

JUDICATURE (NORTHERN IRELAND) ACT 1978

Funds in Court in Northern Ireland

Statement of Accounts 2019-2020

Accounts of Funds in Court of the Court of Judicature of Northern Ireland and of the county courts in Northern Ireland in respect of the year ended 31 March 2020 together with the Certificate and Report of the Comptroller and Auditor General thereon.

*Laid before the Northern Ireland Assembly
under section 78(3) of the Judicature (Northern Ireland) Act 1978,
as amended by Schedule 18 Paragraph 22 of the Northern Ireland Act 1998
(Devolution of Policing and Justice Functions) Order 2010
by the Department of Justice on behalf of the Comptroller and Auditor General*

on

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Performance Report

Overview

This overview provides a summary of the activities and performance of the Court Funds Office for the year ended 31 March 2020.

Foreword by the Accountant General

I present the Statement of Accounts for Funds in Court in Northern Ireland for the year ended 31 March 2020.

The Court Funds Office (CFO), which is a business unit of the Northern Ireland Courts and Tribunals Service (NICTS), continues to administer the funds held in court on behalf of minors and individuals who are deemed incapable of managing their own affairs by way of mental incapacity. As at 31 March 2020, almost £300m was held in court.

I was appointed to the role of Accountant General from 3 August 2020. I would like to place on record my gratitude to Peter Luney for his stewardship of the funds in court since February 2017. I look forward to continuing to work with Peter in his new role as NICTS Chief Operating Officer.

As part of the ongoing programme of modernisation a consultation document was issued in February 2019. The consultation period lasted for 12 weeks, closing in May 2019. The purpose of the consultation was to seek views on the future role of the court and how the funds currently under the control of the court should be managed in future. NICTS had committed to carrying out a public consultation on the management of minors' and patients' funds in response to the recommendations of the Public Accounts Committee.

A response to the consultation was published in December 2019. As a result of the responses received, it was decided that there would be no change regarding the extent to which funds are lodged in court. However, NICTS proposed that steps are taken to introduce a modern and more flexible approach in the management of minors' and patients' funds, for which significant legislative change would be required. It is hoped that such changes can be incorporated in the Miscellaneous Justice Bill in 2021.

Towards the end of March 2020, the COVID-19 pandemic presented CFO with a number of immediate challenges. I am pleased to report that the staff in CFO met these challenges head-on and continued to provide essential services to some of the most vulnerable members of society.

In closing, I would like to thank the staff of CFO for their commitment and hard work during the year, and particularly when responding to the COVID-19 pandemic. Despite the challenges faced, the staff continue to deliver a high quality service to all clients.



Anthony Harbinson
*Accountant General of the
Court of Judicature of Northern Ireland*

Statement of Purpose and Activities

The Court Funds Office

The Court Funds Office conducts the business of the Accountant General of the Court of Judicature of Northern Ireland and has been delegated the administrative responsibilities for funds in court. CFO is an office of the court, but administratively it operates as a discrete business unit within the Northern Ireland Courts and Tribunals Service, an agency of the Department of Justice (DoJ). It manages the funds held in court on behalf of clients, including:

- those who are deemed by the court to be incapable of managing their own affairs due to mental incapacity, or those who are wards of court. These cases relate predominately to the Court of Judicature.
- minors for whose benefit funds are lodged into court, usually as a result of a compensation award. These funds are held in court until the client claims their fund after they reach 18 years old, unless a court order instructs otherwise. These cases will arise both in the Court of Judicature and county courts.
- suitors involved in legal action where money is paid into CFO. These are cases in the Court of Judicature or the county courts. Monies are lodged into court in satisfaction or against costs as a token of intention to proceed with civil litigation. CFO will hold such monies until authorised to release them.

In addition, CFO holds funds for the Chancery Division of the Court of Judicature which acts as a receiver of last resort for the assets of individuals, partnerships or companies. CFO also holds all monetary bails received in the Court of Judicature and the county courts. Bails are retained by CFO until the court directs them to be remitted once the case has been dealt with.

The Accountant General is required to keep proper accounts in respect of funds held in court, in accordance with section 78(1) of the Judicature (Northern Ireland) Act 1978 (“the 1978 Act”). Where reference is made to the 1978 Act in this document, it should be interpreted to mean the 1978 Act, as amended by Schedule 18 (22) of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

This Statement of Accounts has been prepared in accordance with the direction given by the Department of Finance (DoF) in pursuance of section 78(2) of the 1978 Act.

CFO operates under the Court Funds Rules (Northern Ireland) 1979 (“the Rules”). Following the devolution of justice, the rules are made by DoJ with the concurrence of DoF, in exercise of the powers conferred by section 82(1) of the 1978 Act.

Bank accounts

The Accountant General is required by section 79(1) of the 1978 Act to maintain a bank account for the receipt and payment of Court of Judicature and county court monies. Accounts for this purpose are held with Danske Bank, enabling the Accountant General to meet the immediate cash requirements of CFO clients.

Monies in excess of the amount required to satisfy current demands are transferred to the Commissioners for the Reduction of National Debt (CRND) for investment. Funds are then drawn down from CRND, through the NICTS Investment Account, when additional money is required for investment transactions or to meet payments out of court.

Funds held with the Commissioners for the Reduction of National Debt

In accordance with the Rules, the Accountant General operates two interest bearing accounts, namely a deposit account and a short term investment account. The funds in these accounts are held by CRND, whose main function is the investment and management of major government funds.

The rates of interest paid to clients with funds in these accounts are set by a direction from DoJ with the concurrence of DoF and for the year ended 31 March 2020 the rates were as follows:

- Deposit account 0.10%
- Short term investment account 0.75% (to 20 March 2020)
0.25% (from 21 March 2020)

Funds held on behalf of minors and persons under disability are held in the short term investment account. Other funds are held in the deposit account in accordance with the Rules.

The deposits with CRND are operated in accordance with the Administration of Justice Act 1982 (“the 1982 Act”). Where reference is made to the 1982 Act in this document, it should be interpreted to mean the 1982 Act, as amended by Schedule 18 (22) of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

Income generated by the deposits with CRND is used to pay the interest on the above accounts and, where sufficient funds have been generated, to contribute to the costs of administering the funds in court. Any residual surplus in a financial year, after the deduction of the above, is due to the Northern Ireland Consolidated Fund in accordance with section 39(2) of the 1982 Act. Section 39(3) of the 1982 Act provides for any deficiency in a financial year to be made good from the Northern Ireland Consolidated Fund.

Section 39(5) of the 1982 Act provides a guarantee by the Northern Ireland Consolidated Fund for the amounts paid to CRND by the Accountant General.

The arrangements between CRND and CFO in respect of the investment service provided by CRND are set out in a Memorandum of Understanding.

During 2019-20 the funds held with CRND were largely invested in overnight and short-term deposits with the Debt Management Account Deposit Facility, which is a government deposit facility. This facility enables the funds to earn a return closely related to the Bank of England base rate whilst protecting the capital and maintaining liquidity.

The funds held with CRND form the NICTS Investment Account. CRND prepare accounts under a separate direction issued by DoF. These accounts are audited separately and, since the devolution of justice powers, laid in the Northern Ireland Assembly.

Investment of funds held in court

Funds in court are held as both cash and securities. The securities held include the deposit holdings with CRND with additional holdings in government stocks and other securities. All funds held in court are vested in the name of the Accountant General and invested in accordance with orders of the court in securities designated within statutory rules.

Principal Risks and Uncertainties

Risk management is integrated into the activities of NICTS by linking risk directly to the achievement of objectives. NICTS implements effective risk management arrangements, which are detailed in a Risk Management Policy Statement. These include developing, monitoring and reviewing an Agency Risk Register which identifies the key risks, those responsible for ensuring that the risks are managed, and the action that will be taken to manage/mitigate them.

Senior management are responsible for the day to day management of risk, with the Agency Board owning the overall risk management framework. The Head of CFO is responsible for ensuring the management systems within CFO are robust in respect of accountability, critical challenge and oversight of risk. Risk management is taken forward as an integral part of the business planning process and is monitored on a quarterly basis by the NICTS Audit and Risk Assurance Committee.

There are seven risks appearing on the CFO Risk Register at the end of 2019-20:

Risk 1: Investment risk

Risk 2: Failure to progress outstanding NIAO VFM review or PAC recommendations

Risk 3: Incorrect / inconsistent data

Risk 4: Fees not applied correctly

Risk 5: Cost recovery shortfall

Risk 6: Compliance with General Data Protection Regulations

Risk 7: Brexit

Towards the end of March 2020, the COVID-19 pandemic presented CFO with a number of immediate challenges. Any appropriate risks associated with the pandemic will feature on the 2020-21 Risk Register.

Performance Summary

Number of cases

The number of minor and patient cases with funds in court increased from 12,767 at 31 March 2019 to 12,852 at 31 March 2020. During the year, a total of 1,491 minor and patient cases were paid out in full with funds being received for 1,576 new cases.

CFO operational performance

A number of performance targets relating to CFO were published in the NICTS Business Plan for 2019-20. The targets (and the performance achieved) are as follows:

Task	Measure of Performance	Target	Achieved
Receipts	Receipt transactions will be posted on the day of receipt in respect of cheques, cash and money orders	95.0%	97.5%
	Receipt transactions will be posted within two working days of receipt in the bank in respect of direct credits	95.0%	98.6%
	Receipts will be posted within seven working days of the Registrar's payment date in respect of dividends	90.0%	99.9%
Payments	Payments will be made within five working days of receiving the relevant paperwork in respect of payments made: <ul style="list-style-type: none"> ○ to minors reaching 18 years old; ○ on foot of a court order or invoice; or ○ on receipt of a Notice of Acceptance 	95.0%	99.6%
	Regular payments will be made on or before the due date	95.0%	99.9%
Investments	Transactions will be completed within five working days of the relevant trade date in respect of sales and purchases of stock	98.0%	99.7%
Customer Services	Letters of confirmation that funds have been received by the Court Funds Office will be issued within five working days of receipt of funds in full in respect of minor cases	95.0%	99.7%
Accounts	Draft accounts to be issued to Comptroller and Auditor General for Northern Ireland in line with statutory deadline	By 30/11/19	Issued 11/06/19

All eight targets were achieved in 2019-20.

Modernisation of CFO

Legislative reform

It is recognised that to make further progress in the modernisation of court funds, changes to primary legislation will be required. NICTS launched a public consultation in February 2019 to obtain views on the future role of the court and how the funds currently under the control of the court should be managed in future. The consultation period closed on 8 May 2019.

A response to the consultation was published in December 2019. A large majority of respondents (over 80%) believed that the protection provided by the court was important and the most popular option was to retain the policy that all funds awarded to minors are lodged into court. Therefore it was decided that there would be no change regarding the extent to which funds are lodged in court.

However, NICTS proposed that steps are taken to introduce a modern and more flexible approach in the management of minors' and patients' funds, for which significant legislative change would be required. It is hoped that such changes can be incorporated in the Miscellaneous Justice Bill in 2021.

Performance Analysis

Results for the year

The results for the year are detailed on page 24 and show a deficit for the year of £38,000 (2018-19 surplus of £25,000). The deficit for the year has been deducted from the accumulated reserves brought forward.

The fund reported an overall deficit in 2019-20 as the Bank of England base rate decreased from 0.75% to 0.10% during the year. However, interest received exceeded interest payable for the year, which means that the fund generated sufficient income to enable a portion of the running costs of CFO to be drawn down from the fund. The surplus available to be drawn down by NICTS for 2019-20 is £75,000.

The introduction of fees in January 2017 ensures that CFO clients make a contribution to the running costs. A total of £618,000 was payable to NICTS for the year to 31 March 2020 (2018-19 £631,000).

DoF have agreed where a deficit results after the deduction of interest payable to CFO clients and CRND management charges, this can be recovered from the Northern Ireland Consolidated Fund (NICF).

The accumulated reserves carried forward as at 31 March 2020 totalled £37,000. Under section 39(2) of the 1982 Act, all of the accumulated reserves are ultimately payable to NICF.

Performance of client portfolio

Client income for the year, including interest allocated to their accounts, totalled £5.1m, equivalent to 1.7% of client holdings at year end (2018-19: £4.8m or 1.6%). Income has remained low this year, primarily due to the low returns available on government gilts and cash deposits held with CRND.

Total client holdings decreased from £302.7m to £299.2m during the year. Accounting for net payments to clients of £1.5m, this represents a decrease in value of £2.0m (0.7% of client holdings at the start of the year). No investments were transferred to clients during the year. The loss in valuation of securities held on behalf of clients was £7.2m (2018-19: gain £8.9m).

Table 1 shows the market value of cash and securities held on behalf of clients as at 31 March 2020 and 31 March 2019.

Table 1	Patients		Minors		Other funds	
	(£000's)		(£000's)		(£000's)	
	31/3/20	31/3/19	31/3/20	31/3/19	31/3/20	31/3/19
Cash Account Balances	35,858	33,613	47,731	58,954	16,559	14,576
Debt Securities	46	47	-	-	-	-
Investment Securities	158,998	162,941	39,683	32,289	-	-
Total	194,902	196,601	87,414	91,243	16,559	14,576

Given the protective role of CFO, and subsequent low risk approach to investment, it has been the policy of CFO to invest the majority of funds lodged into court in debt securities (government gilts), as long as this is appropriate. However, the returns on government gilts during the year remained exceptionally low, meaning that for many cases the best option was for the fund to be held as cash, earning interest at the rate directed by DoJ. As a result, at 31 March 2020 only £46k was invested directly in gilt holdings (31 March 2019: £47k).

A portfolio restructuring exercise took place in 2018-19 to replace direct government gilt holdings with a balanced portfolio including some exposure to corporate bonds and equities. Rather than investing directly in gilts, clients' funds are now invested in exchange traded funds (ETFs) with underlying gilt holdings. These provide CFO clients with exposure to longer dated gilts.

During 2019-20, as a result of the continuing low interest rate available on cash holdings, this portfolio was extended to more CFO clients as an alternative to holding funds as cash. As a result, the investment holdings in minor cases increased significantly (from £32.3m to £39.7m) in spite of a decrease in the total funds held for minors.

Overall, client holdings in investment securities increased from £195.2m to £198.7m. Purchases exceeded sales and transfers out by £10.6m, with the overall value of investment securities decreasing by £7.2m. The total of £198.7m includes ETFs with underlying holdings in corporate bonds (£31.6m), UK gilts (£38.9m) and other government bonds (£33.8m).

Table 2 details the investment activity during the year for minors and patients.

Table 2	Patients		Minors		Total
	Debt Securities	Investment Securities	Debt Securities	Investment Securities	
	(£000's)	(£000's)	(£000's)	(£000's)	
Opening value 1/4/19	47	162,941	-	32,289	195,277
Purchases	-	117,920	-	32,636	150,556
Sales	-	(118,837)	-	(21,105)	(139,942)
Internal transfers**	-	2,854	-	(2,854)	-
Loss in value	(1)	(5,880)	-	(1,283)	(7,164)
Closing value 31/3/20	46	158,998	-	39,683	198,727
% loss in value*	(1.80)%	(3.65)%	-	(3.56)%	(3.64)%

*The percentage gain in value has been calculated using the average value of holdings at the start and end of the year.

**Internal transfers occur from minor accounts to patient accounts in cases where a minor becomes a patient once they turn 18.

For comparison purposes, Table 3 provides a summary of capital returns for certain types of investments for the year, measured by market indices.

Table 3		Index at 31/3/2019	Index at 31/3/2020	Movement in index	% movement in index
Investment securities	FTSE All share	3,978.28	3,107.42	(870.86)	(21.89)%
	FTSE 100	7,279.19	5,671.96	(1,607.23)	(22.08)%
	FTSE All World (Ex UK)	395.15	364.29	(30.86)	(7.81)%
Debt securities	FTSE Fixed rate gilts up to 5 years	91.41	90.28	(1.13)	(1.24)%
	FTSE Fixed rate gilts 5-15 years	190.29	196.22	5.93	3.12%
	FTSE Index-linked gilts up to 5 years	309.89	304.90	(4.99)	(1.61)%
	FTSE Index-linked gilts 5-15 years	493.41	505.20	11.79	2.39%

The capital returns on investment securities were significantly affected by market movements in response to the COVID-19 pandemic towards the end of the year, as the indices show, with the FTSE 100 index falling by over 22%.

On average, the capital value of investment securities held by CFO decreased in value by around 3.6%. The fall in the value of investment securities held by CFO has clearly been affected by the significant falls in the market, but the size of the fall has not been as great due to the balanced nature of the portfolios, which include underlying investments in corporate and government bonds.

The gilt indices noted above show that longer term gilts recorded positive returns, with shorter term gilts recording negative returns. As noted above, CFO client funds that were previously invested in direct gilt holdings are now invested in ETFs where the underlying assets are UK gilts. This has allowed CFO clients to gain exposure to the longer term gilt market, whereas before the holdings were restricted to shorter dated gilts only.

Our contracted investment managers, Davy Private Clients, have commented in respect of the investment performance within the Investment Manager's Report on page 10. They have also provided a factsheet in respect of each of their target portfolios, which can be found in Appendix A.

Five Year Performance

The investment strategy recommended by Davy Private Clients is with a long-term view in mind and, for this reason, clients' funds are only invested if they are likely to be held in court for more than five years. Table 4 provides a summary of the portfolio returns for the last five year period.

Table 4	2015/16	2016/17	2017/18	2018/19	2019/20	Five year average
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Capital return Gain / (Loss)	(3,273)	22,931	(4,929)	8,898	(7,164)	3,293
Portfolio income (Dividends/Interest)	4,613	4,696	4,086	4,272	4,334	4,400
Total Portfolio Return	1,340	27,627	(843)	13,170	(2,830)	7,693

The five year period has generated an overall positive capital return and this should be added to the portfolio income to get the total portfolio return. The average annual total return for the five year period is £7.7m and with an average portfolio value of £197m, this equates to an average annual return of 3.9%. This is in line with the targeted annual returns of the portfolios.

Auditors

The statement of accounts for Funds in Court in Northern Ireland is audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the 1978 Act.

The audit of the financial statements for 2019-20 resulted in a notional audit fee of £13,500 (2018-19: £12,000). This charge is included within non-staff programme costs within the accounts of NICTS. The C&AG did not provide any non-audit services during the year.



Anthony Harbinson
 Accountant General of the
 Court of Judicature of Northern Ireland
 22 December 2020

[The following report has been provided by Davy Private Clients UK, who are contracted to provide investment portfolio management services to CFO]

Investment Manager's Report

This report comprises three sections:

1. Review of the investment markets in the period to 31 March 2020
2. Outlook for the year ahead
3. Recent portfolio actions

Review of investment markets in the period to 31 March 2020

As the number of Coronavirus cases exploded from around 86,000 at the end of February to over 800,000 by the end of March, the economic data imploded at an unprecedented rate. We saw survey data, the Purchasing Manager Index (PMI), fall first in China from 52 to 27 (from end of January to the end of February). A figure below 50 signals a slowdown, and below 40 signals a severe downturn. During the same period, the PMI index for the Eurozone fell from 52 to 31 and for the UK from 53 to 37 during the same period. These were record drops, indicating a sudden stop in the economy. Then in March we saw some real economic data as initial jobless claims in the US increased by 3.2 million, more than four times the previous record increase.

Stock markets, which had sold off aggressively in the last week of February, continued to fall into March. Of the nine worst weeks in the US market since 1960, three were recorded in late February and early March. The VIX index, which measures the volatility of US stocks, spiked above 80, the previous record set in the global financial crisis in 2008. As unsettling as this period has been, it was interesting to note that the market sell-off happened before we saw the economic data, whereas the MSCI World index recovered by 10% in late March while the virus data was still getting worse.

In February, the economic data had been strong and forecasts were for a small short interruption to growth, mainly in China, less so in Europe and the US. This meant that a bear market in stocks, consistent with a recession, was an over-reaction. However, as the events of March unfolded, things got a lot worse. From a human perspective, the virus claimed tens of thousands of lives. From an economic perspective, shutting down countries to stop its spread, forced economies into recession and caused a bear market.

To counter recession, central banks and governments across the globe have employed unprecedented policy responses. The UK government has committed to pay a significant proportion of workers' wages during the shutdown. This policy gives the best chance of an economic rebound once the health situation is under control. In the US, a very substantial fiscal stimulus package was agreed, worth about 10% of GDP, which includes grants and credit to small businesses and companies.

The depth and duration of the recession will depend on governments increasing spending, to ensure that unemployment is prevented from spiralling higher and company bankruptcies are prevented. Despite this government spending, efforts to contain the virus will also impact global economies as businesses are forced to close; disrupting both local economies and global supply chains. As a result, global equity markets fell sharply, with a decline of 20% year to date in local terms while UK equities fared slightly worse, with a decline of 25% year to date.

Outlook for the year ahead

The question we asked ourselves when considering the year ahead is whether things could get a lot worse again. Could the health crisis lead to another financial crisis like 2008? While the sudden stock market panic is reminiscent of that period, we were encouraged that central banks and governments reacted within weeks to announce the largest stimulus package of all time. More importantly the financial system was in much better health than it was in 2008, with much higher cash levels and lower leverage levels. This gave us some comfort that although the crisis would likely get worse, it was unlikely to cause a financial collapse as we saw last time.

It was good to see the market settle in the last week of March, although we were surprised by the size of the upwards bounce. The virus data will get worse and the economic damage will become clearer. If the market dislocation widens again i.e. assets price incorrectly under market stress, or the virus infection rate begins to decline, we may increase our equity allocation. For now, we are waiting and watching.

Recent portfolio actions

Before the full impact of the pandemic was apparent, global growth was already slowing and some recessionary indicators gave us cause for concern. Therefore, we moved to a more selective equity positioning, focusing on Quality companies.

We define Quality as a company that has low debt, stable earnings, consistent asset growth, and a stable net profit margin. The MSCI World Quality Index is sector neutral vs. the MSCI World index, however, the index screens for those companies that display the strongest quality characteristics.

Our positioning at the beginning of the year, overweighting quality assets (iShares MSCI Edge Quality) and healthcare (SPDR Global Healthcare) have softened the sharp falls experienced in broader equity markets.

We view our Fixed Income allocation as being defensive positioning, in that it should dampen equity volatility and provide some protection in down markets. To better defend against equity market selloffs, we increased the duration of Government Fixed Income allocation from 7.6 years to 10.6 years. Increasing the duration heightens the sensitivity of the portfolio i.e. if rates rise, the negative impact will be increased and conversely, if investors turn 'risk-off' we would expect the positive impact to be increased.

We removed a large portion of the UK bias within the Fixed Income allocation. In the UK, there are material risks posed from both Brexit and increased government borrowing which would push-out yields on UK GILTs. Diversifying the Fixed Income exposure globally better aligns with the benchmark and reduces geographical risks.

Across asset classes, the only safe havens have been high quality global government bonds. These positions in the portfolios managed to cushion the blow of falling equity markets somewhat, especially in our Preservation and Cautious portfolios, which saw gains over the prior 12 months of 2.8% and 1.0% respectively, but not enough to prevent the Balanced portfolios ending same period in negative territory by 2.2%

We always take the longer-term view and look through such short-term volatility in our centrally managed portfolios. In this uncertain environment the benefits of being well diversified across a carefully selected range of quality global equities, bonds and alternative assets is more important than ever in successfully achieving our ultimate investment goals.

Davy Private Clients UK
June 2020

Accountability Report

Accountant General of the Court of Judicature of Northern Ireland

During the 2019-20 year, the Acting Chief Executive of NICTS, Peter Luney, was the Accountant General of the Court of Judicature of Northern Ireland. Anthony Harbinson was appointed Director of NICTS effective from 3 August 2020 and he was also designated as Accountant General from that date.

Statement of the Accountant General's Responsibilities

Under section 78(1)(b) of the Judicature (Northern Ireland) Act 1978 as amended by Schedule 18 (22) of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 the Accountant General is required to prepare a statement of accounts for each financial year in a form directed by DoF. The accounts are prepared on an accruals basis and must give a true and fair view of the income and expenditure for the financial year and the balances held at the year end.

In preparing the accounts, the Accountant General is required to comply with International Financial Reporting Standards, adapted and interpreted for the public sector context, having regard to the *Government Financial Reporting Manual* (FReM) and in particular to:

- observe the Accounts Direction issued by DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accountant General has been appointed as Accounting Officer for the account. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the funds, for keeping proper records and for safeguarding assets, are set out in the Accounting Officers' Memorandum issued by DoF and published in *Managing Public Money Northern Ireland* (MPMNI).

The Accountant General is required to confirm that the statement of account as a whole is fair, balanced and understandable and that he takes personal responsibility for the statement of account and the judgements required for determining that it is fair, balanced and understandable.

So far as the Accountant General is aware, there is no relevant audit information of which the auditors are unaware. The Accountant General has taken all the steps that ought to have been taken to be aware of any relevant audit information and to establish that the auditors are aware of that information.

Governance Statement

Scope of responsibility

As Accountant General of the Court of Judicature in Northern Ireland, I have responsibility, as a statutory officer, for funds in court. I have delegated the administrative responsibilities for funds in court to CFO. CFO is a discrete business unit within NICTS, which itself is an executive agency of DoJ sponsored by the Access to Justice Directorate, and is managed within the control framework of NICTS.

As an agency of DoJ, NICTS operates under a framework document that has been agreed by DoJ and DoF. The agency framework document sets out the arrangements for the effective governance, financing and operation of NICTS.

As Director of NICTS, I am responsible for the day-to-day operation and administration of the organisation and the leadership and management of its staff. Managerial responsibility for CFO rests with the Head of Corporate Services.

The COVID-19 pandemic resulted in significant changes to the way NICTS operates. The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of COVID-19. In CFO, certain work was prioritised, with other business scaled back.

Purpose of the governance framework

The governance framework is the system which ensures the effectiveness of the direction and control of NICTS. As Accounting Officer, I have established a governance framework and management structure to support me in the management of the key risks for NICTS, including CFO. The framework is not designed to eliminate all risk but to manage risk to a reasonable level. The framework is based on an ongoing process which is designed to identify and prioritise the risks to the achievement of policies, aims and objectives; evaluate the likelihood of those risks being realised and the impact should they be realised; and manage them efficiently, effectively and economically.

Governance framework and management structure

During 2019-20, NICTS complied with the key principles of the Corporate Governance in Central Government Departments – Code of Good Practice (Northern Ireland) 2013 which it considered applicable. The key management structures which support the delivery of effective corporate governance in NICTS and CFO are detailed below:

NICTS Agency Board

The Agency Board (the Board) provides a vital role in shaping and directing the organisation to ensure it is equipped to deliver high quality and cost effective services to court and tribunal users. The Board is responsible for business and corporate planning and reporting and the oversight of the functions of NICTS including finance, planning, performance and policy initiatives. The Board operates within the parameters of the agency framework document and the agreed terms of reference. The framework document is published on the NICTS website.

The Board met on three occasions during the 2019-20 financial year. The meeting planned for 30 March 2020 did not take place due to COVID-19, however papers did issue electronically. At the beginning of each Board meeting members are asked by me, as the Chair, to declare any conflicts or potential conflicts of interest. To allow members to prepare and consider any potential conflicts of interest they are provided with an agenda and all papers to be discussed five working days before the meeting. During 2019-20 no potential conflicts of interest were identified in relation to CFO.

NICTS Finance Committee

The Finance Committee (the Committee) is a sub-committee of the Agency Board and assists the Board with financial oversight and budgetary control. The terms of reference for the Committee are included in the agency framework document.

The role of Finance Director in NICTS is performed by the Head of Corporate Services who advises the Committee on any material issues concerning financial oversight and budgetary control, including CFO. Management information on funds in court is presented to the Committee at each meeting. The Committee met on three occasions during 2019-20. A Finance Committee was scheduled for 18 March 2020 but this had to be cancelled due to COVID-19. The papers still issued to the Committee but no meeting was held. After each meeting, the Head of Corporate Services provides a highlight report to the Board covering the main issues discussed by the Committee.

NICTS Audit and Risk Assurance Committee

The role of the Audit and Risk Assurance Committee (ARAC) is to provide the Board and myself, as Accounting Officer, with independent assurance over the adequacy and effectiveness of the established internal control and risk management systems within NICTS, including CFO. ARAC monitors the effective implementation of all agreed audit recommendations; examines the effectiveness of the overall risk management process; and receives assurance from the NICTS Risk Co-ordinator.

ARAC operates in accordance with the Audit Committee Handbook (Northern Ireland) which was published on 29 May 2013 and updated on 1 April 2018. Although ARAC primarily considers matters within NICTS, including CFO, it also ensures that the inter-relationships between it and the Departmental Audit and Risk Committee are documented and agreed, particularly where assurance is provided on matters which properly support the Departmental Governance Statement.

The terms of reference for ARAC are included in the framework document.

ARAC met on five occasions during 2019-20. After each meeting, the Chair of the committee presents a report to the Agency Board covering the main issues discussed by the committee. Matters considered include:

- Changes to the Corporate Risk Register;
- NIAO Reports to Those Charged with Governance (RTTCWG);
- Internal Audit reports;
- Internal Audit work programme;
- Head of Internal Audit's Annual Assurance Statement;
- Annual Reports and Accounts;
- Updates on fraud and whistleblowing; and
- Financial Governance updates.

Court Funds Judicial Liaison Group

The Court Funds Judicial Liaison Group (JLG) provides a forum for the judiciary to express their views in relation to CFO operations. The JLG is provided with an up-to-date overview of investments and a six-monthly review of investment performance. A representative of the contracted investment manager presents the six-monthly investment performance report and is in attendance at all meetings to respond to any queries from the JLG in respect of the investment performance or any related issues.

Meetings are usually held at least once per legal term. The Group met on three occasions during 2019-20. Matters discussed include:

- investment performance;
- investment portfolio models;
- the fee regime implemented in CFO from January 2017; and
- the public consultation and the future role of CFO.

Strategic Planning Group

The Strategic Planning Group (SPG) is the decision making group for the senior executive team within NICTS. SPG takes a strategic look at the work of NICTS, including CFO, and considers resources, budget, business performance and operational issues. SPG meets once a month and is attended by a representative from NICS-HR. Further meetings of SPG can be called as and when required.

CFO Management Team

The CFO management team also contributes to the governance framework of CFO. The team consists of the CFO Business Manager, the Office Manager and managers of each team within CFO. The team meets regularly to review the performance of CFO and address any other business issues that arise. The team is also responsible for preparing the CFO risk register on a quarterly basis.

The CFO Business Manager meets with the Head of Corporate Services on a monthly basis to discuss the performance of CFO and report on progress against the CFO Business Plan.

Full details of the membership and attendance of the Board, its sub-Committees and the Judicial Liaison Group are shown in Tables 5-8 on pages 19 and 20.

Risk management and internal control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of NICTS, including CFO, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in MPMNI.

Internal Control

The system of internal control is not designed to eliminate all risk of failure, but to manage risk to a reasonable level to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control has been in place in NICTS for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts. This accords with DoF guidance.

NICTS has in place a range of policies and processes to ensure that it is compliant with MPMNI, policies and guidance issued by DoJ and financial delegations granted by DoJ and DoF.

Risk Management

Risk management forms a central element of the governance framework. Risk management is championed by the Head of Corporate Services, with the Agency Board owning the overall risk management framework.

A Risk Management Policy is in operation and risk co-ordinators are in place throughout NICTS. They are responsible for promoting, supporting and co-ordinating risk management in their business areas. Risk management responsibilities are included in job descriptions and there is support and provision of guidance on risk issues from the Central Management Team.

Formal branch and divisional risk management meetings take place quarterly and support the corporate risk management process and CFO management contributes fully to that process. Emerging risks are identified, considered and managed, and all risks are assessed in terms of their probability of occurrence and impact on the achievement of objectives and then scored and reported on accordingly.

The corporate risk appetite is set by the Agency Board and used as a starting point for setting levels of risk tolerance. Managers and Heads of Division escalate risks which have exceeded specific risk appetites to the next level of management. Risk management is considered formally by senior management through quarterly reviews of the corporate risk register and corporate plan monitoring reports. Risk is also considered by ARAC at each of its quarterly meetings.

NICTS operates a process to enable escalation of risks to the DoJ Corporate Risk Register if risks breach the organisation's tolerance level.

Information assurance

NICTS is committed to ensuring personal data is appropriately protected and managed in accordance with data protection legislation and DoJ policies and procedures. NICTS is represented on a number of departmental groups including the Information Risk Owners' Council, Accreditation Panel and Security Managers' Forum. In addition, bi-annual updates on records and information management are provided to the NICTS ARAC.

Data incidents are reported and managed in line with the DoJ Security Incident Reporting Policy that was revised to reflect changes to data protection legislation in May 2018. As a result, all data incidents are now reported to the Department to comply with the requirement to report significant data incidents to the Information Commissioner's Office (ICO) within 72 hours of becoming aware of the incident. During 2019-20 there were no incidents within CFO that were required to be reported to the Information Commissioner's Office. The findings from all investigated information assurance incidents are reviewed to identify any lessons learned and, where appropriate, existing processes amended.

The accreditation of the network and infrastructure are the responsibility of DoF's Enterprise Shared Services, which has confirmed that these elements of its service are fully accredited.

NICTS is responsible for only accrediting the aspects of the service that relate to line of business systems. Typically this relates to the operating system, database and application software. Accreditation Certificates have been issued by DoJ for all NICTS line of business systems, including the CFO systems. Annual IT Health Checks on these systems took place in December 2019.

NICTS continues to monitor and review the application of information assurance policies to ensure data is handled appropriately and that any associated risks are identified and managed. IT Assist provides and hosts all NICTS information systems. They provide a resilient solution, based on high availability, redundancy and mirrored data centres. Disaster Recovery tests were completed for the main NICTS line of business applications on 31 January and 1 February 2020.

Review of effectiveness of the governance framework

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance framework. The Board and I receive regular reports from ARAC concerning internal controls, risk and governance. At the end of the reporting period, Heads of Division reviewed the stewardship statements completed by Business Managers to create a series of divisional statements from which I have been able to take assurance in respect of the management of risk and the achievement of objectives.

The CFO Business Manager prepares a stewardship statement for submission to the NICTS Head of Corporate Services on a bi-annual basis.

Internal Audit operates to Public Sector Internal Audit Standards. It submits regular reports, including an independent opinion by the Head of Internal Audit, on the adequacy and effectiveness of the NICTS system of risk management, control and governance.

My review of the effectiveness of the system of internal control is informed by the work of internal auditors and the executive managers within NICTS who have responsibility for the development and maintenance of the internal control framework as well as comments made by the external auditors in their report to those charged with governance and other reports. The 2018-19 report on CFO from the external auditors did not make any recommendations.

The Head of Internal Audit has provided overall **Satisfactory Assurance** over the NICTS systems based on the work carried out during the year. In relation to CFO, an internal audit carried out during 2019-20 provided overall **Satisfactory Assurance**.

NICTS Agency Board Effectiveness

Information presented to the Board is fundamental for its assessment and understanding of the performance of NICTS. Information received is considered to be of a high standard and allows the Board to be kept informed of any issues it needs to be aware of, or take action on, and allows the Board members to effectively carry out their duties. A Board evaluation exercise is normally completed annually, however the 2019-20 exercise was impacted by the overall response to COVID-19 and will now be commissioned later in the 2020-21 business year.

Significant internal control issues

No issues have been identified as significant to CFO during 2019-20 as a result of the assurance activity.

Audit recommendations

The 2019-20 report on CFO from the internal auditors did not make any recommendations. All outstanding recommendations are monitored by ARAC every six months.

The 2018-19 report on CFO from the external auditors did not make any recommendations.

A value for money audit was carried out in CFO by NIAO, commencing in 2012-13. The report entitled 'Managing and Protecting Funds Held in Court' was published on 1 July 2014 and concluded that "current arrangements and existing legislation for managing and protecting funds in court do not ensure value for money or proper accountability for clients' funds."

The recommendations in the report focus on areas of governance for which improvements may be made. These include the level of independent scrutiny, the need to modernise the underpinning legislation, the extent of performance monitoring and transparency in dealing with clients.

The Public Accounts Committee (PAC) considered the NIAO report at a hearing in February 2015. The PAC report was published on 13 May 2015 and contains six recommendations. The recommendations relate to the improvement of governance structures and business modernisation. A Memorandum of Reply was presented to the Assembly on 9 July 2015.

My management team has taken action to implement those recommendations that are affordable and possible within legislative and other constraints. At the start of the year, four recommendations had been fully addressed and work had progressed against the other two. The two outstanding recommendations have now been addressed by the completion of a consultation exercise. A consultation document issued in February 2019 with the consultation period closing in May 2019. A response to the consultation was published in December 2019.

In the consultation response, NICTS proposes that steps are taken to introduce a modern and more flexible approach in the management of minors' and patients' funds, for which significant legislative change would be required. It is hoped that such changes can be incorporated in the Miscellaneous Justice Bill in 2021.

Accounting Officer statement on assurance

NICTS has established a robust assurance framework that includes primary assurance, through line management structures, on the achievement of objectives. This primary assurance is supplemented by secondary assurances provided through oversight of management activity and by an independent internal audit team operating to Public Sector Internal Audit Standards. They deliver an agreed prioritised programme of systems based audits covering all NICTS systems, including CFO, over time.

The Head of Internal Audit provides me with an Annual Report and her professional opinion on the level of assurance based on the work done. For the 2019-20 year, overall **Satisfactory Assurance** has been provided on the NICTS systems, including the CFO systems.



Anthony Harbinson
*Accountant General of the
Court of Judicature of Northern Ireland*
22 December 2020

Table 5 – Membership and attendance at Agency Board for 2019-20

Member	Position	Attendance
Mr P Luney	Acting Chief Executive (Chair)	3 / 3
Mrs E Topping	Head of Court Operations	2 / 3
Mr J Coffey*	Acting Head of Tribunals and Enforcement	2 / 2
Mrs G McClearn*	Acting Head of Tribunals and Enforcement	1 / 1
Mrs S Hetherington	Head of Modernisation Programme	2 / 3
Mrs L Lavery	Acting Head of Corporate Services	3 / 3
Ms N Lappin	Non-Executive Member	3 / 3
Mr G Dalton	Non-Executive Member	3 / 3
Mr D A Lavery CB**	DoJ Representative	0 / 1
Mr A Harbinson**	DoJ Representative	2 / 2
The Honourable Mr Justice Colton	Judicial Representative	3 / 3
His Honour Judge McFarland (Recorder of Belfast and Presiding County Court Judge)	Judicial Representative	3 / 3
District Judge Bagnall (Presiding District Judge (Magistrates' Court))	Judicial Representative	3 / 3
Mr J Duffy (President of the Appeals Tribunal)	Judicial Representative	3 / 3

*Mr J Coffey stepped down from the Agency Board in November 2019 and was replaced by Mrs G McClearn.

**Mr D A Lavery stepped down from the Agency Board on September 2019 and was replaced by Mr A Harbinson.

Table 6 – Membership and attendance at Finance Committee for 2019-20

Member	Position	Attendance
Mr P Luney	Acting Chief Executive (Chair)	3 / 3
Mrs E Topping	Head of Court Operations	1 / 3
Mr J Coffey*	Acting Head of Tribunals and Enforcement	2 / 2
Mrs G McClearn*	Acting Head of Tribunals and Enforcement	0/1
Mrs S Hetherington	Head of Modernisation Programme	3 / 3
Mrs L Lavery	Acting Head of Corporate Services	3 / 3
Mr G Dalton	Non-Executive Member	3 / 3
The Honourable Mr Justice Colton	Judicial Representative	2 / 3

*Mr J Coffey stepped down from the Finance Committee in November 2019 and was replaced by Mrs G McClearn.

Table 7 – Membership and attendance at NICTS ARAC for 2019-20

Member	Position	Attendance
Ms N Lappin	Chair	5 / 5
The Honourable Madam Justice McBride	Judicial Representative	4 / 5
Mr G Wilkinson*	Non-Executive Member	3 / 4
Mrs N McAuley**	Non-Executive Member	4 / 5

*Mr G Wilkinson left the Committee in February 2020.

**Mrs N McAuley joined the Committee in May 2019.

Table 8 – Membership and attendance at Judicial Liaison Group for 2019-20

Position	Member	Attendance
High Court Judge (Chair)	The Hon. Mr Justice Maguire	3 / 3
Accountant General	Mr P Luney	3 / 3
Master (Queen's Bench and Appeals)	Master McCorry	2 / 3
Master (Care and Protection)	Master Wells	3 / 3
District Judge	District Judge Duncan	2 / 3
County Court Judge	His Hon Judge Devlin	1 / 3
Official Solicitor	Ms Mairead Holder	1 / 3
Acting Head of Corporate Services	Mrs L Lavery	2 / 3
Deputy Accountant General	Mr R Ronaldson	3 / 3
Office of Care and Protection	Mr N Bloomer	2 / 3
Independent member	Mr J West	3 / 3
Independent member	Mr J French	1 / 3
Independent member (Allenbridge)	Mr J Arthur	3 / 3

Funds in Court in Northern Ireland 2019-20**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY****Opinion on financial statements**

I certify that I have audited the financial statements of the Funds in Court in Northern Ireland for the year ended 31 March 2020 under the Judicature (Northern Ireland) Act 1978 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. The financial statements comprise: the Statement of Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows; and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion the financial statements:

- give a true and fair view of the state of the Funds in Court in Northern Ireland's affairs as at 31 March 2020 and of its deficit and cashflows for the year then ended; and
- have been properly prepared in accordance with the Judicature (Northern Ireland) Act 1978 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Finance directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Funds in Court in Northern Ireland in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Funds in Court in Northern Ireland's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Funds In Court In Northern Ireland has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Funds in Court in Northern Ireland's ability to continue to adopt the going concern basis.

Other Information

The Accountant General as Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Performance Report, Investment Manager's Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accountant General's Responsibilities, the Accountant General as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Judicature (Northern Ireland) Act 1978 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

My objectives are to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

2 February 2021

Statement of Income and Expenditure for the year ended 31 March 2020

	Note	Year Ended 31 March 2020 £000	2019 £000
Income			
Interest Income	3	820	660
Interest Expense	4	(730)	(541)
Net Interest Income		90	119
Dividend Income		4,333	4,250
(Losses)/Gains Arising from Securities	5	(7,164)	8,898
Transfer from/(to) Client Holdings		2,830	(13,171)
Net Income		89	96
Expenditure			
Administrative Expenses - CFO		(75)	(19)
Management Charges from CRND		(52)	(52)
Total Expenses		(127)	(71)
(Deficit)/Surplus transferred (from)/to Reserves		(38)	25

The notes on pages 27 to 34 form part of these accounts

Statement of Financial Position as at 31 March 2020

	Note	31 March	
		2020 £000	2019 £000
Assets			
Cash and Cash Equivalents	6	1,578	1,340
Loans and Advances	7	98,849	106,034
Debt Securities	8	46	47
Investment Securities	9	198,681	195,230
Other Assets	10	338	383
Total Assets		299,492	303,034
Liabilities			
Clients Cash Account Balances	11	100,148	107,143
Clients Holdings in Securities	12	199,036	195,593
Other Liabilities : Payables	13	308	298
Total Liabilities		299,492	303,034

The notes on pages 27 to 34 form part of these accounts



Anthony Harbinson
Accountant General of the
Court of Judicature of Northern Ireland

22 December 2020

Statement of Cash Flows for the year ended 31 March 2020

	Note	Year Ended 31 March	
		2020	2019
		£000	£000
Cash Flows from Operating Activities			
Net Loans and Advances repaid		7,185	(8,926)
Cost of Purchases of Securities	15	(150,556)	(12,991)
Proceeds from Sales of Securities	15	139,942	23,126
Interest Received		858	678
Receipt from the Consolidated Fund		-	20
Dividends Received		4,340	4,332
Expenses		(71)	(52)
Net Cash Inflow from Operating Activities		1,698	6,187
Cash Flows from Client Cash Accounts			
Lodgements from Clients	15	46,225	46,094
Payments to Clients	15	(47,685)	(52,381)
Net Cash Outflow from Client Cash Accounts		(1,460)	(6,287)
Net Increase/(Decrease) in Cash and Cash Equivalents		238	(100)
Cash and cash equivalents at 1 April		1,340	1,440
Cash and cash equivalents at 31 March		1,578	1,340

The notes on pages 27 to 34 form part of these accounts

Notes to the Financial Statements

1. Statement of Accounting Policies

These accounts have been prepared in accordance with a direction made by DoF under section 78 of the Judicature (Northern Ireland) Act 1978 as amended by Schedule 18 (22) of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, and in accordance with applicable International Financial Reporting Standards (IFRS), to the extent that such requirements are relevant to the activities of CFO.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified by the revaluation of certain financial assets and liabilities.

No new accounting standards, interpretations or amendments to existing standards have been issued to be effective in 2019-20 for the first time.

1.2 Recognition of Income

Income is recognised in the accounts on the following bases:

- Income on investments is recognised as it accrues rather than on a cash received basis;
- Realised gains and losses on disposals or maturities of investments are taken to the Statement of Income and Expenditure in the period they arise; and
- Valuation gains and losses on securities are recognised in the same way as realised gains and losses and are included in the carrying value of those securities in the Statement of Financial Position (SoFP). This reflects the nature of the holdings, which are held on behalf of third parties and can be ordered to be repaid at any time.

1.3 Critical Accounting Estimates and Key Judgements

There were no critical accounting estimates or assumptions used in the preparation of these accounts.

1.4 Financial Instruments

Financial assets and financial liabilities are recognised in the SoFP on the basis of the contractual provisions of the instrument, and are initially measured at fair value.

Financial assets

Debt securities and investment securities are designated as financial assets held at fair value through profit and loss, and are shown in the SoFP at the market end-of-day mid-prices, which are provided to CFO directly by the stock exchange and the investment manager. The valuation method reflects the nature of the client holdings, which can be ordered to be repaid at any time and it would therefore be inappropriate to designate investment holdings as “Held to Maturity”.

All regular way purchases or sales of financial assets (i.e. those that require delivery of assets within the time frame established by regulation or convention in the marketplace) are recognised and derecognised on a trade date basis.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred, or substantially all the risks and rewards of ownership have been transferred. The difference between the carrying amount of the financial asset derecognised and the consideration received and receivable is recognised in profit or loss.

Cash and cash equivalents comprise cash in hand and current balances with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL). Financial liabilities are derecognised when, and only when, obligations are discharged, cancelled or they expire.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

1.5 Administrative Expenses

CFO administrative expenses are accounted for in the NICTS Agency Accounts. The element of these costs that are recovered by NICTS, and the charges levied by CRND are included in the Statement of Income and Expenditure.

1.6 Foreign Currency Transactions

Items included in the statement of accounts are measured using UK Sterling, which is the functional and presentational currency.

Foreign exchange gains and losses resulting from re-valuations are taken to the Statement of Income and Expenditure, but as the risk is borne by the clients a balancing transaction is reflected to adjust client holdings in the functional currency. In 2019-20, the level of foreign currency transactions was negligible.

2. Financial Risk Management

Financial risks include credit risk, liquidity risk and market risks (interest rate and currency). CFO does not assume any financial risks in relation to its principal activity of holding funds in court, as the funds comprise solely of third party assets. The financial risks of investing in securities are borne by the clients.

The financial risks of providing the returns on deposit accounts are covered by a guarantee, on the basis that Section 39(2) of the Administration of Justice Act 1982 requires any surplus to be paid to the Northern Ireland Consolidated Fund, and Section 39(3) requires any deficits to be met by the Northern Ireland Consolidated Fund.

3. Interest Income

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Loans and Advances	819	638
Debt Securities	1	22
Total Interest Income	820	660

Debt Securities income comprises coupon interest in relation to gilt holdings held by CFO on behalf of clients.

4. Interest Due to Clients' Accounts

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Court Funds – Deposit Account	15	13
Court Funds – Investment Account	715	528
Total Interest Payable	730	541

5. (Losses) / Gains on Securities

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
(Losses)/Gains on Client Security Holdings	(7,164)	8,898
Total (Losses)/Gains on Securities	(7,164)	8,898

6. Cash and Cash Equivalents

Cash and Cash Equivalents include balances held in bank accounts to meet the requirements for the day to day business of the office.

	31 March 2020 £000	31 March 2019 £000
Sterling bank accounts	1,578	1,340
Cash and Cash Equivalent Holdings	1,578	1,340

7. Loans and Advances

Loans and Advances primarily represent call notice deposits placed with the Debt Management Office by the Commissioners for the Reduction of the National Debt.

	31 March 2020 £000	31 March 2019 £000
Call Notice Deposits	98,849	106,034
Loans and Advances Holdings	98,849	106,034

8. Debt Securities

Debt Securities comprise UK Government Gilts held on behalf of clients.

	31 March 2020		31 March 2019	
	Nominal £000	Market Value £000	Nominal £000	Market Value £000
Holdings held on behalf of clients	13	46	13	47
Total Debt Security Holdings	13	46	13	47
Maturity Analysis				
Maturing in less than 3 months	13	46	-	-
Maturing in more than 1 year but less than 5 years	-	-	13	47
Total Debt Security Holdings	13	46	13	47

9. Investment Securities

Investment Securities relate to holdings held by the Accountant General on behalf of clients and comprise:-

- holdings of stocks, shares and loan notes; and
- holdings of National Savings Certificates and Bonds.

	31 March 2020		31 March 2019	
	Holding 000's	Market Value £000	Holding 000's	Market Value £000
Stocks, Shares and Loan Notes	20,576	198,556	21,150	195,107
National Savings and Other Holdings	119	125	119	123
Total Investment Securities	20,695	198,681	21,269	195,230

Fair Value Hierarchy

The fair value of investments has been determined using the following hierarchy:

Level 1: Where there is a quoted price for an identical asset in an active market at the reporting date.

Level 2: Where such quoted prices are unavailable, the price of a recent transaction for an identical asset.

Level 3: Where quoted prices are not available and recent transactions of an identical asset on their own are either unavailable or not good estimate of fair value.

The investment securities have been included at fair value within these categories as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment Securities at 31 March 2020				
Stocks, Shares and Loan Notes	198,555	-	1	198,556
National Savings and Other Holdings	-	-	125	125
Total Investment Securities	198,555	-	126	198,681
Investment Securities at 31 March 2019				
Stocks, Shares and Loan Notes	195,106	-	1	195,107
National Savings and Other Holdings	-	-	123	123
Total Investment Securities	195,106	-	124	195,230

10. Other Assets**Accrued Income**

Accrued income reflects interest that has been contractually earned but remains unpaid at the year end and dividends which have been declared and are due but which have not yet been received. It does not include unpaid dividends and distributions on stocks and shares where there is no contractual commitment to make such a distribution. The balance is comprised of the following elements:-

	31 March 2020 £000	31 March 2019 £000
Holdings with CRND		
Accrued Interest on Deposits	29	67
Total CRND Accrued Interest	29	67
Client Holdings		
Accrued Coupon Interest on Gilts	1	1
Dividends Due	308	315
Total Client Accrued Income	309	316
Total Accrued Income	338	383
Total Other Assets	338	383

11. Clients' Cash Account Balances

The cash balances for which the Accountant General is liable at the year end are:-

	31 March 2020 £000	31 March 2019 £000
Court Funds placed on Deposit Account	15,145	13,367
Court Funds placed on Investment Account	82,666	91,678
Unclaimed balances (see note 19)	759	758
Other monies	1,578	1,340
Total Cash Balances	100,148	107,143

Other monies include monies paid into court in satisfaction of a judgment, which are only transferred to the Deposit Account if not claimed within 21 days (Court of Judicature) or 28 days (county courts).

12. Client Holdings in Securities

	31 March 2020 £000	31 March 2019 £000
Debt Securities (see note 8)	46	47
Investment Securities (see note 9)	198,681	195,230
Accrued Income (see note 10)	309	316
Total Client Holdings in Securities	199,036	195,593

13. Other Liabilities : Payables

	31 March 2020 £000	31 March 2019 £000
Accumulated Reserves (see note 14)	37	75
Interest Accrued on Clients' Accounts	196	204
CFO Administrative Expenses	75	19
Total Other Liabilities : Payables	308	298

14. Accumulated Reserves

	31 March 2020 £000	31 March 2019 £000
Opening balance	75	50
(Deficit) / Surplus for the year	(38)	25
Closing balance	37	75

Under section 39(2) of the Administration of Justice Act 1982, the accumulated reserves are ultimately payable to the Northern Ireland Consolidated Fund.

15. Clients' Receipts and Payments

	Year ended 31 March 2020			Year ended 31 March 2019		
	Court of Judicature £000	County Courts £000	Total £000	Court of Judicature £000	County Courts £000	Total £000
Opening Balance	69,225	37,918	107,143	60,484	37,934	98,418
Receipts from clients	32,214	14,011	46,225	33,489	12,605	46,094
Sales of securities	138,945	997	139,942	21,164	1,962	23,126
Dividends and interest received	4,302	39	4,341	4,356	42	4,398
Total Receipts	175,461	15,047	190,508	59,009	14,609	73,618
Payments to clients	(35,546)	(12,139)	(47,685)	(41,102)	(11,279)	(52,381)
Purchases of securities	(147,849)	(2,707)	(150,556)	(11,099)	(1,892)	(12,991)
Total Payments	(183,395)	(14,846)	(198,241)	(52,201)	(13,171)	(65,372)
Interest credited to client accounts	477	261	738	276	203	479
Transfers between Court of Judicature and county courts	23	(23)	-	1,657	(1,657)	-
Closing Balance	61,791	38,357	100,148	69,225	37,918	107,143

16. Movement in clients' securities

	Year ended 31 March 2020		
	Court of Judicature £000	County Courts £000	Total £000
Opening Balance	193,492	2,101	195,593
Purchases of securities	147,849	2,707	150,556
Sales of securities	(138,945)	(997)	(139,942)
Net transfers in/(out)	-	-	-
Movement in market value	(7,052)	(112)	(7,164)
Movement in accrued income	(4)	(3)	(7)
Closing balance	195,340	3,696	199,036

17. Financial instruments

The principal activity of the CFO is to hold funds in court on behalf of clients. Funds are held in either an interest bearing bank account or in liquid investments as recommended by the contracted investment manager. Highly liquid holdings are held in order to meet cash flows as they fall due and to generate income that is sufficient to meet the interest obligations to clients.

18. Contingent liabilities

As at 31 March 2020, there were no contingent liabilities.

19. Unclaimed balances

CFO holds a number of accounts that are classified as unclaimed in accordance with rule 55 of the Court Funds Rules (Northern Ireland) 1979. These accounts relate to funds in court where no transactions, other than the credit of annual interest, have been processed for the specified number of years. Before an account is classified as unclaimed, CFO makes all reasonable efforts to facilitate the transfer of the funds to their beneficial owner. To reduce the risk of current and future cases being classified as unclaimed, CFO maintains contact with the guardians and controllers of those with funds in court throughout the life of the case.

Included within the unclaimed balances disclosed in note 11, there are two categories of funds. These are:

1) those cases for which the details are known, but the beneficiary of the funds in court has not been able to be traced -

	31 March 2020			31 March 2019		
	Court of Judicature	County Courts	Total	Court of Judicature	County Courts	Total
	£	£	£	£	£	£
Monies on deposit	305,141	67,027	372,168	305,141	67,027	372,168

2) those cases for which the details are unknown –

	31 March 2020			31 March 2019		
	Court of Judicature	County Courts	Total	Court of Judicature	County Courts	Total
	£	£	£	£	£	£
Monies on deposit	75,080	4,836	79,916	75,080	4,836	79,916
Equities	18,617	-	18,617	15,828	-	15,828

Interest and dividends received since 1995 have been pooled for practical reasons, pending allocation to a specific case when a genuine claim is received and paid out. The total pooled balance of interest and dividends is -

	31 March 2020			31 March 2019		
	Court of Judicature	County Courts	Total	Court of Judicature	County Courts	Total
	£	£	£	£	£	£
Monies on deposit	233,172	73,952	307,124	231,998	73,807	305,805

Total unclaimed funds at the year end are:

- Monies on deposit of £759,208
- Equities valued at £18,617

NICTS publishes details of unclaimed balances held by CFO on its website.

20. Events after reporting period

There were no material events after the reporting period.

The Accountant General authorised these financial statements for issue on 2 February 2021.

Appendix A

Portfolio factsheets

Balanced Growth Portfolio

Factsheet as at 31 March 2020

Objective

The objective of the Balanced Growth investment strategy is to achieve long-term capital growth by investing in a balanced portfolio of domestic and international equities, fixed interest securities and alternative investments.

The Balanced Growth investment strategy aims to achieve a return in excess of inflation, while seeking to achieve a balance between stability of returns and capital appreciation.

Portfolio Facts at a Glance

Objective	Balanced Growth
Risk Profile	Medium to High
Target Return	4-5%
Investment Manager	J&E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.25%
Yield	1.74%
Geography	Global (Primarily UK & US)

Current Portfolio Holdings **Weighting (%)**

Equities	50.0
UK Equities	15.0
iShares Core FTSE100	5.0
SSGA SPDR FTSE UK All Share	10.0
International Equity	35.0
iShares MSCI World	17.0
iShares MSCI World Quality	8.0
SSGA SPDR MSCI World Health Care	5.0
iShares Emerging Markets	5.0
Bonds	40.0
Government Bonds	26.5
Lyxor UK Gilts	13.0
iShares Global Govt. Bond	13.5
Corporate & Other Bonds	13.5
iShares Corporate Bond	13.5
Alternatives	10.0
Property	5.0
iShares UK Property	5.0
Other Alternatives	5.0
HICL Infrastructure Company	5.0
Cash	0.0
Cash	0.0
Total	100.0

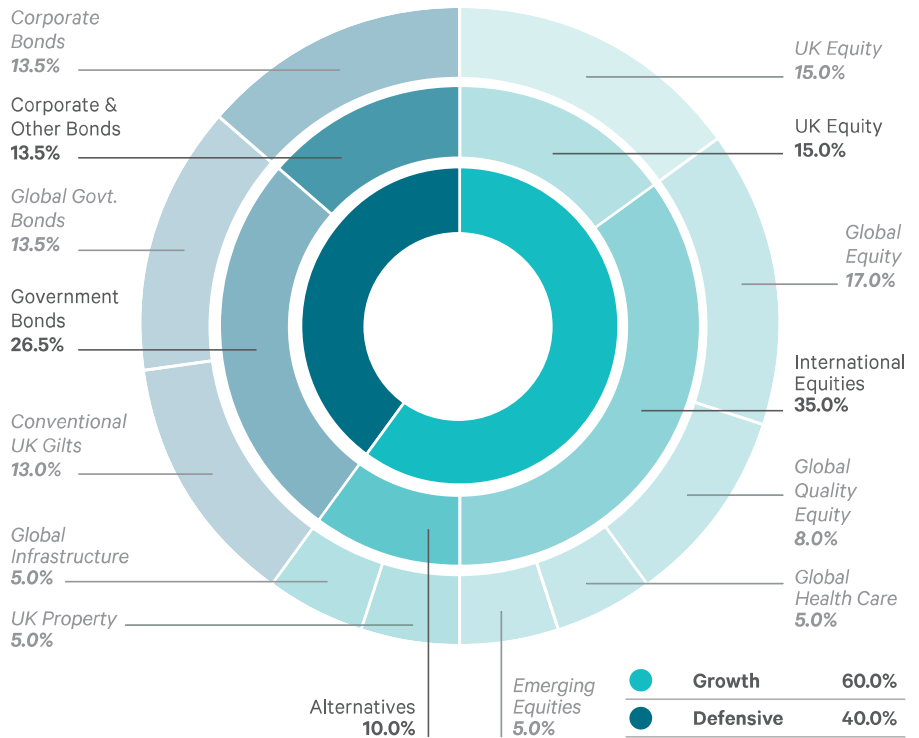
Table 1: Performance (Gross of Fees) to 31 March 2020

	1 Month	12 Months	3 Years (Annualised)	SI* (Annualised)	SI* 01/07/13
Balanced Growth Portfolio	-6.3%	-2.2%	1.3%	5.8%	46.7%
ARC Sterling Balanced Asset PCI Index	-7.8%	-5.0%	-0.5%	3.0%	21.9%
FTSE UK PI Income Index TR	-5.1%	-1.4%	2.0%	5.6%	44.9%

Table 2: Annual Performance (Gross of Fees)

2015	2016	2017	2018	2019
2.6%	15.7%	6.4%	-3.8%	15.1%

Asset Allocation



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For further enquiries, please contact:

Davy UK, Donegall House, 7 Donegall Square North, Belfast BT1 5GB

+44 28 90 310 655 belfast@davy.ie

J&E Davy (UK) Limited and J&E Davy are part of the Davy Group of companies. Davy Private Clients UK and Davy UK are the trading names of J&E Davy (UK) Limited. J&E Davy (UK) Limited is authorised and regulated by the Financial Conduct Authority. J&E Davy, trading as Davy, is regulated by the Central Bank of Ireland. Davy is a member of Euronext Dublin and the London Stock Exchange. In the UK, Davy is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of Davy's authorisation and regulation by the Financial Conduct Authority are available from us on request.

Cautious Growth Portfolio

Factsheet as at 31 March 2020

Objective

The objective of the Cautious Growth investment strategy is to achieve a rate of return in excess of inflation while seeking to minimise volatility of returns by investing in a diversified portfolio of predominantly defensive assets.

The Cautious Growth investment strategy aims to mitigate the impact of inflation by adopting a low to moderate risk mandate.

Portfolio Facts at a Glance

Objective	Cautious Growth
Risk Profile	Low to Medium
Target Return	3-4%
Investment Manager	J&E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.24%
Yield	1.70%
Geography	Global (Primarily UK & US)

Current Portfolio Holdings

	Weighting (%)
Equities	25.0
UK Equities	7.5
iShares Core FTSE100	4.0
SSGA SPDR FTSE UK All Share	3.5
International Equity	17.5
iShares MSCI World	8.5
iShare Global Quality	4.0
SSGA SPDR MSCI World Health Care	2.5
iShares Emerging Markets	2.5
Bonds	65.0
Government Bonds	46.5
Lyxor UK Gilts	23.0
iShares Global Govt. Bonds	23.5
Corporate & Other Bonds	18.5
iShares Corporate Bond	18.5
Alternatives	10.0
Property	5.0
iShares UK Property	5.0
Other Alternatives	5.0
HICL Infrastructure Company	5.0
Cash	0.0
Cash	0.0
Total	100.0

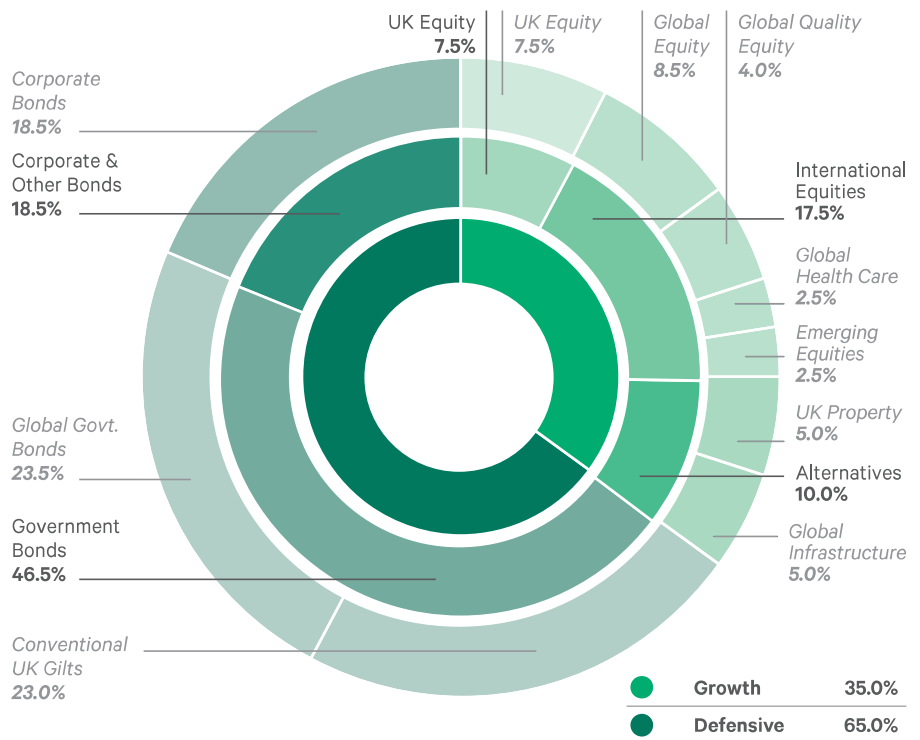
Table 1: Performance (Gross of Fees) to 31 March 2020

	1 Month	12 Months	3 Years (Annualised)	SI* (Annualised)	SI* 01/07/13
Cautious Growth Portfolio	-4.1%	1.0%	1.8%	4.7%	36.3%
ARC Sterling Cautious Asset PCI Index	-5.0%	-2.1%	0.1%	2.2%	15.9%
FTSE UK PI Conservation Index TR	-3.6%	0.7%	2.4%	5.4%	42.2%

Table 2: Annual Performance (Gross of Fees)

2015	2016	2017	2018	2019
1.5%	11.2%	4.2%	-2.6%	11.1%

Asset Allocation



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Preservation Portfolio

Factsheet as at 31 March 2020

Objective

The objective of the Preservation investment strategy is to protect the value of capital and aims to achieve a long term return in line with inflation by investing predominantly in a portfolio of defensive/low risk assets.

Portfolio Facts at a Glance

Objective	Preservation
Risk Profile	Low to Medium
Target Return	2-3%
Investment Manager	J&E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Liquidity	Target Return 2-3%
Third Party Total Expense Ratio	0.18%
Yield	1.58%
Geography	Global (Primarily UK)

Current Portfolio Holdings **Weighing (%)**

Equities	10.0
UK Equities	5.0
SSGA SPDR FTSE UK All Share	5.0
International Equity	5.0
iShares MSCI World	5.0
Bonds	90.0
Government Bonds	60.0
Lyxor UK Gilts	30.0
iShares Global Govt. Bonds	30.0
Corporate & Other Bonds	30.0
iShares Corporate Bond	30.0
Alternatives	0.0
Alternatives	0.0
Cash	0.0
Cash	0.0
Total	100.0

Table 1: Performance (Gross of Fees) to 31 March 2020

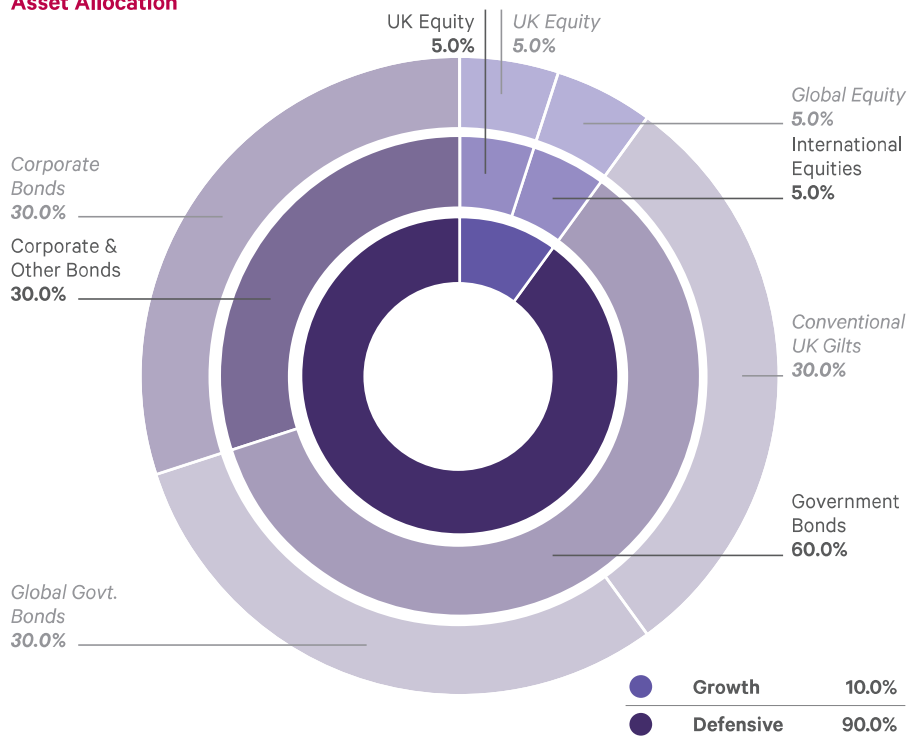
1 Month	12 Months	3 Years (Annualised)	Since Inception (Annualised)	Since Inception 01/07/13
-2.6%	2.8%	2.2%	3.7%	28.1%

Table 2: Annual Performance (Gross of Fees)

2015	2016	2017	2018	2019
0.4%	8.6%	2.8%	-1.2%	7.5%

Source: Bloomberg

Asset Allocation



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Balanced Growth II Portfolio

Factsheet as at 31 March 2020

Objective

The objective of the Balanced Growth investment strategy is to achieve long-term capital growth by investing in a balanced portfolio of domestic and international equities, fixed interest securities and alternative investments.

The Balanced Growth investment strategy aims to achieve a return in excess of inflation, while seeking to achieve a balance between stability of returns and capital appreciation.

Portfolio Facts at a Glance

Objective	Balanced Growth
Risk Profile	Medium to High
Target Return	4-5%
Investment Manager	J&E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.19%
Yield	0.61%
Geography	Global (Primarily UK & US)

Current Portfolio Holdings **Weighting (%)**

Equities	60.0
UK Equities	0.0
International Equity	60.0
iShares MSCI World	60.0
Bonds	40.0
Government Bonds	26.5
Lyxor UK Gilts	13.0
iShares Global Govt. Bond	13.5
Corporate & Other Bonds	13.5
iShares Corporate Bond	13.5
Alternatives	0.0
Property	0.0
Other Alternatives	0.0
Cash	0.0
Cash	0.0
Total	100.0

Table 1: Performance (Gross of Fees) to 31 March 2020*

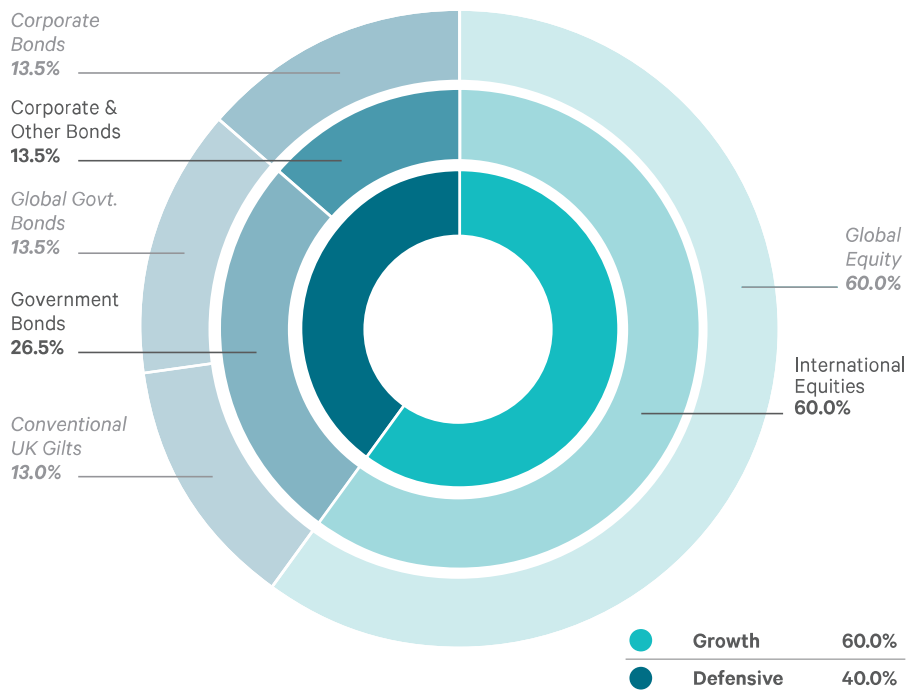
	1 Month	12 Months	3 Years (Annualised)	SI* (Annualised)	SI* 09/11/18
Balanced Growth II Portfolio	-5.6%	-0.6%	N/A	2.2%	3.0%
ARC Sterling Balanced Asset PCI Index	-7.8%	-5.0%	-0.5%	-2.1%	-2.9%
FTSE UK PI Income Index TR	-5.1%	-1.4%	2.0%	1.4%	1.9%

Table 2: Annual Performance (Gross of Fees)

2015	2016	2017	2018	2019
N/A*	N/A*	N/A*	N/A*	15.8%

* N/A due to inception date of 09 Nov 2018

Asset Allocation



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Source: Bloomberg.

Cautious Growth II Portfolio

Factsheet as at 31 March 2020

Objective

The objective of the Cautious Growth investment strategy is to achieve a rate of return in excess of inflation while seeking to minimise volatility of returns by investing in a diversified portfolio of predominantly defensive assets.

The Cautious Growth investment strategy aims to mitigate the impact of inflation by adopting a low to moderate risk mandate.

Portfolio Facts at a Glance

Objective	Cautious Growth
Risk Profile	Low to Medium
Target Return	3-4%
Investment Manager	J&E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.18%
Yield	1.06%
Geography	Global (Primarily UK & US)

Current Portfolio Holdings

Current Portfolio Holdings	Weighting (%)
Equities	30.0
UK Equities	0.0
International Equity	30.0
iShares MSCI World	30.0
Bonds	70.0
Government Bonds	46.5
Lyxor UK Gilts	23.0
iShares Global Govt. Bond	23.5
Corporate & Other Bonds	23.5
iShares Corporate Bond	23.5
Alternatives	0.0
Property	0.0
Other Alternatives	0.0
Cash	0.0
Cash	0.0
Total	100.0

Table 1: Performance (Gross of Fees) to 31 March 2020*

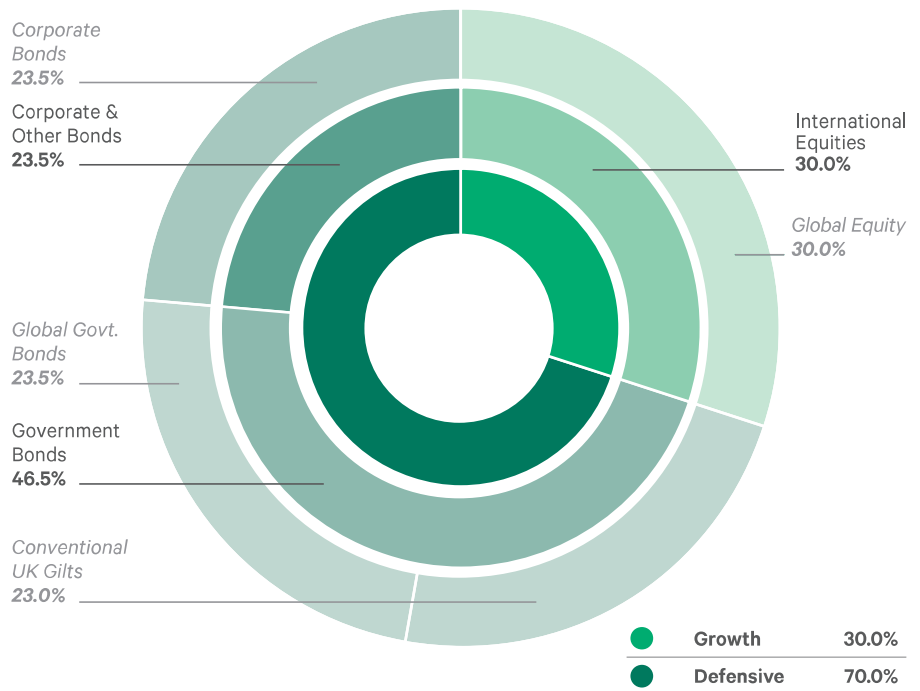
	1 Month	12 Months	3 Years (Annualised)	SI* (Annualised)	SI* 09/11/18
Cautious Growth II Portfolio	-3.6%	2.0%	N/A	4.3%	6.0%
ARC Sterling Cautious Asset PCI Index	-5.0%	-2.1%	0.1%	-0.4%	-0.6%
FTSE UK PI Conservation Index TR	-3.6%	0.7%	2.4%	2.9%	4.1%

Table 2: Annual Performance (Gross of Fees)

2015	2016	2017	2018	2019
N/A*	N/A*	N/A*	N/A*	11.2%

* N/A due to inception date of 09 Nov 2018

Asset Allocation



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