

JUDICATURE (NORTHERN IRELAND) ACT 1978

# Funds in Court in Northern Ireland

## Statement of Accounts 2020-21

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 2021 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*

*09 February 2022*



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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 2021.

## Foreword by the Accountant General

I present the Statement of Accounts for Funds in Court in Northern Ireland for the year ended 31 March 2021.

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 2021, £319m was held in court, up from £299m as at 31 March 2020.

I was appointed to the role of Accountant General from 26 July 2021, following Anthony Harbinson's temporary promotion to Permanent Secretary of the Department of Agriculture, Environment and Rural Affairs. I would like to place on record my gratitude to Anthony for his stewardship of the funds in court since August 2020 and wish him every success in his current role.

This has been a particularly difficult year for everyone, with the challenges presented by the COVID-19 global pandemic. CFO provides essential services to some of the most vulnerable members of society, so it is extremely important that these services are able to continue uninterrupted. I am pleased to report that the staff in CFO met these challenges head-on and, through prioritisation, ensured that the essential services continued with minimal disruption.

The response to our consultation on the future role of the court and how the funds currently under the control of the court should be managed in future, published in December 2019, proposed a number of steps that could be taken to introduce a modern and more flexible approach in the management of minors' and patients' funds. Some of these proposals require significant and complex legislative changes and so cannot be taken forward immediately with current resources.

One of the proposals was to offer clients the opportunity to transfer funds into an existing Junior Cash ISA, if a suitable investment alternative was not available if the funds were to remain in court. This allows a child's fund to benefit from the higher interest rates available on these products, and the award would remain protected until the child reached 18. This proposal was fully implemented during the year.

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.



**Glyn Capper**

*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 2021 the rates were as follows:

- Deposit account 0.05% (reduced from 0.10% on 1 April 2020)
- Short term investment account 0.10% (reduced from 0.25% on 1 April 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 2020-21 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 eight risks appearing on the CFO Risk Register at the end of 2020-21:

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

Risk 8: COVID-19

## Performance Summary

### Number of cases

The number of minor and patient cases with funds in court decreased from 12,852 at 31 March 2020 to 12,749 at 31 March 2021. During the year, a total of 1,236 minor and patient cases were paid out in full with funds being received for 1,133 new cases.

### CFO operational performance

A number of performance targets relating to CFO were published in the NICTS Business Plan for 2020-21. The targets (and the performance achieved) are as follows:

Task	Measure of Performance	Target	Achieved
<b>Receipts</b>	Receipt transactions will be posted on the day of receipt in respect of cheques, cash and money orders	95.0%	97.2%
	Receipt transactions will be posted within two working days of receipt in the bank in respect of direct credits	95.0%	92.1%
	Receipts will be posted within seven working days of the Registrar's payment date in respect of dividends	90.0%	97.3%
<b>Payments</b>	Payments will be made within five working days of receiving the relevant paperwork in respect of payments made: <ul style="list-style-type: none"> <li>○ to minors reaching 18 years old;</li> <li>○ on foot of a court order or invoice; or</li> <li>○ on receipt of a Notice of Acceptance</li> </ul>	95.0%	98.9%
	Regular payments will be made on or before the due date	95.0%	99.9%
<b>Investments</b>	Transactions will be completed within five working days of the relevant trade date in respect of sales and purchases of stock	98.0%	98.7%
<b>Customer Services</b>	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%	88.7%
<b>Accounts</b>	Draft accounts to be issued to Comptroller and Auditor General for Northern Ireland in line with statutory deadline	By 30/11/20	Issued 10/07/20

Six out of eight performance targets were achieved in 2020-21. The two performance targets that were missed reflect the immediate actions taken during the initial lockdown due to COVID-19, when payments were prioritised with the limited staff resources available. The two missed targets relate to processing receipts and issuing correspondence to advise clients that funds have been received. It was considered that delaying these processes would have minimal impact on clients, whereas delaying payments could have a significant impact.

### CFO modernisation

In the response to the consultation on the future role of the court and how the funds currently under the control of the court should be managed in future, published in December 2019, NICTS proposed a number of steps that could be taken to introduce a modern and more flexible approach in the management of minors' and patients' funds. Some of these proposals require significant and complex legislative changes and so cannot be taken forward immediately with current resources.

One of the proposals was to offer clients the opportunity to transfer funds into an existing Junior Cash ISA, if a suitable investment alternative was not available if the funds were to remain in court. This allows a child's fund to benefit from the higher interest rates available on these products, and the award would remain protected until the child reached 18. This proposal was fully implemented during the year.

## Performance Analysis

### Results for the year

The results for the year are detailed on page 29 and show a deficit for the year of £42,000 (2019-20 deficit of £38,000).

The fund reported an overall deficit in 2020-21 as the Bank of England base rate remained low at 0.10% throughout the year. The fund did not generate sufficient income to enable a surplus to be drawn down towards the running costs of CFO (2019-20 surplus of £75,000 drawn down). The deficit for the year has been deducted from the accumulated reserves brought forward.

The introduction of fees in January 2017 ensures that CFO clients make a contribution to the running costs of the office. A total of £602,000 was payable to NICTS for the year to 31 March 2021 (2019-20 £618,000).

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). In 2020-21, the amount recoverable totalled £21,000 and this has been added to the reserves.

The accumulated reserves carried forward as at 31 March 2021 totalled £16,000 (31 March 2020 £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 £3.2m, equivalent to 1.0% of client holdings at year end (2019-20: £5.1m or 1.7%). Income has reduced compared with last year, primarily due to the reduction in the interest rates paid on cash deposits held with CRND, but there has also been a switch to some investment holdings that are accumulating units rather than distributing units.

Total client holdings increased from £299.2m to £318.7m during the year. Accounting for net payments to clients of £7.3m and net transfers of investments to clients of £1.0m, this represents an increase value of £27.8m (9.3% of client holdings at the start of the year). The gain in valuation of securities held on behalf of clients was £24.5m (2019-20: loss £7.2m).

Table 1 shows the market value of cash and securities held on behalf of clients as at 31 March 2021 and 31 March 2020.

Table 1	Patients		Minors		Other funds	
	(£000's)		(£000's)		(£000's)	
	31/3/21	31/3/20	31/3/21	31/3/20	31/3/21	31/3/20
Cash Account Balances	31,343	35,858	46,274	47,731	19,125	16,559
Debt Securities	-	46	-	-	-	-
Investment Securities	178,414	158,998	43,046	39,683	-	-
Total	209,757	194,902	89,320	87,414	19,125	16,559

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 directly in government gilts (debt securities), as long as this is appropriate. However, the returns on government gilts during the year remained exceptionally low, meaning that they are no longer considered appropriate for direct investment by CFO clients. During the year, the last direct holdings in government gilts redeemed and as a result, at 31 March 2021 no funds were invested directly in gilt holdings (31 March 2020: £46k).

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.

Overall, client holdings in investment securities increased from £198.7m to £221.5m. Sales and transfers out exceeded purchases by £1.7m, with the overall value of investment securities increasing by £24.5m. The total of £221.5m includes ETFs with underlying holdings in corporate bonds (£34.3m), UK gilts (£22.1m) and other government bonds (£44.6m).

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

<b>Table 2</b>	<b>Patients</b>		<b>Minors</b>		<b>Total</b>
	<b>Debt Securities</b>	<b>Investment Securities</b>	<b>Debt Securities</b>	<b>Investment Securities</b>	
	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	<b>(£000's)</b>	
Opening value 1/4/20	46	158,998	-	39,683	198,727
Purchases	-	39,885	-	14,713	54,598
Sales	(46)	(40,473)	-	(14,803)	(55,322)
Net transfers out***	-	-	-	(1,027)	(1,027)
Internal transfers**	-	776	-	(776)	-
Gain in value	-	19,229	-	5,255	24,484
Closing value 31/3/21	-	<b>178,415</b>	-	<b>43,045</b>	<b>221,460</b>
% gain in value*	-	<b>11.40%</b>	-	<b>12.70%</b>	<b>11.65%</b>

\*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.

\*\*\*Net transfers out represents the value of investments that have been transferred out of court.

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

<b>Table 3</b>		<b>Index at 31/3/2020</b>	<b>Index at 31/3/2021</b>	<b>Movement in index</b>	<b>% movement in index</b>
<b>Investment securities</b>	<b>FTSE All share</b>	3,107.42	3,831.05	723.63	23.29%
	<b>FTSE 100</b>	5,671.96	6,713.63	1,041.67	18.37%
	<b>FTSE All World (Ex UK)</b>	364.29	501.58	137.29	37.69%
<b>Debt securities</b>	<b>FTSE Fixed rate gilts up to 5 years</b>	90.28	88.12	(2.16)	(2.39)%
	<b>FTSE Fixed rate gilts 5-15 years</b>	196.22	186.27	(9.95)	(5.07)%
	<b>FTSE Index-linked gilts up to 5 years</b>	304.90	302.72	(2.18)	(0.71)%
	<b>FTSE Index-linked gilts 5-15 years</b>	505.20	501.06	(4.14)	(0.82)%

The capital returns on investment securities were particularly high over the 12 month period to 31 March 2021. However, this should be considered in the context of the significant falls experienced in the last two months of 2019-20 as a result of market movements in response to the COVID-19 pandemic. The indices are now above pre-pandemic levels, indicating that the market has recovered the losses suffered in that period.

On average, the capital value of investment securities held by CFO increased in value by just over 11.6%. This reflects the balanced nature of the portfolios, which include underlying investments in corporate and government bonds.

The gilt indices noted above show that index-linked gilts performed better than conventional gilts, although both reported negative capital 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 a wider range of the 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.

<b>Table 4</b>	2016/17	2017/18	2018/19	2019/20	2020/21	Five year average
	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)
Capital return Gain / (Loss)	22,931	(4,929)	8,898	(7,164)	24,484	<b>8,844</b>
Portfolio income (Dividends/Interest)	4,696	4,086	4,272	4,334	3,150	<b>4,108</b>
<b>Total Portfolio Return</b>	<b>27,627</b>	<b>(843)</b>	<b>13,170</b>	<b>(2,830)</b>	<b>27,634</b>	<b>12,952</b>

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 almost £13m and with an average portfolio value of £204m, this equates to an average annual return of 6.3%. This is above the targeted annual returns of the portfolios, which range from 2% to 5% depending on the level of risk in the portfolio.

### 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 2020-21 resulted in a notional audit fee of £13,800 (2019-20: £13,500). 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.



**Glyn Capper**  
 Accountant General of the  
 Court of Judicature of Northern Ireland  
 21 December 2021

*[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 2021
2. Outlook for the year ahead
3. Portfolio Positioning

### **Review of investment markets in the period to 31 March 2021**

As we entered the reporting period, we had just experienced the fastest bear market of all time and were about to be a part of the fastest partial recovery of all time. Whilst we still don't have all the answers, we can look back at markets in the middle parts of 2020 and answer some questions that seemed a mystery at the time.

#### **Why did the market fall so fast?**

Markets hate uncertainty. While it's debatable how much we ever really understand about the economy and stock prices, the sheer panic of late February and March 2020 revealed just how little we knew about the Coronavirus and its potential impact. Every day seemed to bring a more dire forecast and another draconian policy. Also, it was a human crisis of lost lives, rather than just an economic crisis of lost profits and jobs.

As for investors, a higher proportion use cheap passive instruments such as exchange traded funds (ETFs) than ever before. Systematic or rules-based strategies may also have led to increased and faster selling than usual in a crisis.

#### **Why did the market recover so fast when the economy hadn't?**

Learning from the global financial crisis, central banks and governments came in fast and in massive scale – the announced stimulus was more than double that was seen in 2008, and happened within weeks, moving to ensure that the financial system did not fall apart. Another lesson learned from the 2008 stimulus was to support the real economy as well as the financial system. Job and wage protection schemes were rapidly implemented to bridge the sharp drop in growth. Even so, spending dropped as consumers increased their saving.

An important difference between the economy and the market is that the market is forward-looking, anticipating what will happen, whereas economic data measures what did happen. Just as they didn't wait to see the economy contract to sell-off in March, markets didn't need to see the recovery to rally back. All they needed was a belief that a recovery was coming.

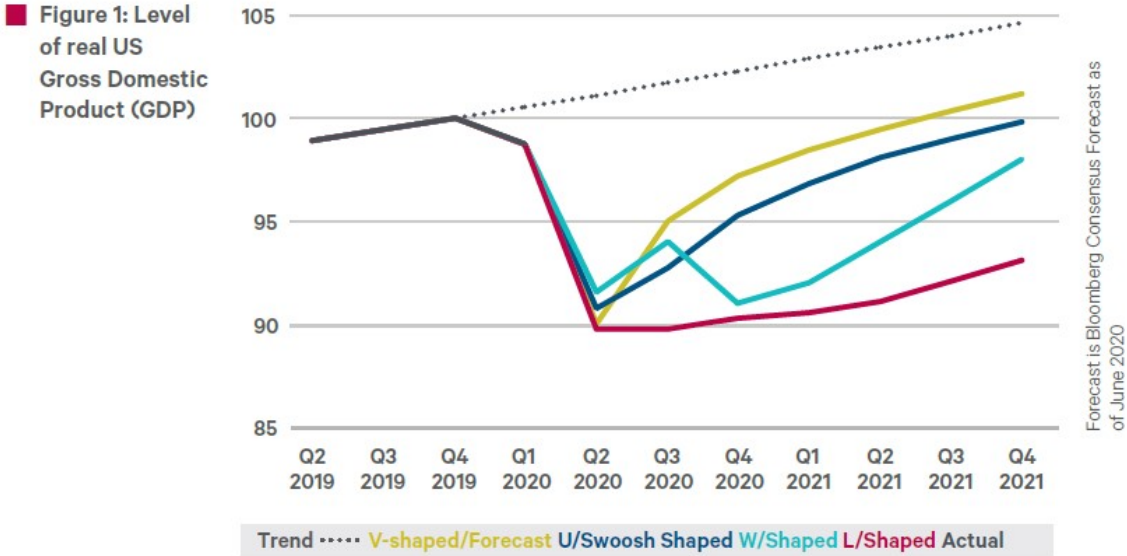
As some of the economic data began to stabilise and the more violent market moves seemed behind us, investors began to question the all important "shape" of the economic recovery. To answer this, commentators began examining several potential growth paths for the economy and corporate earnings.

V-shaped: In this scenario, the recovery is almost as fast as strong as the contraction. Although the stock market may have initially followed this pattern, we were communicating to our clients that it was too optimistic for the recovery. In our opinion, it was not as realistic to turn business back on as fast as they were locked down and that rehiring workers would be slower than laying them off. Even if we saw a quicker than expected reopening, we expected a constrained version of the pre-virus economy.

U- or swoosh-shaped: The more modest scenario that reflects a slower recovery that is more gradual than the swift contraction.

W-shaped: This involves a partial recovery, followed by another decline, before an eventual real recovery, with the second leg down assumed to be caused by a resurgence in the virus.

L-shaped: the most negative scenario, where any recovery is weak and slow. We believed this to be too pessimistic given that the financial system was not on its knees this time.



As virus infections numbers began to pick up in Q3 of 2020, attention turned internationally to the US elections and more domestically to the UK-EU Brexit negotiations.

After Democratic candidate Joe Biden secured enough Electoral College votes to win the US Presidency, the market turned its attention to the implications of what looked to be then a divided government. Markets looked past former President Donald Trump’s initial reluctance to concede and the potential for run-off elections for the Senate and ended the month of November with double digit returns. A decisive vote in either direction meant that the stalemate on further fiscal packages could be ended and that a clearer path to a recovery was paved.

In the UK, Brexit negotiations ended at the eleventh hours after 9-months of protracted negotiations. Currency was the biggest winner, with sterling clawing back some of its losses earlier in the year on the run up to the announcement of a deal. It will be some time before we know the knock-on effects on international trade for the UK, but at least in the short-term, the removal of the prospect of no deal lifted a weight off of domestically sensitive assets.

**Davy Outlook for the year ahead**

When we produce our outlook for financial markets, we normally rely on two things. Our proprietary economic cycle indicator gives us our temperature check of the main cycles; business, economic and credit and our risk monitor identifies the challenges to our central view and how we are prepared for them.



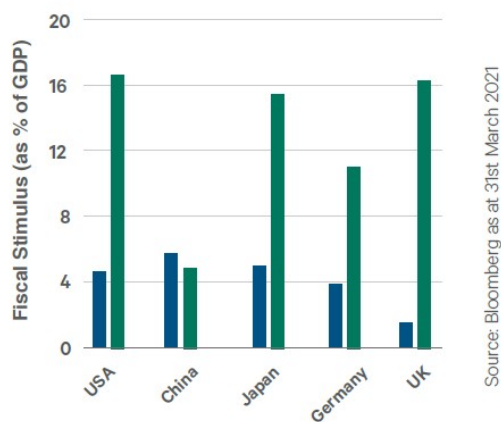
Most of the high-profile risks that we were worried about, like the US election, the economic recovery, and the vaccine timeline, turned out more favourably than expected, adding fuel to the markets in 2020. The question now is how much more good news can we expect for 2021, and what happens if the news-flow turns negative?

Market-Impact	Market-unfriendly outcome	Risk	Market-friendly outcome	Market-Impact
Negative for growth assets	Vaccine roll-out stalls and is not completed in 2021	Covid-19	Vaccine distributed before H2 2021	Positive for global stocks, incl. cyclicals
Negative for growth assets	Government support under-delivers	Fiscal Policy	Further government support	Positive for global stocks
Negative for growth assets	More tariffs, sectoral cold wars	Trade War	Negotiation and de-escalation	Positive for global stocks, incl. Emerging Markets (EM)
<b>Very negative for stocks and bonds</b>	Higher than expected, central bank dilemma	Inflation	Continued low inflation and interest rates	<b>Continued positive for stocks</b>
Bad for GBP and domestic UK stocks	Larger than anticipated adverse impact on exports	Brexit	Deal ensures minimal disruption to supply chains	Boost for GBP and domestic UK stocks
<b>Negative for stocks</b>	2021 earnings well below 2019 levels	Market Expectation	2021 earnings close to 2019 levels	Continued support for stocks
<b>Unsustainable bull run for stocks</b>	Unrealistic highs	Market Valuations	Stay bound to realistic growth expectations	<b>Sustained bull market for stocks</b>

The most important risk that we are thinking about now is inflation. We have heard this inflation scare story before and the narrative is intuitive given the extraordinary amounts of central bank and government money sloshing around. When central banks spent trillions of dollars during the GFC (Global Financial Crisis) on quantitative easing, i.e. buying bonds, many worried then that this would cause inflation. And it did, but mostly to prices of financial assets, and less to consumer prices, because most of the money stayed in the bond markets.

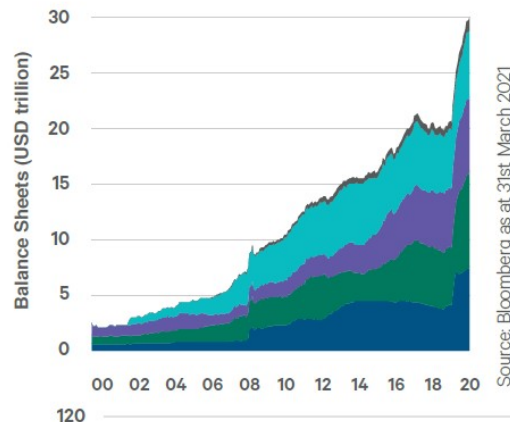
This time around, as we can see in Figures 2 and 3, several times more money has been poured into the system than during the GFC. And not just from central banks into bonds, but from governments directly into households. Yet despite Milton Friedman’s famous quote that “inflation is always and everywhere a monetary phenomenon”, the link between monetary expansion and inflation remains unproven. That doesn’t mean that it can’t happen this time, but until banks start to lend more and people start to spend more, the stimulus doesn’t translate directly into wage and price increases.

Figure 2: Fiscal stimulus now vs. Global financial crisis



Global Financial Crisis Covid-19 (2020)

Figure 3: Expansion of central bank balance sheets



Bank of England      China Central Bank  
 Bank of Japan      European Central Bank  
 US Federal Reserve

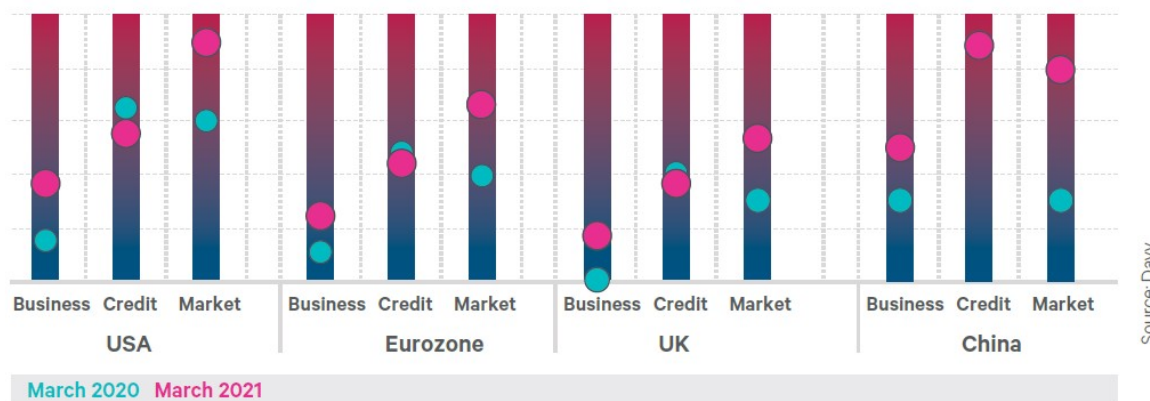
As we’ve discussed before, cycles end in three different ways. The most common way is for the economy to overheat (high inflation), causing the central bank to tighten conditions (raise rates and restrict lending), usually leading to a recession. The less common way is for the financial system to overheat and break down. This is more painful as it usually involves unwinding debt and asset bubbles. The third way for a cycle to end is via a shock event, like a military or health crisis, which brings a temporary halt to the economy.

We do expect to see higher inflation in Q2 this year, mainly because it’s a 12-month measurement, and prices slumped in Q2 last year. Beyond this, we expect price rises to moderate, except for sectors where there are supply issues, like semiconductors.

Most importantly the Fed (US Federal Reserve) have been clear that they are prepared to allow inflation to run above their 2% target for some time, until they see maximum employment, whatever that means. So, while we may see higher inflation than in the previous cycle, this shouldn’t lead to tighter policy sooner.

Looking at our business cycle indicator, the economy is not close to overheating. The output and jobs gap should act as a buffer for a few more years. However, the longer the economy can run warm, the higher the risk that the financial system overheats too, with unsustainable borrowing pushing asset prices to bubble levels. While the market cycle is unusually advanced for so early in a recovery, we note that the private credit cycle has still not extended too far, except for China.

■ Figure 4: Subjective view of the three cycles



**Portfolio Positioning**

One of the standout performers in portfolios in the first half of 2020 was the healthcare allocation. Focused on quality companies with defensive characteristics in the health sector, it was well positioned to weather the market storm brought on by the pandemic. This led to strong outperformance both year to date and since the call was added to portfolios.

In July 2020, the decision was made to close the call however and allocate the proceeds to global equities. While we continue to like the quality characteristics of the position, we believed the upcoming US presidential election was now a cause for concern for the healthcare sector. With Biden the strong front runner, his campaign promise of healthcare for all could be very disruptive to the sector.

Additionally, we made a few fundamental changes to portfolio asset allocations during the year. Firstly, there was the change in asset class weights within portfolios. The extreme measures taken by central banks around the world saw bond yields fall to all-time lows, an

indication that the asset class returns in the past were unlikely to be repeated soon. For this reason, we made the decision to increase portfolio allocations to higher returning assets classes, specifically equities. Within the balanced growth portfolio for example, we made a modest increase to equities (+2.5%) by reducing the fixed income allocation, to increase the probability of achieving the mandate investment objective over the investment time horizon.

We still maintain that fixed income will provide a useful source of diversification against movements in equity markets, however, given that prospective returns from the asset class are now lower we thought it appropriate to cease the Preservation offering. We do not believe that this model will continue to generate returns meaningfully above cash despite the extra risk that the portfolio carries.

Due to the increase in risk assets in the Balanced portfolio, a Defensive portfolio was added to the suite of portfolio offering. Positioned between the Cautious and Balanced portfolios, the addition of the Defensive portfolio gives investors greater choice across the portfolio risk spectrum.

In our tiered portfolios, we consolidated our fixed income holdings into the iShares Global Aggregate Bond ETF which seeks to track the investment results of an index composed of global investment grade bonds. The primary benefit of this approach is a low-cost diversified exposure to the global fixed income market.

Secondly, we reduced the domestic market bias towards both UK equities and UK bonds. The reduction in UK exposure aligns the portfolio closer to a global benchmark, which has the benefit of reducing portfolio constraints and increasing our flexibility by expanding our investment universe. By increasing the opportunity set, portfolio diversification and return potential are increased. By increasing portfolio flexibility, our ability to add value through tactical decisions is also increased.

Furthermore, several key historic rationales (transaction costs, familiarity, risk reduction) for having a domestic bias have reduced considerably in recent years. To mitigate the short-term risks of market timing on the reduction in UK equities, we implemented the first of a two-phase reduction of our UK equity exposure, rather than moving in one step.

Finally, two new positions were added to portfolios in the latter half of the year. The new funds help further align the portfolios with our house view, predominantly by reinforcing the Quality and smaller company tilts. By reducing the UK equity exposure, we are reducing our exposure to smaller company stocks and therefore, have space within our risk budget to add global small company exposure.

The Smithson Investment Trust offers global, small to mid-cap company exposure with a quality bias employing a long-term, buy-and-hold investment philosophy. They invest in companies with quality characteristics with a preference for those that rely on intangible assets such brand names, patents, customer relationships among others. In their view, companies that rely on tangible assets can have these assets replicated by competitors.

Alliance Trust Global Equities is a factor-neutral, high conviction portfolio with the objective of generating outperformance through stock selection. Their unique process allows them to gain access to specialist managers that otherwise wouldn't be available to UK investors, and at a low cost.

## Accountability Report

### 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 of the Court of Judicature of Northern Ireland from that date, replacing Peter Luney who had been the Acting Chief Executive of NICTS.

Glyn Capper was appointed Acting Director of NICTS effective from 26 July 2021 and he was also designated as Accountant General of the Court of Judicature of Northern Ireland from that date, replacing Anthony Harbinson.

### 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 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. The NICTS Framework Document is currently being reviewed.

As Acting 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. I am also accountable for the NICTS budget and the efficient and effective delivery of NICTS business. Managerial responsibility for CFO rests with the Head of Corporate Services.

The COVID-19 pandemic has resulted in significant changes to the way NICTS operates now and throughout 2020-21. The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of COVID-19 and we continue to operate amid a public health emergency. In CFO, certain work was prioritised, with other business scaled back for a time. For example, it was considered essential that payments in respect of patients continued to be made as a delay to these could have a significant effect on services provided to vulnerable members of society, whereas processing receipts and issuing general correspondence was scaled back as this would have minimal impact on clients. CFO responded to the emerging situation and as restrictions eased, there was a gradual return to more normal levels of operation.

### **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 2020-21, 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 four occasions during the 2020-21 financial year. 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 2020-21 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 four occasions during 2020-21. 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 (ARAC)

The ARAC is a sub-committee of the Agency Board and its role 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 2020-21. 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.

#### Senior Management Team (SMT)

The SMT is the decision making group for the senior executive team within NICTS. The SMT takes a strategic look at the work of NICTS, including CFO, and considers resources, budget, business performance and operational issues. The team met monthly during 2020-21 and now meets weekly.

### 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 two occasions during 2020-21. Matters discussed include:

- investment performance;
- investment portfolio models; and
- the option for clients to transfer funds into a Junior Cash ISA.

### 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 22 and 23.

### Emergency Response Team (ERT)

In addition to the above management structures, the ERT was formed during 2020-21 to deal with COVID-19 specific issues. With the Chief Operating Officer in the role of Chair, membership comprised of senior managers from all business areas within NICTS. In addition, the Office of the Lord Chief Justice was also represented. When the Director of NICTS took up post in August 2020 he became a member of the team.

Initially the focus was on managing the immediate impact of the pandemic on court business, compliance with the public health guidance and the varying degrees of restrictions introduced by the Assembly. At the outset of the pandemic, meetings were held twice-weekly with the frequency reducing to fortnightly as the year progressed. Meetings can be called at any time to discuss important developments, e.g. changes to the public health guidance or restrictions.

### **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 2021 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 Corporate Support Branch.

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 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. Amendments were made to incident reporting procedures in April 2020 as a result of the COVID-19 pandemic, and these were ratified in a revised policy in November 2020. As a result, only critical incidents (where an actual data breach has occurred and there is a risk of action by the Information Commissioner's Office (ICO) or harm/distress to individuals) are reported to the Department to comply with the requirement to report significant data incidents to the ICO within 72 hours of becoming aware of the incident. All minor data incidents are recorded and managed locally within NICTS.

During 2020-21 there were no incidents within CFO that were required to be reported to the ICO. 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 is the responsibility of DoF 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. Full 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 between January and March 2021.

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 in February 2020 and are currently being planned for 2021.

NICTS continues to monitor and review the application of information assurance policies (including a series of unannounced clear desk inspections) to ensure data is handled appropriately and that any associated risks are identified and managed.

### **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 the internal auditors and 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 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 2020-21 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, to allow the Board members to effectively carry out their duties. A Board Effectiveness Questionnaire was commissioned in October 2020. The questionnaire was issued electronically to all members who sat on the Board in the 2020-21 year. It asked for responses to a number of questions in key areas including Board governance, the way Board meetings were structured and conducted, performance and risk monitoring and internal audit and reporting. The Board noted the results of the survey at their meeting on 21 March 2021.

### **Significant internal control issues**

No issues have been identified as significant to CFO during 2020-21 as a result of the assurance activity.

**Audit recommendations**Internal audit

The 2020-21 report on CFO from the internal auditors made one priority three recommendation which has been fully implemented. This was in relation to the timely issue of documentation to new clients. All outstanding recommendations are monitored by ARAC every six months.

External audit

The 2019-20 report on CFO from the external auditors made one priority two recommendation which has been fully implemented. This was in relation to the review of monthly management accounts being formally documented.

**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 2020-21 year, overall **Satisfactory Assurance** has been provided on the NICTS systems, including the CFO systems.

**Glyn Capper**

*Accountant General of the  
Court of Judicature of Northern Ireland*  
21 December 2021

**Table 5 – Membership and attendance at Agency Board for 2020-21**

<b>Member</b>	<b>Position</b>	<b>Attendance</b>
Mr A Harbinson	<sup>1</sup> Director (Chair)	3 / 3
Mr P Luney	<sup>1</sup> Chief Operating Officer	4 / 4
Mrs E Topping	<sup>2</sup> Head of Court Operations	1 / 1
Mrs G McClearn	<sup>2</sup> Acting Head of Tribunals and Enforcement	1 / 1
Mrs S Hetherington	<sup>3</sup> Head of Modernisation Programme	0 / 0
Mrs P Reid	<sup>4</sup> Head of Digital Transformation	1 / 1
Mrs L Laverty	<sup>5</sup> Acting Head of Corporate Services	0 / 1
Mrs M Kilpatrick	<sup>6</sup> Office of the Lord Chief Justice (OLCJ)	1 / 3
Mr P Butler	<sup>7</sup> Head of Legacy Inquest Unit	2 / 2
Mr G Capper	<sup>8</sup> DoJ Representative	1 / 1
Ms N Lappin	Non-Executive Member	4 / 4
Mr G Dalton	Non-Executive Member	4 / 4
The Honourable Mr Justice Colton	DoJ Representative	4 / 4
The Honourable Mr Justice McFarland	<sup>9</sup> Judicial Representative	1 / 2
His Honour Judge Fowler QC, Recorder of Belfast	<sup>9</sup> Judicial Representative	1 / 2
Presiding District Judge Bagnall (Magistrates Court)	Judicial Representative	4 / 4
Mr J Duffy (President of the Appeals Tribunal)	Judicial Representative	3 / 4

<sup>1</sup> Mr A Harbinson was appointed Director of NICTS effective from 3 August 2020; from that date he was designated as Accounting Officer of NICTS. (Mr P Luney stepped down as Chair of the Board on 3 August 2020 and was replaced by Mr A Harbinson).

<sup>2</sup> Mrs E Topping and Mrs G McClearn stepped down from the Agency Board on 3 August 2020.

<sup>3</sup> Mrs S Hetherington stepped down from the Agency Board and left NICTS on 31 May 2020.

<sup>4</sup> Mrs P Reid became a member of the Agency Board on 1 April 2020 and stepped down from the Agency Board on 3 August 2020.

<sup>5</sup> Mrs L Laverty stepped down from the Agency Board on 3 August 2020.

<sup>6</sup> Mrs M Kilpatrick became a member of the Agency Board on 3 August 2020.

<sup>7</sup> Mr P Butler became a member of the Agency Board on 5 October 2020.

<sup>8</sup> Mr G Capper attended the Agency Board on 22 June 2020.

<sup>9</sup> The Honourable Mr Justice McFarland resigned from the Board and was replaced by His Honour Mr Judge Fowler QC on 23 November 2020.

**Table 6 – Membership and attendance at Finance Committee for 2020-21**

Member	Position	Attendance
Mr A Harbinson	<sup>1</sup> Director (Chair)	3 / 3
Mr P Luney	<sup>1</sup> Chief Operating Officer	3 / 4
Mrs E Topping	<sup>2</sup> Head of Court Operations	2 / 2
Mrs G McClearn	Acting Head of Tribunals and Enforcement	3 / 4
Mrs S Hetherington	<sup>3</sup> Head of Modernisation Programme	0 / 0
Mrs P Reid	<sup>4</sup> Head of Digital Transformation	4 / 4
Mrs L Lavery	Acting Head of Corporate Services	3 / 4
Mr G Dalton	Non-Executive Member	4 / 4
The Honourable Mr Justice Colton	Judicial Representative	4 / 4

<sup>1</sup> Mr A Harbinson was appointed Director of NICTS effective from 3 August 2020; from that date he was designated as Accounting Officer of NICTS. (Mr P Luney stepped down as Chair of the Finance Committee on 3 August 2020 and was replaced by Mr A Harbinson).

<sup>2</sup> Mrs E Topping stepped down from the Finance Committee in 18 November 2020.

<sup>3</sup> Mrs S Hetherington stepped down from the Agency Board and left NICTS on 31 May 2020.

<sup>4</sup> Mrs P Reid became a member of the Finance Committee on 1 April 2020.

**Table 7 – Membership and attendance at NICTS ARAC for 2020-21**

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

**Table 8 – Membership and attendance at Judicial Liaison Group for 2020-21**

Position	Member	Attendance
High Court Judge (Chair)	The Hon. Mr Justice Maguire	2 / 2
Accountant General	<sup>1</sup> Mr P Luney	0 / 0
Accountant General	<sup>1</sup> Mr A Harbinson	2 / 2
Master (Queen's Bench and Appeals)	Master McCorry	2 / 2
Master (Care and Protection)	Master Wells	2 / 2
District Judge	District Judge Duncan	2 / 2
County Court Judge	His Hon Judge Devlin	2 / 2
Official Solicitor	Ms Mairead Holder	2 / 2
Acting Head of Corporate Services	Mrs L Lavery	2 / 2
Deputy Accountant General	Mr R Ronaldson	2 / 2
Office of Care and Protection	<sup>2</sup> Mr N Bloomer	0 / 1
Office of Care and Protection	<sup>2</sup> Ms O Edwards	1 / 1
Independent member	Mr J West	2 / 2
Independent member	<sup>3</sup> Mr J French	0 / 1
Independent member (Allenbridge)	Mr J Arthur	2 / 2

<sup>1</sup> Mr A Harbinson replaced Mr P Luney as Accountant General on 3 August 2020

<sup>2</sup> Ms O Edwards replaced Mr N Bloomer on 26 January 2021

<sup>3</sup> Mr J French left the Group on 31 October 2020

The Judicial Liaison Group meeting scheduled for 28 April 2020 was not held due to the COVID-19 pandemic. Update papers were circulated to the Group in place of the meeting.

**FUNDS IN COURT IN NORTHERN IRELAND****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 Funds in Court in Northern Ireland for the year ended 31 March 2021 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 Statements of Income and Expenditure, Financial Position, Cash Flows; and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted by the Government Financial Reporting Manual (FRoM).

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of Funds in Court in Northern Ireland's affairs as at 31 March 2021 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 for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 Funds in Court in Northern Ireland in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2019, 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**

In auditing the financial statements, I have concluded that Funds in Court in Northern Ireland's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Funds in Court in Northern Ireland's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accountant General with respect to going concern are described in the relevant sections of this report.

**Other Information**

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited, and my audit certificate and report. The Accountant General is responsible for the other information included in the annual report. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report I do not express any form of assurance conclusion thereon.

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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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.

**Matters on which I report by exception**

In the light of the knowledge and understanding of Funds in Court in Northern Ireland and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report, Investment Manager's Report and Accountability Report. 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
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; 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.

### **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accountant General's Responsibilities, the Accountant General is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accountant General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing Funds in Court in Northern Ireland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accountant General anticipates that the services provided by Funds in Court in Northern Ireland will not continue to be provided in the future.

### **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 reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to Funds in Court in Northern Ireland through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the financial reporting framework, International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted by the Government Financial Reporting Manual;
- making enquires of management and those charged with governance on Funds in Court in Northern Ireland's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;

- completing risk assessment procedures to assess the susceptibility of Funds in Court in Northern Ireland's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement partner led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in management override of controls;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
  - performing analytical procedures to identify unusual or unexpected relationships or movements;
  - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
  - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
  - investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

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](http://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.



**Report**

I have no observations to make on these financial statements.



K J Donnelly  
Comptroller and Auditor General  
Northern Ireland Audit Office  
1 Bradford Court  
Galwally  
BELFAST  
BT8 6RB

23 January 2022

## Statement of Income and Expenditure for the year ended 31 March 2021

	Note	Year Ended 31 March 2021 £000	2020 £000
<b>Income</b>			
Interest Income	3	95	820
Interest Expense	4	(85)	(730)
<b>Net Interest Income</b>		<b>10</b>	<b>90</b>
Dividend Income		3,150	4,333
Gains/(Losses) Arising from Securities	5	24,484	(7,164)
Transfer (to)/from Client Holdings		(27,634)	2,830
<b>Net Income</b>		<b>10</b>	<b>89</b>
<b>Expenditure</b>			
Administrative Expenses - CFO		-	(75)
Management Charges from CRND		(52)	(52)
<b>Total Expenses</b>		<b>(52)</b>	<b>(127)</b>
<b>Deficit deducted from Reserves</b>		<b>(42)</b>	<b>(38)</b>

The notes on pages 32 to 39 form part of these accounts

## Statement of Financial Position as at 31 March 2021

	Note	31 March	
		2021 £000	2020 £000
<b>Assets</b>			
Cash and Cash Equivalents	6	1,774	1,578
Loans and Advances	7	94,983	98,849
Debt Securities	8	-	46
Investment Securities	9	221,460	198,681
Other Assets	10	544	338
<b>Total Assets</b>		<b>318,761</b>	<b>299,492</b>
<b>Liabilities</b>			
Clients Cash Account Balances	11	96,742	100,148
Clients Holdings in Securities	12	221,975	199,036
Other Liabilities : Payables	13	44	308
<b>Total Liabilities</b>		<b>318,761</b>	<b>299,492</b>

The notes on pages 32 to 39 form part of these accounts



**Glyn Capper**  
*Accountant General of the  
 Court of Judicature of Northern Ireland*

21 December 2021

## Statement of Cash Flows for the year ended 31 March 2021

	Note	Year Ended 31 March	
		2021	2020
		£000	£000
<b>Cash Flows from Operating Activities</b>			
Net Loans and Advances repaid		3,866	7,185
Cost of Purchases of Securities	15	(54,598)	(150,556)
Proceeds from Sales of Securities	15	55,322	139,942
Interest Received		117	858
Dividends Received	15	2,944	4,340
Expenses		(127)	(71)
<b>Net Cash Inflow from Operating Activities</b>		<b>7,524</b>	<b>1,698</b>
<b>Cash Flows from Client Cash Accounts</b>			
Lodgements from Clients	15	40,443	46,225
Payments to Clients	15	(47,771)	(47,685)
<b>Net Cash Outflow from Client Cash Accounts</b>		<b>(7,328)</b>	<b>(1,460)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>196</b>	<b>238</b>
Cash and cash equivalents at 1 April		1,578	1,340
Cash and cash equivalents at 31 March		1,774	1,578

The notes on pages 32 to 39 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 2020-21 for the first time. In addition, none have been published that are mandatory for accounting periods on or after 1 April 2022 that are relevant to CFO.

#### 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 Pounds 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 2020-21, 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 2021 £000	Year ended 31 March 2020 £000
Loans and Advances	95	819
Debt Securities	-	1
<b>Total Interest Income</b>	<b>95</b>	<b>820</b>

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 2021 £000	Year ended 31 March 2020 £000
Court Funds – Deposit Account	8	15
Court Funds – Investment Account	77	715
<b>Total Interest Payable</b>	<b>85</b>	<b>730</b>

## 5. Gains / (Losses) on Securities

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Gains / (Losses) on Client Security Holdings	24,484	(7,164)
<b>Total Gains / (Losses) on Securities</b>	<b>24,484</b>	<b>(7,164)</b>

## 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 2021 £000	31 March 2020 £000
Sterling bank accounts	1,774	1,578
<b>Cash and Cash Equivalent Holdings</b>	<b>1,774</b>	<b>1,578</b>

## 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 2021 £000	31 March 2020 £000
Call Notice Deposits	94,983	98,849
<b>Loans and Advances Holdings</b>	<b>94,983</b>	<b>98,849</b>

## 8. Debt Securities

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

	31 March 2021		31 March 2020	
	Nominal £000	Market Value £000	Nominal £000	Market Value £000
Holdings held on behalf of clients	-	-	13	46
<b>Total Debt Security Holdings</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>46</b>
<b>Maturity Analysis</b>				
Maturing in less than 3 months	-	-	13	46
<b>Total Debt Security Holdings</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>46</b>

## 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 2021		31 March 2020	
	Holding 000's	Market Value £000	Holding 000's	Market Value £000
Stocks, Shares and Loan Notes	24,734	221,333	20,576	198,556
National Savings and Other Holdings	119	127	119	125
<b>Total Investment Securities</b>	<b>24,853</b>	<b>221,460</b>	<b>20,695</b>	<b>198,681</b>

### 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
<b>Investment Securities at 31 March 2021</b>				
Stocks, Shares and Loan Notes	221,332	-	1	221,333
National Savings and Other Holdings	-	-	127	127
<b>Total Investment Securities</b>	<b>221,332</b>	<b>-</b>	<b>128</b>	<b>221,460</b>
<b>Investment Securities at 31 March 2020</b>				
Stocks, Shares and Loan Notes	198,555	-	1	198,556
National Savings and Other Holdings	-	-	125	125
<b>Total Investment Securities</b>	<b>198,555</b>	<b>-</b>	<b>126</b>	<b>198,681</b>



**10. Other Assets****Receivables**

Receivables comprise of amounts due from the Consolidated Fund in accordance with Section 39(3) of the Administration of Justice Act 1982.

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Due from Consolidated Fund	21	-
<b>Total Receivables</b>	<b>21</b>	<b>-</b>

**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:-

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
<b>Holdings with CRND</b>		
Accrued Interest on Deposits	8	29
<b>Total CRND Accrued Interest</b>	<b>8</b>	<b>29</b>
<b>Client Holdings</b>		
Accrued Coupon Interest on Gilts	-	1
Dividends Due	515	308
<b>Total Client Accrued Income</b>	<b>515</b>	<b>309</b>
<b>Total Accrued Income</b>	<b>523</b>	<b>338</b>
<b>Total Other Assets</b>	<b>544</b>	<b>338</b>

**11. Clients' Cash Account Balances**

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

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Court Funds placed on Deposit Account	18,123	15,145
Court Funds placed on Investment Account	76,085	82,666
Unclaimed balances (see note 19)	760	759
Other monies	1,774	1,578
<b>Total Cash Balances</b>	<b>96,742</b>	<b>100,148</b>

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**

	<b>31 March 2021</b> <b>£000</b>	<b>31 March 2020</b> <b>£000</b>
Debt Securities (see note 8)	-	46
Investment Securities (see note 9)	221,460	198,681
Accrued Income (see note 10)	515	309
<b>Total Client Holdings in Securities</b>	<b>221,975</b>	<b>199,036</b>

**13. Other Liabilities : Payables**

	<b>31 March 2021</b> <b>£000</b>	<b>31 March 2020</b> <b>£000</b>
Accumulated Reserves (see note 14)	16	37
Interest Accrued on Clients' Accounts	28	196
CFO Administrative Expenses	-	75
<b>Total Other Liabilities : Payables</b>	<b>44</b>	<b>308</b>

**14. Accumulated Reserves**

	<b>31 March 2021</b> <b>£000</b>	<b>31 March 2020</b> <b>£000</b>
Opening balance	37	75
Deficit for the year	(42)	(38)
Receipt due from Consolidated Fund (note 10)	21	-
<b>Closing balance</b>	<b>16</b>	<b>37</b>

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 2021			Year ended 31 March 2020		
	Court of Judicature £000	County Courts £000	Total £000	Court of Judicature £000	County Courts £000	Total £000
<b>Opening Balance</b>	<b>61,791</b>	<b>38,357</b>	<b>100,148</b>	<b>69,225</b>	<b>37,918</b>	<b>107,143</b>
Receipts from clients	29,255	11,188	40,443	32,214	14,011	46,225
Sales of securities	52,839	2,483	55,322	138,945	997	139,942
Dividends and interest received	2,913	31	2,944	4,302	39	4,341
<b>Total Receipts</b>	<b>85,007</b>	<b>13,702</b>	<b>98,709</b>	<b>175,461</b>	<b>15,047</b>	<b>190,508</b>
Payments to clients	(37,065)	(10,706)	(47,771)	(35,546)	(12,139)	(47,685)
Purchases of securities	(51,689)	(2,909)	(54,598)	(147,849)	(2,707)	(150,556)
<b>Total Payments</b>	<b>(88,754)</b>	<b>(13,615)</b>	<b>(102,369)</b>	<b>(183,395)</b>	<b>(14,846)</b>	<b>(198,241)</b>
Interest credited to client accounts	147	107	254	477	261	738
Transfers between Court of Judicature and county courts	2	(2)	-	23	(23)	-
<b>Closing Balance</b>	<b>58,193</b>	<b>38,549</b>	<b>96,742</b>	<b>61,791</b>	<b>38,357</b>	<b>100,148</b>

## 16. Movement in clients' securities

	Year ended 31 March 2021		
	Court of Judicature £000	County Courts £000	Total £000
<b>Opening Balance</b>	<b>195,340</b>	<b>3,696</b>	<b>199,036</b>
Purchases of securities	51,689	2,909	54,598
Sales of securities	(52,839)	(2,483)	(55,322)
Net transfers out	(1,027)	-	(1,027)
Movement in market value	23,855	629	24,484
Movement in accrued income	206	-	206
<b>Closing balance</b>	<b>217,224</b>	<b>4,751</b>	<b>221,975</b>

## 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 2021, 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 2021			31 March 2020		
	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 2021			31 March 2020		
	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	18,700	-	18,700	18,617	-	18,617

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 2021			31 March 2020		
	Court of Judicature £	County Courts £	Total £	Court of Judicature £	County Courts £	Total £
Monies on deposit	234,116	74,049	308,165	233,172	73,952	307,124

Total unclaimed funds at the year end are:

- Monies on deposit of £760,249
- Equities valued at £18,700

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 23 January 2022.

# **Appendix A**

## **Portfolio factsheets**

# Portfolio Performance Review



## Market Review

The United States continued to power ahead. Following the \$1.9 trillion government stimulus bill, the Fed (US Federal Reserve) raised its forecast for 2021 growth to 6.5%, which would be the strongest year since 1984. While Covid infection numbers are rising, millions are being vaccinated every day, and President Biden plans to follow up with another blockbuster spending plan, this time to be financed by targeted tax increases. The concern in the US now is that there may be too much stimulus. Fears of inflation are on the rise, even though the index is still below pre-Covid levels. Meanwhile in Europe, rising infections and ongoing lockdowns are delaying the recovery until later in the year. The exception is the UK, where vaccination success is leading to earlier re-opening and a resurgence in growth is expected.

The action in March markets was in bonds. Given all the talk of inflation, bonds sold off as their yields rose. The US 10 year yield on government bonds moved above 1.7%, taking it back to pre-Covid levels, and 1.2% above last summer. Eurozone and UK government bond yields also rose, but by smaller amounts and to lower levels, given that over-stimulation is more of a US concern. As a consequence, the US dollar strengthened against lower-yielders like the Euro and Sterling. Stock markets continued to rise on improving global growth prospects, with value sectors like financials continuing to out-pace formerly high-flying technology, leading Europe to out-perform the US. Energy, which had benefitted from the value rotation, stumbled when oil prices fell back on weakening demand expectations.

## Portfolio Positioning

Performance was positive across all portfolio offerings in March, with global equities in particular doing most of the heavy lifting, resulting in performance ranging from 2.3% for the balanced strategy, to 1.1% for the cautious portfolio.

The majority of portfolio positions were positive contributors on the month, with the exception of the emerging markets and global corporate bond positions.

It has now been 12 months since the market lows in March 2020, with all portfolios making a significant recovery, led by the balanced tiered strategy that returned 24.1% in the year.

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# Balanced Growth Portfolio

Factsheet as at 31 March 2021

**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**

<b>Objective</b>	Balanced Growth
<b>Risk Profile</b>	Medium to High
<b>Target Return</b>	Inflation + 2%
<b>Investment Manager</b>	J & E Davy (UK) Limited trading as Davy Private Clients UK
<b>Currency</b>	GBP (Underlying funds may vary)
<b>Third Party Total Expense Ratio</b>	0.32%
<b>Yield</b>	1.22%
<b>Geography</b>	Global

**Current Portfolio Holdings**      **Weighting (%)**

<b>Equities</b>	<b>52.5</b>
<b>UK Equities</b>	<b>7.5</b>
iShares FTSE 100	5.0
SSGA FTSE UK All Share	2.5
<b>International Equity</b>	<b>40.0</b>
iShares MSCI World	22.0
iShare Global Quality ETF	8.0
Smithson IT	5.0
Alliance Trust	5.0
<b>Emerging Equity</b>	<b>5.0</b>
iShares Emerging Markets	5.0
<b>Bonds</b>	<b>37.5</b>
<b>Government Bonds</b>	<b>24.0</b>
Lyxor UK GILTS	6.5
iShares Global Govt. Bond	17.5
<b>Corporate &amp; Other Bonds</b>	<b>13.5</b>
iShares Corporate Bond	6.5
iShares Global Corp Bond	7.0
<b>Alternatives</b>	<b>10.0</b>
<b>Property</b>	<b>5.0</b>
iShares UK Property	5.0
<b>Other Alternatives</b>	<b>5.0</b>
HICL	5.0
<b>Cash</b>	<b>0.0</b>
<b>Cash</b>	<b>0.0</b>
<b>Total</b>	<b>100.0</b>

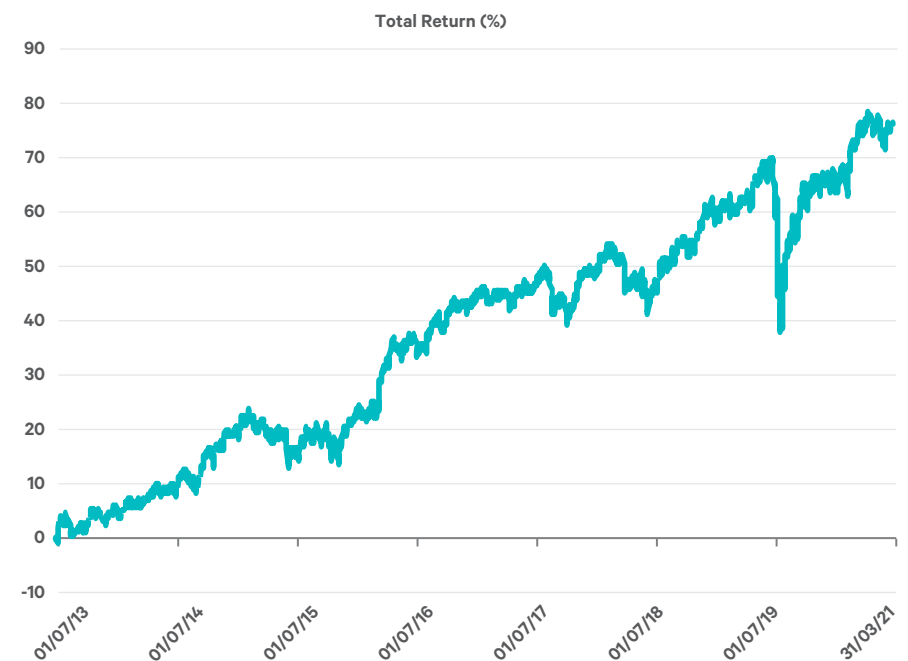
**Table 1:** Performance (Gross of Fees) to 31 March 2021

	1 Month	12 Months	3 Years (Annualised)	SI* (Annualised)	SI* 01/07/13
Balanced Growth Portfolio	2.3%	18.0%	7.4%	7.5%	75.7%
ARC Sterling Balanced Asset PCI Index	1.7%	18.5%	4.9%	4.8%	43.8%
FTSE UK PI Income Index TR	1.9%	16.3%	6.8%	7.0%	68.5%

**Table 2:** Annual Performance (Gross of Fees)

2016	2017	2018	2019	2020
15.7%	6.4%	-3.8%	15.1%	6.3%

**Portfolio Performance**



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# Cautious Growth Portfolio

Factsheet as at 31 March 2021

## 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
Target Return	Inflation
Investment Manager	J & E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.29%
Yield	1.46%
Geography	Global (Primarily UK & US)

## Current Portfolio Holdings

	Weighting (%)
<b>Equities</b>	<b>25.0</b>
UK Equities	3.5
iShares FTSE 100	3.5
<b>International Equity</b>	<b>19.0</b>
iShares MSCI World	11.0
iShare Global Quality ETF	4.0
Smithson IT	2.0
Alliance Trust	2.0
<b>Emerging Equity</b>	<b>2.5</b>
iShares Emerging Markets	2.5
<b>Bonds</b>	<b>65.0</b>
<b>Government Bonds</b>	<b>42.0</b>
Lyxor UK GILTS	11.5
iShares Global Govt. Bond	30.5
<b>Corporate &amp; Other Bonds</b>	<b>23.0</b>
iShares Corporate Bond	9.0
iShares Global Corp Bond	14.0
<b>Alternatives</b>	<b>10.0</b>
<b>Property</b>	<b>5.0</b>
iShares UK Property UCITS ETF	5.0
<b>Other Alternatives</b>	<b>5.0</b>
HICL	5.0
<b>Cash</b>	<b>0.0</b>
Cash	0.0
<b>Total</b>	<b>100.0</b>

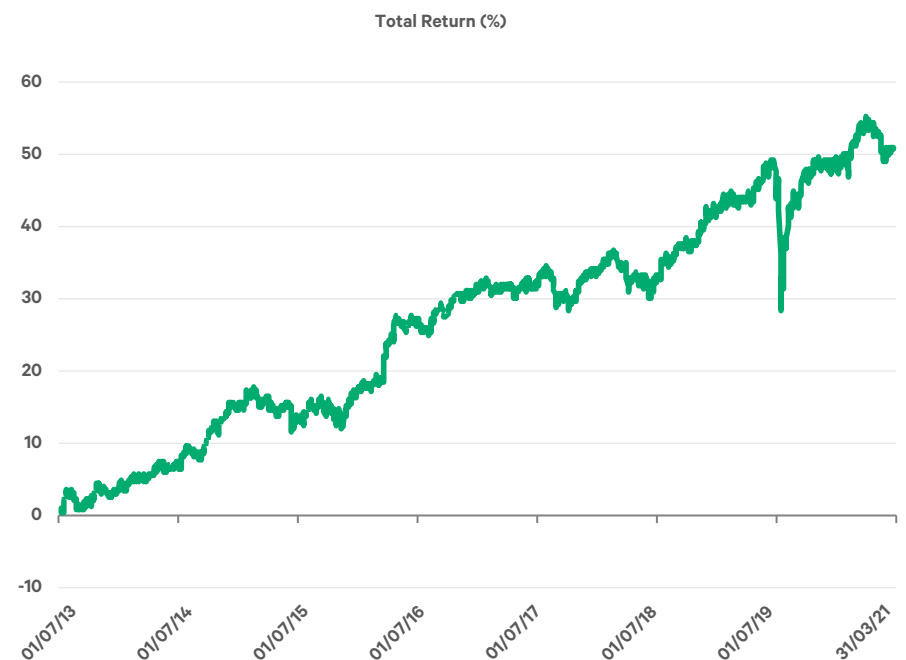
Table 1: Performance (Gross of Fees) to 31 March 2021

	1 Month	12 Months	3 Years (Annualised)	SI* (Annualised)	SI* 01/07/13
Cautious Growth Portfolio	1.2%	9.2%	5.2%	5.5%	51.0%
ARC Sterling Cautious Asset PCI Index	1.1%	11.5%	3.5%	3.3%	29.1%
FTSE UK PI Conservation Index TR	1.2%	10.2%	5.3%	6.0%	56.7%

Table 2: Annual Performance (Gross of Fees)

2016	2017	2018	2019	2020
11.2%	4.2%	-2.6%	11.1%	6.2%

## Portfolio Performance



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# Preservation Portfolio

Factsheet as at 31 March 2021

**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**

<b>Objective</b>	Preservation
<b>Risk Profile</b>	Low to Medium
<b>Target Return</b>	
<b>Investment Manager</b>	J & E Davy (UK) Limited trading as Davy Private Clients UK
<b>Currency</b>	GBP (Underlying funds may vary)
<b>Third Party Total Expense Ratio</b>	0.18%
<b>Yield</b>	1.24%
<b>Geography</b>	Global

**Current Portfolio Holdings**      Weighing (%)

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

**Table 1:** Performance (Gross of Fees) to 31 March 2021

1 Month	12 Months	3 Years (Annualised)	Since Inception (Annualised)	Since Inception 01/07/13
0.4%	2.9%	3.2%	3.7%	32.5%

**Table 2:** Annual Performance (Gross of Fees)

2016	2017	2018	2019	2020
8.6%	2.8%	-1.2%	7.5%	6.6%

**Portfolio Performance**



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# Balanced Growth II Portfolio

Factsheet as at 31 March 2021

## 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	Inflation + 2%
Investment Manager	J & E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.16%
Yield	0.58%
Geography	Global

Current Portfolio Holdings	Weighting (%)
<b>Equities</b>	<b>60.0</b>
<b>International Equity</b>	<b>60.0</b>
iShares MSCI World	54.0
iShares Emerging Markets	6.0
<b>Bonds</b>	<b>40.0</b>
<b>Corporate &amp; Other</b>	<b>40.0</b>
iShares Global Aggregate Bond	40.0
<b>Alternatives</b>	<b>0.0</b>
<b>Cash</b>	<b>0.0</b>
<b>Total</b>	<b>100.0</b>

Table 1: Performance (Gross of Fees) to 31 March 2021

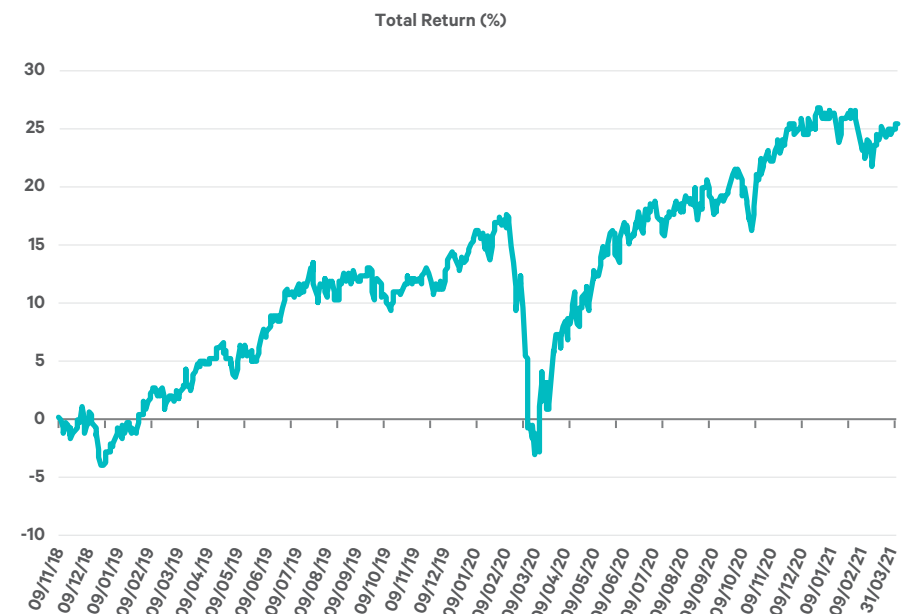
	1 Month	12 Months	3 Years (Annualised)	SI* (Annualised)	SI* 09/11/18
Balanced Growth II Portfolio	2.3%	21.3%	N/A	9.8%	25.0%
ARC Sterling Balanced Asset PCI Index	1.7%	18.5%	4.9%	5.8%	14.5%
FTSE UK PI Income Index TR	1.9%	16.3%	6.8%	7.4%	18.6%

Table 2: Annual Performance (Gross of Fees)

2016	2017	2018	2019	2020
N/A*	N/A*	N/A*	15.8%	10.9%

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

## Portfolio Performance



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# Cautious Growth II Portfolio

Factsheet as at 31 March 2021

## 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
Target Return	Inflation
Investment Manager	J & E Davy (UK) Limited trading as Davy Private Clients UK
Currency	GBP (Underlying funds may vary)
Third Party Total Expense Ratio	0.13%
Yield	1.01%
Geography	Global

Current Portfolio Holdings	Weighting (%)
<b>Equities</b>	<b>30.0</b>
International Equity	30.0
iShares MSCI World	27.0
iShares Emerging Markets	3.0
<b>Bonds</b>	<b>70.0</b>
Corporate & Other	70.0
iShares Global Aggregate Bond	70.0
<b>Alternatives</b>	<b>0.0</b>
<b>Cash</b>	<b>0.0</b>
<b>Total</b>	<b>100.0</b>
<b>Total</b>	<b>100.0</b>

Table 1: Performance (Gross of Fees) to 31 March 2021

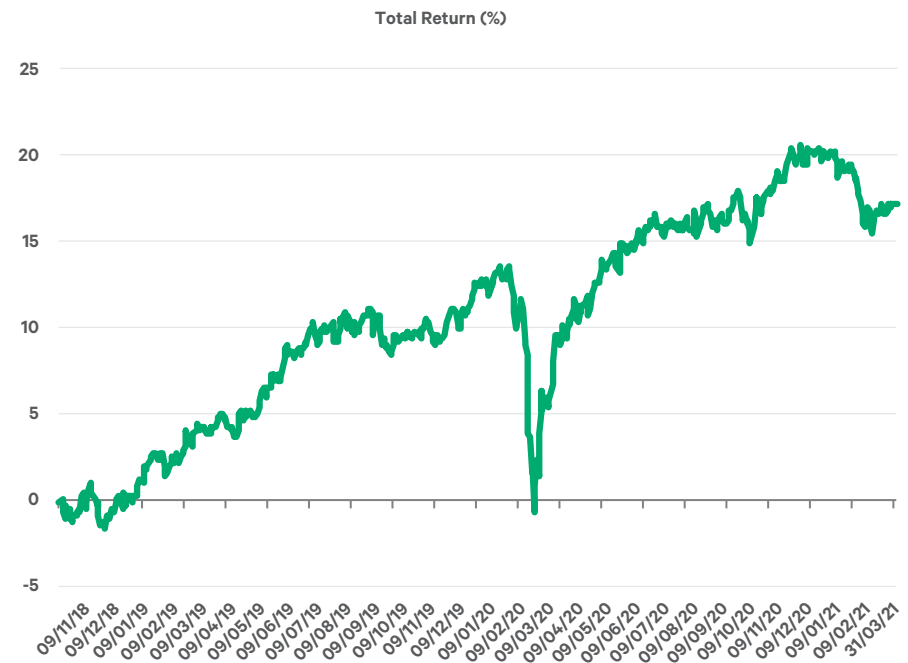
	1 Month	12 Months	3 Years (Annualised)	SI* (Annualised)	SI* 09/11/18
Cautious Growth II Portfolio	1.1%	10.6%	N/A	6.9%	17.2%
ARC Sterling Cautious Asset PCI Index	1.1%	11.5%	3.5%	4.3%	10.7%
FTSE UK PI Conservation Index TR	1.2%	10.2%	5.3%	5.9%	14.7%

Table 2: Annual Performance (Gross of Fees)

2016	2017	2018	2019	2020
N/A*	N/A*	N/A*	11.2%	9.2%

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

## Portfolio Performance



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