.27
Altera	2,600	41,744	0.09
Amec	37,386	152,722	0.34
Balfour Beatty	84,000	125,160	0.28
Barratt Developments	9,843	33,860	0.08
Berkeley	6,000	50,790	0.11
BPB	40,300	122,008	0.27
British Vita	30,200	54,360	0.12
Bunzl	10,600	48,177	0.11
Canon	5,000	112,905	0.25
Capita	14,100	67,751	0.15
Chloride	64,055	97,043	0.22
Corus	122,873	88,469	0.20
De La Rue	18,219	77,431	0.17
Dover	3,000	79,779	0.18
FKI	53,400	112,140	0.25
General Motors	5,680	89,160	0.20
Georgia-Pacific	4,157	86,380	0.19
Hays	23,916	84,184	0.19
Heidelberg Zement	2,656	111,421	0.25
Henderson Land Development	11,000	46,691	0.10
Illinois Tool Works	1,900	79,752	0.18
IMI	15,953	42,834	0.10
Inktomi	520	4,068	0.01
Intel	1,800	35,685	0.08
Johnson Matthey	15,700	167,676	0.37
Kidde	65,789	51,644	0.11
Mabuchi Motor	500	28,817	0.06
Meggitt	25,837	54,129	0.12
Morgan Crucible	16,639	51,498	0.11
Pace Micro Technology	18,800	95,880	0.21

Portfolio Statement as at 28 February 2001 *(continued)*

	Holding	Market value £	Total net assets %
Parker-Hannifin	2,300	68,619	0.15
Persimmon	14,900	48,947	0.11
Redrow	16,804	40,834	0.09
Smiths	16,470	115,290	0.26
Smiths contingent entitlement	17,300	0	0.00
Sumitomo	20,000	88,551	0.20
Tiffany Douglas	14,465	74,712	0.17
Tomkins	28,777	49,425	0.11
Travis Perkins	6,700	48,542	0.11
Tyco International	2,600	98,516	0.22
United Technologies	1,500	81,027	0.18
Volex	2,400	25,380	0.06
Weir	15,426	38,565	0.09
Wimpey (George)	78,554	153,278	0.34
Wolseley	34,000	160,480	0.36
Consumer Goods 12.04% (29 February 2000– 9.83%)			
American General	2,200	116,292	0.26
American Home Products	2,000	85,648	0.19
Bioglan Pharma	9,800	54,782	0.12
Boots	18,000	112,500	0.25
Bristol-Myers Squibb	3,920	172,328	0.38
British American Tobacco	17,251	96,045	0.21
Cadbury Schweppes	26,800	120,868	0.27
Chugai Pharmaceutical	6,000	59,763	0.13
Debenhams	57,000	201,353	0.45
Diageo	46,000	323,150	0.72
GKN	12,513	100,730	0.22
GlaxoSmithKline	123,905	2,360,390	5.23
Imperial Tobacco	19,000	139,650	0.31
Johnson & Johnson	2,310	155,877	0.35
KAO	3,000	51,960	0.12
Merck & Company	4,150	230,778	0.51
Oxford Glycosciences	2,876	39,186	0.09
Pharmacia	2,300	82,373	0.18
Philip Morris	4,420	147,620	0.33
Rexam	54,266	143,398	0.32
Saint Gobain	880	93,252	0.21
Smith & Nephew	20,847	68,691	0.15
Smith (WH)	12,193	63,526	0.14
Sony	900	44,955	0.10
SSL International	6,767	34,512	0.08
Takeda Chemical	3,000	98,422	0.22
Target	3,400	91,937	0.20
Unilever	3,400	133,050	0.30
Services 21.06% (29 February 2000 – 25.44%)			
Aegis	59,300	77,090	0.17
Aggreko	19,600	87,318	0.19
Albertsons	3,430	69,085	0.15
Arcadia	55,000	90,200	0.20
AstraZeneca	32,300	1,017,127	2.25
Aventis	2,780	155,538	0.35
BAE Systems	36,000	105,840	0.24
Bass	25,541	184,661	0.41
British Airways	42,000	168,945	0.37
British Sky Broadcasting	26,200	251,520	0.56
BTG	9,444	115,689	0.26
Chrysalis	11,500	34,500	0.08

Portfolio Statement as at 28 February 2001 *(continued)*

	Holding	Market value £	Total net assets %
Circuit City Stores	6,430	67,608	0.15
Compass	32,002	176,691	0.39
Daily Mail & General Trust	13,172	107,352	0.24
Davis Service	23,000	75,670	0.17
Deutsche Post	2,508	37,203	0.08
Dixons	46,943	121,348	0.27
EMAP	11,000	98,450	0.22
Exel	11,161	107,146	0.24
Gannett	2,700	123,824	0.27
Gap	4,000	75,491	0.17
Granada	37,822	72,996	0.16
Hilton	127,872	285,155	0.63
Lex Service	22,000	96,360	0.21
Manchester United	45,500	95,550	0.21
Marks & Spencer	52,400	127,332	0.28
May Department Stores	2,600	71,350	0.16
Morrison (WM) Supermarkets	132,990	255,008	0.56
Motorola	4,900	51,504	0.11
National Express	11,852	104,653	0.23
Nokia	8,380	131,679	0.29
P&O (def'd)	35,086	105,433	0.23
P&O Princess Cruises	34,086	125,266	0.28
Pearson	11,073	167,756	0.37
Premier Farnell	29,900	113,620	0.25
Rank	113,565	208,960	0.46
Reed International	35,800	248,452	0.55
Reuters	30,000	320,100	0.71
Safeway	42,720	125,170	0.28
Scottish & Newcastle	14,900	81,056	0.18
Scottish Radio	2,800	44,450	0.10
Secom	2,000	83,822	0.19
Selfridges	33,189	108,030	0.24
Shanks	6,000	10,800	0.02
Signet	219,283	164,462	0.36
Tesco	55,023	144,435	0.32
Thus	13,918	9,325	0.02
Tibbett & Britten	13,800	85,905	0.19
Trafficmaster	21,828	80,764	0.18
UAL	2,000	52,687	0.12
United Business Media	17,589	128,400	0.29
Vodafone	1,250,000	2,346,875	5.20
WPP	14,000	113,680	0.25
Utilities 8.74% (29 February 2000 – 12.51%)			
BG	57,467	152,862	0.34
British Energy	40,313	100,783	0.22
British Telecommunications	120,400	686,280	1.52
Cable & Wireless	66,500	498,750	1.10
Centrica	82,036	192,785	0.43
Colt Telecom	14,316	177,948	0.39
Consolidated Edison	2,800	71,549	0.16
Cordiant Communications	34,781	94,778	0.21
Energis	21,285	96,740	0.21
Exxon Mobil	3,524	198,007	0.44
General Electric	9,000	290,131	0.64
Kelda	35,000	131,250	0.29
Lattice	57,467	73,845	0.16
National Grid	35,264	206,647	0.46

Portfolio Statement as at 28 February 2001 *(continued)*

	Holding	Market value £	Total net assets %
Nippon Telegraph & Telephone	21	95,337	0.21
Nordea	21,500	107,974	0.24
NTT Domoco	9	107,999	0.24
Redstone Telecom	32,400	22,194	0.05
SBC Communications	5,400	178,684	0.40
Scottish Power	44,700	213,443	0.47
Sonera	4,440	33,150	0.07
Sprint PCS	1,700	29,656	0.07
Talisman Energy	2,600	65,395	0.15
Telewest Communications	55,300	72,996	0.16
Time Warner Telecom	1,100	49,288	0.11
Financials 21.88% (29 February 2000 – 18.64%)			
Abbey National	30,600	357,102	0.79
Aberdeen Asset Management	6,400	30,976	0.07
ABN Amro	5,190	79,055	0.18
Alliance & Leicester	29,800	202,640	0.45
Allied Domecq	46,300	197,933	0.44
American International	2,300	130,421	0.29
Amvescap	21,000	288,750	0.64
AXA	2,008	175,271	0.39
Bank of America	3,050	105,628	0.23
Bank of New York	3,100	111,165	0.25
Bank of Scotland	40,283	304,137	0.67
Barclays	32,953	693,002	1.54
BNP Paribas	2,600	147,166	0.33
Bradford & Bingley	7,556	21,799	0.05
British Land	36,000	182,520	0.40
Brittanic	11,700	117,000	0.26
Cattles	39,200	117,012	0.26
CGNU	31,000	311,550	0.69
Cheung Kong	9,000	75,504	0.17
Citigroup	6,800	231,845	0.51
Exchange FS	42,000	9,135	0.02
Fannie Mae	2,850	157,301	0.35
Fortis	8,230	165,004	0.37
Halifax	14,300	100,100	0.22
Hartford Financial Services	2,900	128,292	0.28
HSBC	155,691	1,433,914	3.18
JF Taiwan Funds	7,400	74,934	0.17
Legal & General	116,400	201,954	0.45
Lloyds TSB	111,000	728,160	1.61
Mellon Financial	2,850	91,509	0.20
Nikko Securities	19,000	95,467	0.21
Northern Rock	19,289	95,095	0.21
Orix	300	18,585	0.04
Overseas Union Bank	14,266	46,639	0.10
Provident Financial	18,911	151,099	0.33
Prudential	30,000	284,700	0.63
Roche	20	119,179	0.26
Royal Bank of Scotland	63,000	957,600	2.12
Royal Sun Alliance	27,000	141,750	0.31
Schroders	10,900	128,620	0.28
Standard Chartered	33,839	343,466	0.76
Stilwell Financial	4,550	100,635	0.22
Takefuji	1,100	56,896	0.13
Union Bank of Switzerland	770	85,106	0.19
Wells Fargo	4,900	168,628	0.37
Zurich Financial	354	117,307	0.26

Portfolio Statement as at 28 February 2001 *(continued)*

	Holding	Market value £	Total net assets %
Investment Trusts 0.97% (29 February 2000 – 1.34%)			
3i	10,500	140,700	0.31
Electra Investment Trust	6,881	67,812	0.15
Templeton Emerging Markets	200,000	228,500	0.51
Unit Trusts 4.85% (29 February 2000 – 4.88%)			
FUTM Select American Smaller Companies	260,000	517,270	1.15
FUTM Select UK Smaller Companies	780,000	1,672,710	3.7
Information Technology 7.53% (29 February 2000 – 10.22%)			
Acom	1,300	67,471	0.15
AES	3,040	113,766	0.25
AIT	4,598	53,912	0.12
Anite	64,000	116,480	0.26
AOL Time Warner	4,870	148,653	0.33
Apple Computer	3,700	46,898	0.10
Arm	24,000	74,400	0.16
Autonomy	566	7,924	0.02
Cambridge Antibody Technology	1,800	56,250	0.12
Cap Gemini	900	108,885	0.24
China Unicom	28,000	29,806	0.07
Cisco systems	6,300	103,605	0.23
Compaq Computer	4,700	65,809	0.15
EMC	3,700	102,024	0.23
FI	3,400	12,886	0.03
Fibernet	7,600	48,640	0.11
Filtronic	3,900	13,553	0.03
First Technology	6,139	25,722	0.06
Flextronics International	3,500	64,231	0.14
Guardian	5,200	42,640	0.09
IBM	1,260	87,300	0.19
Imagination Technology	16,700	17,786	0.04
Kon Philips Electronics	5,118	116,692	0.26
Kyocera	800	50,080	0.11
Logica	12,740	175,812	0.39
Marconi	57,500	267,950	0.59
MCDATA	136	1,689	0.00
Microsoft	6,500	265,754	0.59
MISYS	26,596	159,709	0.35
Morse	32,300	126,778	0.28
NSB Retail Systems	15,500	26,738	0.06
Psion	19,000	29,260	0.06
Qualcomm	1,000	37,982	0.08
RM	11,000	61,600	0.14
ROHM	800	89,851	0.20
Sage	13,371	38,910	0.09
Samsung Electronics GDR	1,900	106,836	0.24
SEMA	10,900	59,678	0.13
Spirent	35,971	136,330	0.30
Staffware	1,700	22,950	0.05
Sun Microsystems	4,660	64,114	0.14
TDK	1,300	62,399	0.14
Verisign	330	10,918	0.02
Worldcom	7,350	84,881	0.19
Portfolio of Investments		44,088,147	97.68
Net current assets		1,048,253	2.32
Total net assets		45,136,400	100.00%

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

Balance Sheet as at 28 February 2001

	Notes	28 February 2001	29 February 2000
		£	£
Portfolio of Investments		44,088,147	52,130,517
Net current assets			
Debtors	9	281,064	176,447
Cash and bank balances	10	1,102,446	1,463,856
		1,383,510	1,640,303
<i>Less</i>			
Creditors	11	(36,949)	(173,206)
Distribution payable on income units		(298,308)	(173,206)
		(335,257)	(346,712)
Net current assets		1,048,253	1,293,591
Net assets		45,136,400	53,424,108
Unitholders' Funds		45,136,400	53,424,108

The notes on pages 37 to 41 form part of these accounts.

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

17 November 2004

Summary of Material Portfolio Changes for the year ended 28 February 2001

Purchases	Cost £
HSBC	870,017
Vodafone	519,186
SmithKline Beecham	512,553
BP Amoco	449,965
Cable & Wireless	419,568
Colt Telecom	401,638
Shell Transport & Trading	373,914
Marconi	287,784
Manchester United	214,007
Allied Domecq	207,871
Reed International	206,744
British Airways	195,017
Hilton	189,633
Diageo	188,697
Bristol-Myers Squibb	184,497
Marks & Spencer	179,756
Psion	156,397
Royal & Sun Alliance	152,993
Hartford Financial Services	151,420
Schroders	148,661
Other securities	9,185,916
Total of all purchases for the year	£15,196,234

Sales	Proceeds £
Royal Bank of Scotland	570,017
Lloyds TSB	438,754
Vodafone	388,238
SmithKline Beecham	338,506
Pearson	327,249
Glaxo Wellcome	324,827
Cable & Wireless	313,177
BP Amoco	311,300
Legal & General	288,463
British Sky Broadcasting	281,721
Allied Zurich	280,686
Energis	258,566
Tesco	248,596
Exel	241,623
CMG	238,040
Barclays	237,886
Prudential	236,664
Shell Transport & Trading	224,053
Electra Investment Trust	213,306
Diageo	207,384
Other securities	15,386,676
Total of all sales for the year	£21,355,732

Distribution Statement

Final distribution

Group A—Units purchased prior to 1 September 2000

Group B—Units purchased 1 September 2000 to 28 February 2001

	Gross income	Tax at 10%	Net income	Equalisation	Distribution payable	Distribution paid
	pence per unit	pence per unit	pence per unit	pence per unit	15 April 2001 pence per unit	28 April 2000 pence per unit
Group A	7.38	0.74	6.64	0.00	6.64	3.42
Group B	4.47	0.45	4.02	2.62	6.64	3.42

Interim distribution

Group A—Units purchased prior to 1 March 2000

Group B—Units purchased 1 March 2000 to 31 August 2000

	Gross income	Tax at 10%	Net income	Equalisation	Distribution paid	Distribution paid
	pence per unit	pence per unit	pence per unit	pence per unit	15 October 2000 pence per unit	15 November 1999 pence per unit
Group A	14.07	1.41	12.66	0.00	12.66	7.10
Group B	5.08	0.51	4.57	8.09	12.66	7.10

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

Details of amounts distributed are provided in note 7.

Notes to the Financial Statements

1 Accounting policies

Basis of accounting

The accounts are subject to an Accounts Direction (as detailed on page 42) issued by Treasury and are prepared under the historic cost basis as modified by the revaluation of investments and in accordance with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997.

Accounting period end date

The Accounts Direction requires accounts to be prepared for each year of one year ending on the last day of February. The accounts for the period 1 March 2000 to 28 February 2001 will be presented under Section 45 of the Administration of Justice Act 1982.

Valuation

Listed investments have been valued at mid-market value at 28 February 2001.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate at close of business on 28 February 2001.

Income

Dividends receivable from equity investments are credited to the income account when they are first quoted ex-dividend.

Expenses

Expenses of the Fund are charged against income.

Distribution policy

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

Prior period comparatives

The comparatives used are the audited figures covering the period from 20 July 1999 to 29 February 2000.

2 Net losses on investments

The net losses on investments during the year comprise

	28 February 2001	29 February 2000
	£	£
Proceeds from sales of investments during the year	21,355,732	37,039,260
Original cost of investments sold during the year	(18,229,999)	(31,557,597)
Gains realised on investments sold during the year	3,125,733	5,481,663
Net appreciation thereon already recognised in earlier years	(2,046,664)	(6,616,620)
	1,079,069	(1,134,957)
Net unrealised (depreciation)/appreciation for the year	(2,961,941)	1,068,777
Net losses on investments	(1,882,872)	(£66,180)

3 Other losses

	28 February 2001	29 February 2000
	£	£
Other losses comprise		
Currency losses	(42,846)	(46,849)

4 Total income

	28 February 2001	29 February 2000
	£	£
UK dividends	816,832	472,396
Overseas dividends	165,639	65,945
Bank interest	56,007	53,024
	1,038,478	591,365

5 Expenses

	28 February 2001	29 February 2000
	£	£
<i>Payable to the Investment Manager, associates of the Investment Manager and agents of either of them</i>		
Investment Manager's periodic charge	255,209	159,497

6 Taxation

	28 February 2001	29 February 2000
	£	£
Overseas tax	23,723	9,637

7 Distributions

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

	28 February 2001	29 February 2000
	£	£
<i>Interim</i> Dividend distribution	604,410	365,537
<i>Final</i> Dividend distribution	298,308	173,506
	902,718	539,043
<i>Add</i> Income deducted on cancellation of units	35,446	1,979
<i>Deduct</i> Income received on creation of units	0	(473)
Net distribution for the year	938,164	540,549

Details of the distribution per unit are set out in the table on page 36.

8 Movement between net income and distributions

	28 February 2001	29 February 2000
	£	£
Net income after taxation	759,546	422,231
<i>Add</i> undistributed income brought forward	132	72,282
<i>Less</i> undistributed income carried forward	(319)	(132)
Amounts transferred from capital	178,805	46,168
Distributions	938,164	540,549

9 Debtors

	28 February 2001	29 February 2000
	£	£
Due for units created	0	54
Accrued income	152,702	111,644
Income tax recoverable	18,581	18,581
Other debtors	95,672	46,168
Overseas tax recoverable	14,109	0
	281,064	176,447

10 Cash and bank balances

	28 February 2001	29 February 2000
	£	£
Cash and bank balances	<u>1,102,446</u>	<u>1,463,856</u>

11 Creditors

	28 February 2001	29 February 2000
	£	£
Accrued expenses	<u>36,949</u>	<u>173,206</u>
	<u>36,949</u>	<u>173,206</u>

12 Units in issue

The number of units in issue at the end of the year was 4,492,594 (29 February 2000: 5,073,263).

13 Contingent liabilities

The aggregate contingent liabilities not provided for at the balance sheet date was nil (29 February 2000: nil).

14 Related party transactions

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

JP Morgan Fleming Asset Management (UK) Limited, formerly Fleming Investment Management Limited, who provide investment management services could be regarded as a related party (as defined by FRS 8). Investments made on behalf of the Fund include those in JPMF unit trusts, which had a market value of £2,189,980 at 28 February 2001 (£2,537,682 at 29 February 2000).

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

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

15 Financial instruments

In pursuing its investment objective as stated on page 20, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

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

Market price risk

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

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

Foreign currency risk

At the year end date, 23.19% (29 February 2000: 25.57%) of the net assets of the fund were denominated in currencies other than sterling, with the effect that the balance sheet and total return can be significantly affected by currency movements.

	28 February 2001	29 February 2000
	£	£
US Dollar	5,980,180	7,229,994
Euro	2,337,401	2,701,499
Japanese Yen	1,214,710	2,672,308
Swiss Francs	322,492	393,133
Canadian Dollar	180,238	131,389
Hong Kong Dollar	152,001	148,641
Australian Dollar	127,100	95,830
Swedish Krona	107,974	212,047
Singapore Dollar	46,639	74,324
	<u>10,468,735</u>	<u>13,659,165</u>

Interest rate risk

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

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

Liquidity risk

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

Credit risk

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

Common Investment Funds

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

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

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

26 May 2004

Common Investment Scheme: High Yield Fund

Investment Manager's Foreword

Statutory background

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

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

Role of Court Funds Office

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

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

Fund Information

The objective of the High Yield Fund is to secure a high income yield which, will grow together with modest capital growth as befits a high yield portfolio. The accounts show the investment of funds in UK Equities and UK Gilt Securities. The Distribution Statement on page 57 and note 7 to the accounts also provides details of the dividends declared.

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

High Yield Fund	Ex-dividend	1 September	Pay Date	15 October
	Ex-dividend	1 March	Pay Date	15 April

The Investment Manager produced an annual investment report for the period ending 28 February 2001. This report provides further details on asset allocation; financial performance; including portfolio commentary; a review of the year; and market outlook. This report is available from the Accountant General of the Supreme Court and can be obtained from the Court Funds Office, 22 Kingsway, London, WC2B 6LE.

Merger with Capital Fund

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

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

Accounts and Audit

These accounts are in respect of the High Yield Fund for the period 1 March 2000 to 28 February 2001 and have been prepared in accordance with a Direction issued by Treasury under section 45(2) of the Act as detailed on page 64.

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

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

17 November 2004

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

Lord Chancellor's responsibilities

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

Under section 42(2) of the Act, the Common Investment Schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the Common Investment Funds established. As indicated on page 43, the Lord Chancellor appointed JP Morgan Fleming Asset Management (UK) Limited, formerly Fleming Investment Management Limited, to be Investment Manager for the period from 20 July 1999 to 31 August 2003.

Investment Manager's responsibilities

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

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

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

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

Statement of Internal Control

1 Introduction

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

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

2 Scope of responsibility

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

3 The purpose of the system of internal control

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of JPMFAM's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in JPMFAM(UK) between July 1999 and August 2003 (the point at which responsibility for these funds was transferred) and accords with the requirements of the combined code and the requirements of the Financial Services Authority (FSA).

4 Capacity to handle risk

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

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

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

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

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

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

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

5 The risk and control framework

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

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

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

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

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

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

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

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

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

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

6 Review of effectiveness

As Chief Executive Officer for JPMFAM(UK) and as investment manager for the Common Investment Funds, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within JPMFAM who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

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

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

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

17 November 2004

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

I certify that I have audited the financial statements of the Common Investment High Yield Fund on pages 51 to 63 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 58.

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 43, the Lord Chancellor appointed by JP Morgan Asset Management to be the Investment Manager for the Common Investment Capital Fund for the period from 20 July 1999 to 21 August 2003.

The Investment Manager's responsibilities

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

The Auditor's responsibilities

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

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

I also report if in my opinion the Investment Manager's Foreword on page 43 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 46 to 48 reflects the Investment Manager's governance and internal control arrangements. I report if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Investment Manager's statement covers all risks and controls. I am also not required to form an opinion on the effectiveness of JP Morgan Fleming Asset Management (UK) Limited's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In my opinion

- the financial statements give a true and fair view of the financial position of the Common Investment High Yield Fund at 28 February 2001 and of the net income and movements in net assets for the year then ended;
- the financial statements have been properly prepared in accordance with the Administration of Justice Act 1982 and directions made thereunder by the Treasury; and
- in all material respects the financial transactions of the Fund during the year ending 28 February 2001 conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

2 December 2004

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

Statement of Total Return for the year ended 28 February 2001

	28 February 2001		29 February 2000	
	£	£	£	£
Net gains/(losses) on investments during the year (Note 2)	1,527,389		(2,249,299)	
Other losses (Note 3)	(39)		0	
Total income (Note 4)	470,803		333,519	
Expenses (Note 5)	(64,394)		(46,511)	
Net income before taxation	406,409		287,008	
Taxation (Note 6)	34,011		(59,099)	
Net income after taxation for the year	440,420		227,909	
Total return for the year	1,967,770		(2,021,390)	
Distributions (Note 7)	(441,860)		(331,270)	
Net increase/(decrease) in unitholders' funds from investment activities	1,525,910		(2,352,660)	

Statement of Movements in Unitholders' Funds for the year ended 28 February 2001

	28 February 2001		29 February 2000	
	£	£	£	£
Net assets at the start of the year	12,516,764		15,774,447	
Movement due to sales and repurchase of units				
Less Amounts paid on cancellation of units	(3,010,871)		(905,023)	
Net cash out of Fund	(3,010,871)		(905,023)	
Net increase/(decrease) in unitholders' funds from investment activities (see above)	1,525,910		(2,352,660)	
Net assets at the end of the year	11,031,803		12,516,764	

The notes on pages 58 to 63 form part of these accounts

Portfolio Statement as at 28 February 2001

	Holding	Market value £	Total net assets %
Mineral Extraction 11.96% (29 February 2000 – 10.07%)			
Billiton	20,500	65,293	0.59
BP Amoco	121,000	693,330	6.29
Enterprise Oil	4,000	25,320	0.23
Imperial Chemical Industries	6,000	30,930	0.28
Lonmin	5,000	51,900	0.47
Rio Tinto	8,000	102,000	0.92
Shell Transport & Trading	61,000	350,750	3.18
General Manufacturers 6.84% (29 February 2000 – 5.17%)			
AMEC 6.5% cum red pref	37,000	73,908	0.67
BAE Systems 7.75% CV	50,000	72,375	0.66
BAE Systems 7.75p cum red pref	20,000	30,850	0.28
BAE Systems	11,000	32,340	0.29
Balfour Beatty	32,000	47,680	0.43
BOC	3,300	33,792	0.31
BPB	10,000	30,275	0.27
Cookson	15,000	25,350	0.23
Corus	20,000	14,400	0.13
Elementis	22,000	21,780	0.20
Enodis	12,000	23,940	0.22
Fairey	5,500	26,813	0.24
FKI	12,000	25,200	0.23
Invensys	18,000	27,945	0.25
Johnson Matthey	2,300	24,564	0.22
Kidde	44,333	34,801	0.32
Rexam	21,000	55,493	0.50
RMC	4,000	31,160	0.28
Smiths	9,520	66,640	0.60
Smiths (contingent)	12,000	0	0.00
Wimpey (George)	29,000	56,586	0.51
Consumer Goods 12.57% (29 February 2000 – 11.79%)			
Alliance Unichem	2,070	11,127	0.10
Allied Domecq	16,000	68,400	0.62
AstraZeneca	4,000	125,960	1.14
Cadbury Schweppes	10,000	45,100	0.41
Diageo	14,000	98,350	0.89
GlaxoSmithKline	39,462	751,751	6.81
Gallaher	13,000	58,890	0.53
GKN	4,900	39,445	0.36
Imperial Tobacco	7,400	54,390	0.49
Northern Foods	23,973	32,483	0.29
SSL International	10,000	51,000	0.46
Unilever	10,000	51,700	0.47
Services 15.22% (29 February 2000 – 15.33%)			
Ashtead	31,000	39,680	0.36
BBA	16,000	30,560	0.28
Bass	7,802	56,408	0.51
Boots	4,441	27,756	0.25
British Sky Broadcasting	9,000	86,400	0.78
Chubb	16,333	24,336	0.22
Colt Telecom	1,000	12,430	0.11
Compass	8,568	47,306	0.43
Cordiant Communications	13,000	35,425	0.32

Portfolio Statement as at 28 February 2001 *(continued)*

	Holding	Market value	Total net assets
		£	%
Daily Mail & General Trust (non voting)	2,200	17,930	0.16
Davis Service	15,000	49,350	0.45
EMAP	5,000	44,750	0.41
Exel	4,000	38,400	0.35
Fibernet	1,583	10,132	0.09
Firstgroup	24,000	73,200	0.66
Granada	8,568	16,536	0.15
Great Universal Stores	9,000	49,230	0.45
Hilton	16,000	35,680	0.32
Johnston Press	7,000	22,400	0.20
Kingfisher	9,000	44,460	0.40
Lex Service	14,000	61,320	0.56
Mersey Dock & Harbour	4,000	21,740	0.20
National Express	4,800	42,384	0.38
Next	4,200	35,490	0.32
P & O (dfd)	12,000	36,060	0.33
P & O Princess Cruises	12,000	44,100	0.40
Premier Farnell	9,000	34,200	0.31
Rank	20,000	36,800	0.33
Reed International	8,000	55,520	0.50
Reuters	9,000	96,030	0.87
Scottish & Newcastle	11,000	59,840	0.54
Selfridges	13,000	42,315	0.38
Shanks	14,400	25,920	0.24
SMG	11,000	26,840	0.24
Smith (WH)	8,000	41,680	0.38
St Ives	7,000	29,575	0.27
Tesco	45,000	118,125	1.07
Thus	5,000	3,350	0.03
Trinity Mirror	10,000	48,350	0.44
United Business Media	8,000	58,400	0.53
Utilities 9.73% (29 February 2000 – 13.97%)			
BG	23,000	61,180	0.56
British Telecommunications	44,700	254,790	2.31
Cable & Wireless	16,000	120,000	1.09
Energis	10,000	45,450	0.41
Kelda	11,400	42,750	0.39
Kingston Communications	3,000	4,290	0.04
Lattice	23,000	29,555	0.27
National Grid	10,000	58,600	0.53
Scottish Power	14,300	68,283	0.62
Scottish and Southern Energy	9,000	55,800	0.51
Telewest Communications	8,000	10,560	0.10
Vodafone	170,300	319,738	2.90
Financials 25.28% (29 February 2000 – 22.35%)			
Abbey National	17,000	198,390	1.80
Alliance & Leicester	14,000	95,200	0.86
Amvescap	2,000	27,500	0.25
Barclays	16,285	342,474	3.10
Bradford & Bingley	14,000	40,390	0.37
Britannic	12,000	120,000	1.09
British Land	18,799	95,311	0.86
Brixton Estate	21,000	50,820	0.46
Cattles	18,000	53,730	0.49
CGNU	20,410	205,121	1.86
Close Brothers	2,000	18,150	0.17

Portfolio Statement as at 28 February 2001 *(continued)*

	Holding	Market value £	Total net assets %
Garban-Intercapital	8,000	36,000	0.33
Halifax	11,000	77,000	0.70
HSBC	54,903	505,657	4.58
Legal & General	69,000	119,715	1.09
Lloyds TSB	37,000	242,720	2.20
Provident Financial	8,000	63,920	0.58
Prudential	10,000	94,900	0.86
Royal & Sun Alliance Insurance	16,000	84,000	0.76
Royal Bank of Scotland	15,000	228,000	2.07
Schroders	2,572	28,035	0.25
Slough Estates 8.25% cum pref	36,000	60,570	0.55
Investment Trusts 0.49% (29 February 2000 – 0.36%)			
3i	4,000	53,600	0.49
Government Securities 14.45% (29 February 2000 – 17.60%)			
Conversion 9% 2011	£182,600	245,323	2.22
Treasury 7% 2002	£117,400	120,083	1.09
Treasury 6.5% 2003	£143,400	148,527	1.35
Treasury 6.75% 2004	£138,000	145,845	1.32
Treasury 8.5% 2005	£137,800	157,540	1.43
Treasury 7.5% 2006	£189,400	212,488	1.93
Treasury 7.25% 2007	£55,000	61,974	0.56
Treasury 5.75% 2009	£125,000	132,719	1.20
Treasury 8% 2021	£105,000	152,292	1.38
Treasury 6% 2028	£81,000	101,453	0.92
Treasury 4.25% 2032	£118,000	116,277	1.05
Information Technology 2.88% (29 February 2000 – 0.76%)			
Arm Holdings	4,000	12,400	0.11
Cedar	10,000	29,000	0.26
Filtonic	3,000	10,425	0.09
Logica	1,760	24,288	0.22
Marconi	17,000	79,220	0.72
MISYS	8,000	48,040	0.44
Morse	7,000	27,475	0.25
Parity	18,000	26,550	0.24
Psion	5,500	8,470	0.08
RM	4,100	22,960	0.21
Spirent	7,492	28,395	0.26
Portfolio of Investments		10,968,362	99.42
Net current assets		63,441	0.58
Total net assets		11,031,803	100.00%

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

Balance Sheet as at 28 February 2001

	Notes	28 February 2001	29 February 2000
		£	£
Portfolio of Investments		10,968,362	12,191,535
Net current assets			
Debtors	9	209,870	119,793
Cash and bank balances	10	329,856	844,389
		<u>539,726</u>	<u>964,182</u>
<i>Less</i>			
Creditors	11	(309,927)	(469,496)
Distribution payable on income units		(166,358)	(169,457)
		<u>(476,285)</u>	<u>(638,953)</u>
Net current assets		63,441	325,229
Net assets		11,031,803	12,516,764
Unitholders' Funds		11,031,803	12,516,764

The notes on pages 58 to 63 form part of these accounts.

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

17 November 2004

Summary of Material Portfolio Changes for the year ended 28 February 2001

Purchases	Cost £
Conversion 9% 2011	398,247
Treasury 8% 2000	192,023
Treasury 5.75% 2009	166,832
Treasury 4.25% 2032	149,072
Treasury 6.75% 2004	143,717
Williams	112,482
British Sky Broadcasting	105,731
BAE Systems 3.75% CV Bonds	104,163
Vodafone	98,438
Treasury 8% 2021	95,442
Treasury 7% 2002	93,463
Cable & Wireless	93,159
Treasury 6% 2028	85,934
Treasury 7.25% 2007	62,035
Energis	60,752
St Ives	58,158
Misys	57,428
Scott and Southern Energy	56,658
Trinity Mirror	54,565
Marks & Spencer	53,094
Other securities	2,191,176
Total of all purchases for the year	£4,432,569
Sales	Proceeds £
Treasury 8% 2000	326,994
Treasury 5.75% 2009	315,873
Treasury stock 5% Bonds 2004	309,759
Royal Bank of Scotland	295,240
Conversion 9% 2011	229,925
AstraZeneca	187,540
British Telecommunications	183,981
Treasury 6.5% 2003	174,198
Treasury 6% 2028	165,580
Carlton Communications	158,365
Chubb	156,753
Tomkins	153,135
Treasury 8.5% 2005	142,884
Allied Zurich	140,605
Lloyds TSB	135,369
Treasury 8% 2021	130,226
Glaxo Wellcome	128,990
BAA	126,890
Shell Transport & Trading	122,461
Imperial Tobacco	108,331
Other securities	3,490,034
Total of all sales for the year	£7,183,133

Distribution Statement

Final distribution

Group A—Units purchased prior to 1 September 2000

Group B—Units purchased on 1 September 2000 to 28 February 2001

	Gross income	Tax at 10%	Net income	Equalisation	Distribution	
	pence per unit	pence per unit	pence per unit	pence per unit	payable 15 April 2001 pence per unit	paid 28 April 2000 pence per unit
Group A	8.07	0.81	7.26	0.00	7.26	5.80
Group B	8.07	0.81	7.26	0.00	7.26	5.80

Interim distribution

Group A—Units purchased prior to 1 March 2000

Group B—Units purchased 1 March 2000 to 31 August 2000

	Gross income	Tax at 10%	Net income	Equalisation	Distribution	
	pence per unit	pence per unit	pence per unit	pence per unit	paid 15 October 2001 pence per unit	paid 1 October 2000 pence per unit
Group A	10.18	1.02	9.16	-	9.16	5.02
Group B	2.82	0.28	2.54	6.62	9.16	5.02

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

Details of amounts distributed are provided in note 7.

Notes to the Financial Statements

1 Accounting policies

Basis of accounting

The accounts are subject to an Accounts Direction issued by Treasury (as detailed on page 64) and are prepared under the historical cost basis as modified by the revaluation of investments and in accordance with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Unit Trust Schemes issued by IMRO in January 1997.

Accounting period end date

The Accounts Direction requires accounts to be prepared for each year of one year ending on the last day of February. The accounts for the period 1 March 2000 to 28 February 2001 will be presented under Section 45 of the Administration of Justice Act 1982.

Valuation

Listed investments have been valued at mid-market value at 28 February 2001, net of any accrued interest which is included in the balance sheet as an income related item.

Income

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

Expenses

Expenses of the Fund are charged against income.

Interest on Fixed Interest Securities Bought and Sold

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

Distribution policy

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

Prior period comparatives

The comparatives used are the audited figures covering the period from 20 July 1999 to 29 February 2000.

2 Net gains/(losses) on investments

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

	28 February 2001	29 February 2000
	£	£
Proceeds from sales of investments during the year	7,183,133	8,303,533
Original cost of investments sold during the year	(6,355,776)	(8,423,878)
Gains/(losses) realised on investments sold during the year	827,357	(120,345)
Net depreciation/(appreciation) thereon already recognised in earlier year	102,307	(306,204)
	929,664	(426,549)
Net unrealised appreciation/(depreciation) for the year	597,725	(1,822,750)
Net gains/(losses) on investments	1,527,389	(2,249,299)

3 Other losses

	28 February 2001	29 February 2000
	£	£
Other losses comprise		
Losses on forward foreign exchange contracts	(39)	0

4 Total income

	28 February 2001	29 February 2000
	£	£
UK Dividends	329,561	241,515
Interest on debt securities	117,730	88,634
Bank interest	23,512	3,370
	470,803	333,519

5 Expenses

	28 February 2001	29 February 2000
	£	£
Payable to the Investment Manager, associates of the Investment Manager and agents of either of them		
Investment Manager's periodic charge	64,394	46,511

6 Taxation

	28 February 2001	29 February 2000
	£	£
Corporation tax at 20%	15,370	17,052
Deferred tax	0	(7,953)
Prior period adjustment	619	0
Provision for corporation tax	(50,000)	50,000
	(34,011)	59,099

7 Distributions

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

	28 February 2001	29 February 2000
	£	£
<i>Interim</i> Dividend distribution	242,169	154,512
<i>Final</i> Dividend distribution	166,358	169,457
	408,527	323,969
<i>Add</i> Income deducted on cancellation of units	33,333	7,301
Net distribution for the year	441,860	331,270

Details of the distribution per unit are set out in the table on page 57.

8 Movement between net income and distributions

	28 February 2001	29 February 2000
	£	£
Net income after taxation	440,420	227,909
<i>Add</i> undistributed income brought forward	13,256	116,617
<i>Less</i> undistributed income carried forward	(11,816)	(13,256)
Distributions	441,860	331,270

9 Debtors

	28 February 2001	29 February 2000
	£	£
Accrued income	67,441	74,047
Other debtors	45,746	45,746
Sales awaiting settlement	96,683	0
	209,870	119,793

10 Cash and bank balances

	28 February 2001	29 February 2000
	£	£
Cash and bank balances	329,856	844,389

11 Creditors

	28 February 2001	29 February 2000
	£	£
Accrued expenses	25,692	45,004
Due for cancellation of units	126,822	0
Purchases awaiting settlement	10,490	243,558
Corporation tax payable	38,624	22,635
Income tax payable	12,627	12,627
Provision for corporation tax	0	50,000
Prior period distribution payable - High Yield Fund	77,903	77,903
Prior period distribution payable – Gross Income Fund	17,769	17,769
	309,927	469,496

12 Units in issue

The number of units in issue at the end of the year was 2,291,430 (28 February 2000: 2,921,681).

13 Contingent liabilities

The aggregate contingent liabilities not provided for at the balance sheet date was nil (29 February 2000: nil).

14 Related party transactions

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

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

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

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

15 Financial instruments

In pursuing its investment objective as stated on page 43, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

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

Market price risk

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

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

Interest rate risk

At the year end date, 17.44% (29 February 2000: 24.34%) of the Fund's assets by value were interest bearing.

The tables below detail the interest rate profile of the Fund's assets as at the year end.

Table 1 as at 28 February 2001

	Total value £	Fixed rate £	Floating rate £	Weighted average interest rate %	Weighted average period (years)
Government stock					
UK sterling	1,594,521	1,594,521	0	7.2%	9.9
Cash at bank					
UK sterling	329,856	0	329,856		
	<u>1,924,377</u>	<u>1,594,521</u>	<u>329,856</u>		

The benchmark rate is LIBOR.

Table 2 as at 29 February 2000

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

Liquidity risk

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

Credit risk

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

Administration of Justice Act 1982: 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 20 July 1999 to 29 February 2000 and thereafter for each period of one year ending on the last day of February until the final period from 1 March to 31 August 2003, accounts in respect of the
 - I Capital Fund; and
 - II High Yield Fund.
- 2 The accounts for each of the Funds referred to above shall give a true and fair view of the disposition of the assets and liabilities of the Fund at the year end and of the net income and movement in the net assets of the Fund for the year. Subject to the foregoing requirement, and without limiting the information given, each account shall reflect best commercial accounting practices.
- 3 The Report and accounts shall include
 - a a Foreword;
 - b a Statement of responsibilities;
 - c a Statement on Internal Control;
 - d a Statement of Total Return;
 - e a Statement of Movements in Unitholder's Funds;
 - f a Portfolio Statement;
 - g a Balance Sheet;
 - h a Summary of Material Portfolio Changes; and
 - i a Distribution Statement.

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

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

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

26 May 2004

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