



COURTS SERVICE  
*An tSeirbhís Chúirteanna*

REPORT AND FINANCIAL STATEMENTS OF THE OFFICE OF THE  
ACCOUNTANT OF THE COURTS OF JUSTICE

FOR YEAR ENDED 30 SEPTEMBER 2010







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## INVESTMENT COMMITTEE AND OTHER INFORMATION

### INVESTMENT COMMITTEE

Judge Nicholas Kearns,  
President of the High Court

Judge Katherine Delahunt  
(Circuit Court Judge)

Judge Cormac Dunne  
(District Court Judge)

Sean Quigley,  
The Accountant of the Courts of Justice and Director of Finance

Denise Mullins,  
Head of Court Funds, Accountant's Office

Noel D. Doherty,  
The Registrar, Office of the Wards of Court - Retired 7th April 2010

James Finn,  
The Registrar, Office of the Wards of Court - Appointed 19th May 2010

John Mahon,  
Courts Service

Fintan Murphy,  
County Registrar, Mayo

Tom Ward,  
Chief Clerk, Dublin Circuit Court - Appointed 11th December 2009

John Corrigan,  
Independent Member, National Treasury Management Agency -  
Resigned 8th July 2010

Eugene O'Callaghan,  
Independent Member, National Treasury Management Agency -  
Appointed 8th July 2010

Paul Farrell,  
Independent Member

### REGISTERED OFFICE

Office of the Accountant of the Courts of Justice  
Phoenix House  
15 - 24 Phoenix Street North  
Smithfield  
Dublin 7.

### INVESTMENT MANAGER

Bank of Ireland Asset Management  
40 Mespil Road  
Dublin 4.

State Street Global Advisors  
21 St. James Square  
London SW1Y 4SS  
United Kingdom.



**CUSTODIAN AND  
ADMINISTRATOR**

JP Morgan Admin Services (Ireland) Ltd  
JP Morgan House  
IFSC  
Dublin 1.

**INVESTMENT ADVISOR**

Hewitt Associates  
Block D  
Iveagh Court  
Harcourt Road  
Dublin 2.

**LEGAL ADVISORS**

A & L Goodbody  
IFSC  
North Wall Quay  
Dublin 1.

McCann Fitzgerald  
Riverside One  
Sir John Rogerson's Quay  
Dublin 2.

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2.



## BACKGROUND INFORMATION

### THE COURTS AND COURT FUNDS:

The Courts have a custodial role in relation to funds that are lodged in court pursuant to Court Orders or in compliance with legislative requirements. The main primary and subordinate legislation governing the receipt, management and investment of court-controlled funds is as follows:

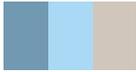
- Court Officers Act 1926
- The Trustee (Authorised Investments) Act 1958 and the Trustee (Authorised Investments) Orders made thereunder
- The Rules of the Superior Courts
- The Rules of the Circuit Court
- The Rules of the District Court

The categories of funds held by the Courts include, principally:

- (a) Wards of Court; the funds of persons taken into wardship are lodged in Court;
- (b) Minors; financial awards made by the Courts to persons under 18 will have their award lodged in Court until they reach the age of majority. Where a long-term care regime is considered necessary, a minor may be made a Ward of Court;
- (c) Lodgements by Parties to Court Proceedings; a party to civil court proceedings may lodge money in court with a view to satisfying the claim of another party to the proceedings.

Other funds held by the Court include:

- Funds lodged by Trade Unions, Insurance Companies and Auctioneers
- Trustee matters (proceeds of trusts directed by the Court to be lodged in court)
- Unclaimed dividend in Company liquidations
- Proceeds of compulsory land purchases where the beneficiary is unknown
- Lodgements under the Land Clauses Act 1845



## THE ACCOUNTANT OF THE COURTS OF JUSTICE:

The Accountant's Office and the position of the Accountant of the Courts of Justice was established shortly after the foundation of the State, under the Court Officers Act 1926. The Act stipulates that the Accountant shall perform such functions as shall be conferred on or assigned by statute or rule of court and in particular shall perform and fulfil in relation to the High Court, the Supreme Court and the Chief Justice all such duties and functions as were formerly performed and fulfilled by the Accountant General of the Supreme Court of Judicature in Ireland in relation to that Court and in relation to the Lord Chancellor for Ireland. Currently the Accountant has responsibility for the management and investment of funds amounting to €1.137 billion.

The funds managed by the Accountant are funds that are held under the control of the Courts and are managed in a fiduciary capacity on behalf of beneficiaries, who include various categories of litigant, persons who are Wards of Court and Minors who have been awarded damages by the Courts. Funds under the control of the Courts are required by law to be invested in accordance with the Trustee (Authorised Investments) Act 1958 and the orders made thereunder.



## FOREWORD BY THE CHAIRMAN OF THE INVESTMENT COMMITTEE

I am pleased to present this Annual Report and Financial Statements of the Office of the Accountant of the Courts of Justice in respect of the year ended 30th September 2010.

This year has been another challenging one for the management of Court Funds. The uncertainty in the banking sector and the financial markets generally meant that all new funds coming into court were invested in the low risk capital preservation strategies. The overall investment performance of court funds across all five strategies was 4.24% net of fees in the twelve months to 30th September 2010. This shows an improvement on the previous year's performance of 3.40%. The volatility and uncertainty in financial markets in recent years has been unprecedented. Fortunately a significant element (72%) of court funds are invested in cash based assets with only 14% exposure to equities. As you will see from this report investment performance across all five strategies was positive for the year under review and the returns ranged from 2.22% net of fees for the Cash Fund to 7.92% net of fees for the Growth Fund.

Total investments managed by the Accountants Office at the year end grew to €1.137 billion, an increase of €84 million on the previous year. This is a very significant increase in assets under management and is attributable to an increase in capital transactions of €56 million (i.e. excess receipts over disbursements) and an increase in court funds from investment performance of €28 million.

I would like to acknowledge the excellent contribution made by Mr. Noel Doherty the Registrar of the Wards of Court, who retired from the Committee in April 2010. As a founder member of the Investment Committee he has played a key role overseeing the transformation of the arrangements for the investment and management of court funds for all beneficiaries over the past seven years.

The Investment Committee met seven times during the period under review and in conjunction with our investment advisors, monitor investment performance, compliance with investment strategies, and the ongoing suitability of the current investment strategies. The Committee continues to seek opportunities for adding value and ensuring that the investment approach is at all times discharged in the best interests of beneficiaries. I would like to thank the Investment Committee for their hard work and dedication during the year.

I would like to acknowledge the excellent contribution of staff in the Accountants Office throughout the year.

**Nicholas Kearns**

*President of the High Court*

*Chairman of the Investment Committee*

**13 December 2010**



## INVESTMENT COMMITTEE

The Investment Committee comprises members of the judiciary, Court officers, the Director of Finance and independent members. The Committee is chaired by the President of the High Court. Its role is advisory and its main function is to devise investment policy for court funds, to oversee the implementation of recommendations received from its investment advisors, and to ensure compliance with best practice in the management of Court funds.

The Committee meets on a regular basis and it met on seven occasions during the year to 30 September 2010. Its membership is as follows:

- Judge Nicholas Kearns, President of the High Court, Chairperson
- Judge Katherine Delahunt, Circuit Court
- Judge Cormac Dunne, District Court
- Sean Quigley, Director of Finance/Accountant of the Courts of Justice
- Denise Mullins, Head of Court Funds, Accountant's Office
- Noel D. Doherty, The Registrar, Office of the Wards of Court – Retired 7th April 2010
- James Finn, The Registrar, Office of the Wards of Court – Appointed 19th May 2010
- John Mahon, Principal Officer, The Courts Service
- Fintan Murphy, County Registrar, Mayo
- Tom Ward, Chief Clerk, Dublin Circuit Court – Appointed 11th December 2009
- John Corrigan, Independent Member, National Treasury Management Agency – Resigned 8th July 2010
- Eugene O'Callaghan, Independent Member, National Treasury Management Agency – Appointed 8th July 2010
- Paul Farrell, Independent Member

Ms Deborah Reidy of Hewitt Associates, as Investment Advisor for the investment of Court Funds, was in attendance for all Investment Committee meetings.

On the 7th April 2010, The Registrar of the Office of the Wards of Court, Mr. Noel D. Doherty retired from his position and Mr James Finn was appointed Registrar on the 19th May 2010.

On the 11th December 2009 Mr. Tom Ward was appointed to the Committee as Mr. John Molloy's replacement who had retired the previous year.

On the 8th July 2010 Mr. John Corrigan of the National Treasury Management Agency, resigned from the Committee and Mr. Eugene O'Callaghan also of the National Treasury Management Agency was appointed.



## REPORT OF THE ACCOUNTANT OF THE COURTS OF JUSTICE

The Courts Service in accordance with the Courts Service Act 1998 is responsible for the management and administration of the Courts and the provision of support services for judges. It is in this capacity that the Courts Service has a role in the management and investment of Court funds, which are held in trust by the Courts. These funds are invested in line with the provisions of the Trustee (Authorised Investments) Act, 1958 and subsequent orders.

As at the 30th September 2010 the total value of funds managed by the Accountant’s Office was €1.137 billion (€1.053 billion, at 30th September 2009). This increase in the value of funds (€84 million) is attributable to an increase in capital transactions of €56 million (i.e. excess receipts over disbursements) and an increase from investment performance of €28 million.

While there continues to be some volatility in financial markets, particularly as experienced in the third quarter, June 2010, overall the investment performance of Court funds has been quite satisfactory, with an increase in assets of €28 million as a result of investment performance for the twelve months to 30th September 2010. While volatility in financial markets continues to be a risk, the Courts Service continued to take a risk-averse approach to the investment of funds during the year, with a very high proportion of funds being invested in cash.

Table 1 below shows the performance by each quarter for each of the investment funds. During the third quarter, June 2010, our medium to long term funds experienced a temporary dip in performance. However performance for all other quarters was positive and the overall performance for the year was quite satisfactory.

**Table 1: Quarterly Investment Performance to 30 September 2010**





In order to reduce the risk of volatility in Strategy 1, the Spectrum Cash Plus Fund, and to align with the primary objective of capital preservation for certain cases, the Investment Committee approved, with effect from March 2010, a change to the composition mix of assets to reflect 100% investment in the BIAM GRU Cash Fund. Prior to this change the fund comprised of 80% Cash, 15% Bonds and 5% Equities.

During early May 2010 there were growing concerns over risks of sovereign debt default across the Eurozone, with Greece in particular being regarded as a high risk. Having taken advice from our Investment Advisors and consulted with our Investment Managers, the Investment Committee agreed to amend the index from the current benchmark of Bank of America Merrill Lynch over 5 Year EMU Direct Government Bond Index to the Bank of America Merrill Lynch EMU Direct Governments Aaa/Aa Rated All Maturities Index. The new benchmark has been effective since 28th May 2010. This resulted in the sale of all Greek, Portuguese and Slovakian holdings.

Overall strong investment performance has been exhibited by court funds since the current investment strategies were established in December 2003. The Courts Service operates a very conservative investment policy. Currently there is a significant element (86%) of funds held in cash based assets and bonds. There is a 14% exposure to equities. The strong accumulated investment performance since the new unitised funds were established has cushioned court funds from the worst impacts of the volatility in financial markets in 2008 and 2009. As can be seen from Table 2, cumulative investment performance since the new unitised funds were established in December 2003 (the Cash Fund was established in June 2006) ranged from 9.84% for the Cash Fund to 35.63% for the Growth Fund.

**Table 2 – Fund Performance (Net of Fees)  
Spectrum Fund Investment**



**\*Note: The Cash Fund only commenced in June 2006**



Investment performance during the year ended 30th September 2010 has been quite satisfactory, with overall average annualised returns, net of fees, across all strategies of 4.24% (3.4% last year).

The Investment Committee, with the support of our investment advisors, completed a comprehensive review of the investment strategies during the year under review. As a result of this review and also on the basis that the current fund management arrangements have been in place for seven years, it has been decided to undertake a procurement exercise for fund management and related services. This should be completed in the first half of 2011.

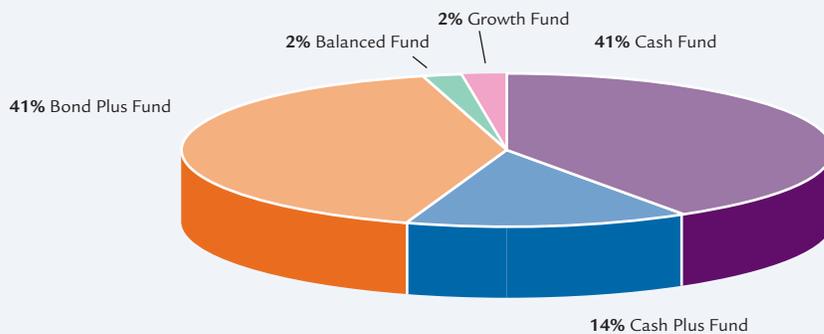
#### ASSET ALLOCATION:

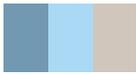
The investment decision takes account of each beneficiaries particular circumstances, and is allocated to one of the investment strategies on the basis of a number of criteria, including;

- the age of the beneficiary;
- life expectancy;
- the sum to be invested;
- inflation; and
- the level of anticipated annual expenditure, where appropriate.

The allocation decision making process is supported by an investment modelling tool. All cases are reviewed periodically, and if the beneficiary's circumstances change, the strategy may be varied accordingly. Based on the application of these criteria the following chart, Table 3, represents the allocation of funds to each strategy at the end of September 2010. No new investments were made into the Bond Plus, Balanced or Growth Funds during the year in accordance with the Investment Committee decision due to the volatility of the financial markets.

**Table 3 - Investment Allocation to Funds  
30th September 2010**





In relation to the BIAM Funds, the underlying asset classes in which the funds are invested are represented in Table 4.

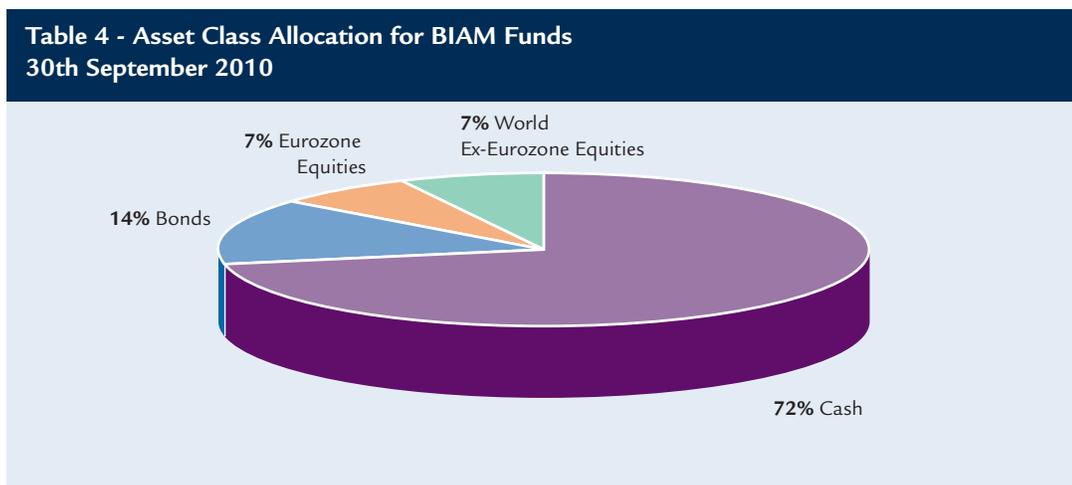


Table 5 below outlines the asset mix of the five strategies as at 30th September 2010.

**Table 5 – Asset Mix of Spectrum Funds as at the 30 September 2010**

Spectrum Fund Asset Class	Cash Strategy 0	Cash Plus Fund Strategy 1	Bond Plus Fund Strategy 2	Balanced Fund Strategy 3	Growth Fund Strategy 4
Cash	100%	100%	40%	20%	0%
Bonds			30%	32%	35%
Euro Equities			15%	24%	32.5%
World ex Euro Equities			15%	24%	32.5%
Total	100%	100%	100%	100%	100%



## INVESTMENT FUNDS

The risk profile of each Spectrum Fund is outlined below:

### **Strategy 0 – Spectrum Cash Fund:**

This is a low risk strategy aimed primarily at maintaining the value of the invested capital.

### **Strategy 1 – Spectrum Cash Plus Fund:**

This is a low risk strategy aimed primarily at maintaining the value of the invested capital.

### **Strategy 2 – Spectrum Bond Plus Fund:**

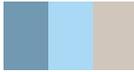
The objective of this strategy is to maintain the stability of the capital sum while also providing a moderate level of income growth.

### **Strategy 3 – Spectrum Balanced Fund:**

The Balanced Fund is designed to achieve a combination of reasonable income and sound capital growth over the medium to long term. The returns may be subject to market variations and there is a risk that the value may fall, particularly over short-term periods.

### **Strategy 4 – Spectrum Growth Fund:**

The Growth Fund is primarily designed to generate capital appreciation while maintaining a high level of risk control. Returns may be subject to market variations, particularly over short-term periods. Accordingly funds would only be invested in this fund where there is a reasonably long term investment time horizon.

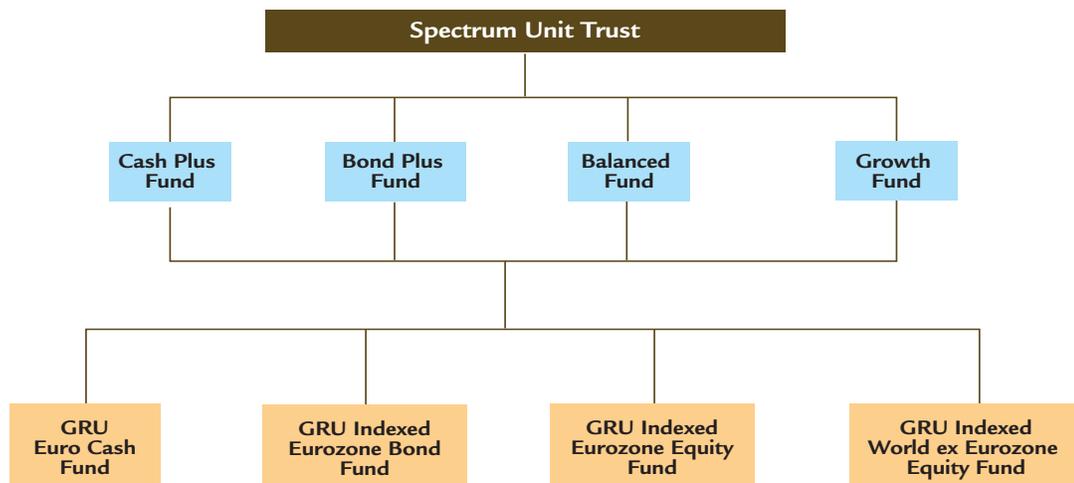


## INVESTMENT APPROACH

The investment strategy adopted by the Courts Service involves the management of bonds and equities on a passive basis, with cash being managed on an active basis. Bank of Ireland Asset Management (BIAM) and State Street Global Advisors (SSgA) are joint Investment Managers.

BIAM in response to the investment requirements for court funds and with the approval of the Central Bank of Ireland established the following investment structure (Table 6):

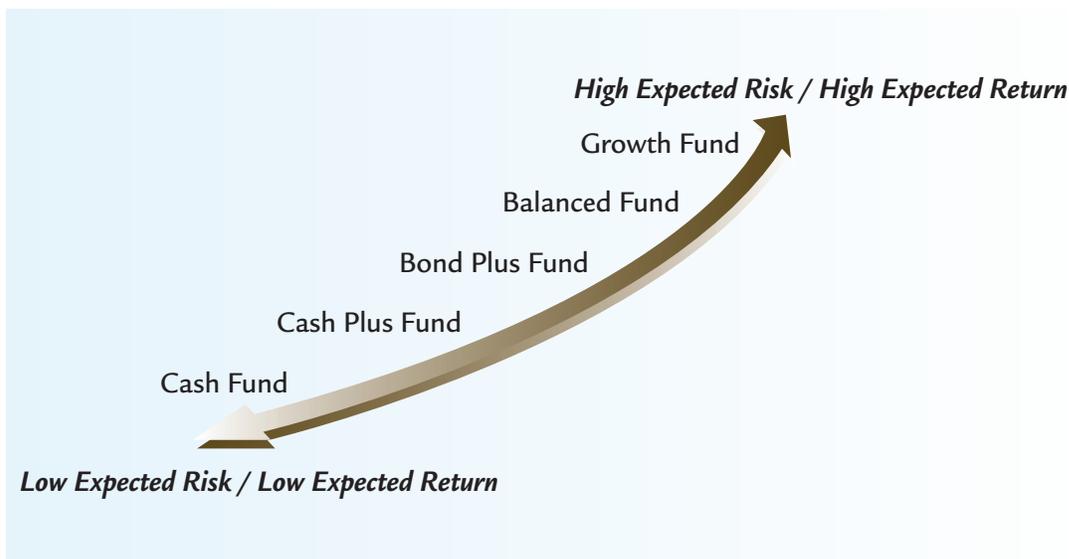
**Table 6 – Investment Structure**



In the BIAM Spectrum Unit Trust depicted in Table 6, the beneficiaries invest in the spectrum funds (highlighted in blue). These funds subsequently invest in the underlying market specific funds (highlighted in cream) in the proportions outlined in Table 5. The Cash Fund and the Cash Plus Fund invests 100% in the BIAM GRU Euro Cash Fund.



The following diagram illustrates how the five investment funds differ according to risk and return.



## GOVERNANCE ARRANGEMENTS

### Management of Court Funds:

The following is an overview of the governance and management arrangements in place in respect of court funds:

- **Investment Committee:** An Investment Committee was established in 2002 to oversee the implementation of the arrangements approved by the Board for the management and investment of Court funds. The membership of the Committee comprises representatives of the judiciary, Court officers and independent external members. (See membership of the Committee on page 6). The Committee meets on a regular basis to monitor progress and to review reports from the Director of Finance, Investment Advisors and Investment Managers.
- **Investment Advisors:** Following a competitive EU procurement process completed in December 2008, Hewitt Associates were appointed, as independent investment advisors for a three year period. Their responsibilities include the provision of advice on a range of matters related to the management and investment of court funds.
- **Investment Managers:** Following a competitive tendering exercise in 2003, in compliance with EU procurement regulations, the Courts Service appointed Bank of Ireland Asset Management and State Street Global Advisors as joint Investment managers.



- **External Audit:** Arrangements were put in place for the audit of funds managed by the Accountant's Office. Deloitte and Touche are the current auditors.
- **Internal Audit:** The management of court funds is also subject to audit by our Internal Audit Unit.
- **Risk Management:** As part of the risk management policy and framework implemented by the Courts Service the management of court funds is subject to regular monitoring and review to ensure that all major risks are adequately managed.
- **Central Funds Office:** Following changes to Circuit and District Court Rules the Accountant's Office has the legal authority to manage and invest funds from both these jurisdictions, subject to the appropriate court order having been made. Legislative proposals have been submitted to the Department of Justice and Law Reform to establish a Central Funds Office that will among other things provide for the audit of these funds by the Comptroller and Auditor General.

During the year, 73,000 financial transactions (53,000 y/e 30th September 2009), with a monetary value in excess of €1.5 billion (€1.005 billion y/e 30 September 2009), were processed by the Accountant's Office. This represents a substantial increase in the volume of activity for the Accountant's Office, which has been coped with through improved efficiency and productivity.

I would like to thank the staff in the Accountants Office for the excellent work done during the year and who have contributed significantly to delivering an efficient service to a diverse mix of clients. I would also like to acknowledge the support provided by other business units in the Courts Service and external service providers that have enabled the Accountants Office achieve its objectives during the year.

**Sean Quigley**  
*Accountant of the Courts of Justice*

**Date 13th December 2010**



## THE ROLE OF THE OFFICE OF WARDS OF COURT

A significant amount of funds managed by the Accountant relate to individuals who are Wards of Court and whose affairs are managed by the Office of the Wards of Court. The following is a brief overview of the work of the Office.

There are many people who, due to illness or accident, lose the ability to make decisions for themselves; there are many others who are born with an intellectual disability and are never able to look after their own affairs.

The Wards of Court system allows for substitute decision making so that the Court may make decisions necessary for the protection of both the person and the property of those who do not have full mental capacity. The principle underlying the Wardship jurisdiction is that the Court acts in the same way as a prudent parent would act regarding the welfare of a child.

The Wardship jurisdiction, although provided for by legislation and rules of court, is not limited by statute and is a jurisdiction exercised by the Court subject only to the provisions of the Constitution. Therefore, the Court has extremely wide powers and duties in relation to persons under disability. The jurisdiction is vested in the President of the High Court and, accordingly, he has the responsibility for the management of affairs of Wards of Court. The day to day management is delegated by him to the Registrar and staff of the Wards of Court Office. A Committee, usually a member of the Ward's family, is appointed by the Court and is asked to make recommendations in relation to matters such as the Ward's welfare, property and future residence.

Wardship usually arises in cases where a person with an intellectual disability has property that needs to be applied for his or her maintenance and benefit. For example, a house may have to be sold or funds may have to be withdrawn from a bank account to pay for nursing home care. Following a sale or closure of bank accounts, funds belonging to Wards are lodged in Court and held under the control of the Accountant of the Courts of Justice. The Accountant is responsible for providing accounting and investment services on behalf of Wards of Court. The Registrar determines the appropriate investment strategy for each case. The decision on the appropriate strategy is chosen by the Registrar having regard to the assets of the Ward and his or her ongoing financial needs. The funds are invested so that, where possible, they will provide for those needs for the remainder of the Ward's lifetime.

Minors, persons under eighteen years of age, are sometimes taken into Wardship. This may happen where a minor is entitled to a substantial amount of money arising from a Court award or from an inheritance. Again, the funds are invested at the direction of the Registrar in one of the four strategies. Regular payments are made to the parents or guardians of the minor. Upon reaching the age of eighteen unless there is medical evidence to show mental incapacity, the minor is entitled to have the balance of the funds paid out.



## INVESTMENT MANAGER'S REPORT

Performance of GRU Funds (Year ended 30 September 2010)				
	BIAM GRU Euro Cash Fund	BIAM GRU Eurozone Bond Fund	BIAM GRU Eurozone Equity Fund	BIAM GRU World Ex Eurozone Equity Fund
<b>Portfolio Return</b>	2.31%	6.10%	0.91%	17.41%
<b>Benchmark Return</b>	0.59%	6.16%	0.78%	17.29%
<b>Difference</b>	1.72%	(0.06)%	0.13%	0.12%

**Notes:** The FTSE benchmarks for the BIAM GRU Indexed Eurozone Equity Fund and the BIAM GRU Indexed World Ex Eurozone Fund have been adjusted by BIAM for irrecoverable dividend withholding tax.

Source: Datastream

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### BIAM GRU EURO CASH FUND

Official interest rates remained unchanged at record low levels across developed economies through the 12 months under review. While the Eurozone economic landscape generally improved as the review period progressed, there were serious differences at individual member state level, with a notable divergence between core and peripheral states. The unravelling of Greece's finances resulted in higher borrowing costs across the periphery, even as the timeframe for likely ECB rate hikes lengthened. Banks in peripheral Eurozone states that rely on government guarantees to attract funding were unnerved to see government borrowing costs escalating as this has a direct impact on their cost of funding.

With official interest rates anchored at low levels, money market rates fell through much of the review period. However, concerns about exposures to 'peripheral' sovereign debt resulted in an increasing reluctance among banks to lend to one another; this resulted in a noticeable uptick in money market rates towards the end of the review period, although some of this was reversed following EU stress-testing of bank balance sheets. The ECB has provided liquidity to the region's commercial banks over the past year, but has moved to withdraw some excess liquidity in recent months, putting some upward pressure on market rates.

One-week EURIBOR finished September at 0.52% having dipped as low as 0.31% in early 2010. The three-month EURIBOR rate finished September at 0.89%, having fallen as low as 0.63% in March.



### **BIAM GRU EUROZONE BOND FUND**

The benchmark for this fund changed on the 28th May 2010 to the BofA Merrill Lynch EMU Direct Governments AA/AAA rated Index (the “Benchmark Index”), prior to this the fund tracked the BofA Merrill Lynch over 5 Yr. EMU Direct Government Bond Index. The fund is passively managed against this benchmark. The benchmark return was 6.16% for the twelve months under review. The performance of the fund was 6.10% over the period. The fund underperformed the benchmark by 6 basis points.

### **BIAM GRU WORLD EX EUROZONE EQUITY FUND**

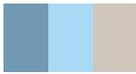
The benchmark for this fund is the FTSE World Developed Ex Eurobloc Index. The fund is passively managed against this benchmark. The benchmark return was 17.29% for the twelve months under review. The performance of the fund was 17.41% over the period. The fund outperformed the benchmark by 12 basis points. Performance data is net of custody and other expenses, including trustee and audit fees. The benchmark return is the relevant FTSE index return adjusted by BIAM for irrecoverable dividend withholding tax. The gross benchmark return for the period was 17.70%.

### **BIAM GRU EUROZONE EQUITY FUND**

The benchmark for this fund is the FTSE Eurobloc Index. The fund is passively managed against this benchmark. The benchmark return was 0.78% for the twelve months under review. The performance of the fund was 0.91% over the period. The fund outperformed the benchmark by 13 basis points. Performance data is net of custody and other expenses, including trustee and audit fees. The benchmark return is the relevant FTSE index return adjusted by BIAM for irrecoverable dividend withholding tax. The gross benchmark return for the period was 1.60%.

**Bank of Ireland Asset Management Limited**

**13 December 2010**



## STATEMENT OF ACCOUNTANT'S RESPONSIBILITIES

### STATEMENT OF ACCOUNTANT'S RESPONSIBILITIES

The Office of the Accountant of the Courts of Justice (ACJ) and the position of Accountant was established under Sections 15 and 16 respectively of the Court Officers Act 1926. The Accountant is required by Order 77, Rule 83 of the Superior Court Rules to prepare an account on or before the 31 March showing the total amount of funds paid or transferred into and out of Court in the year ended on the 30 September in the preceding year. The account must also show the balance of funds in Court at the commencement and close of the year. Copies of the account are required to be forwarded to the Minister for Justice, Equality and Law Reform and the Minister for Finance. The basis of preparation and the accounting policies are set out on page 26.

The Accountant is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the office of the ACJ and of the results of the office of the ACJ for that period. In preparing those financial statements, the accountant is required to:

- select suitable accounting policies for the ACJ Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the ACJ will continue in business.

### STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

The Accountant acknowledges his responsibility for ensuring that an effective system of internal financial control is maintained in relation to the operation of the Accountants Office.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorized and properly recorded and that material errors or irregularities are either prevented or would be detected in a timely manner.



### Key Control Procedures

I confirm that a control environment containing the following elements is in place:

- formal procedures have been established for reporting significant control failures and ensuring appropriate corrective action
- there are clearly defined roles and responsibilities
- There are procedures for reporting significant control failures to the Investment Committee, Finance Committee and the Audit Committee and ensuring that corrective action is taken

Under the governance arrangements established by the Courts Service Board there is an internal audit function which operates in accordance within an approved charter. One of the key functions of the internal audit unit is to report on the adequacy and effectiveness of the system of internal controls operated by the Accountant's Office.

**Sean Quigley**  
*Accountant of the Courts of Justice*

**Date: 13 December 2010**



## INDEPENDENT AUDITORS' REPORT OF THE OFFICE OF THE ACCOUNTANT OF THE COURTS OF JUSTICE

We have audited the financial statements of The Office of the Accountant of the Courts of Justice for the year ended 30 September 2010 which comprise the Statement of Assets and Liabilities, the Statement of Operations and Statement of Changes in Net Assets and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Accountant in accordance with the Rules of Superior Courts, Order 77, Rule 83. Our audit work has been undertaken so that we might state to the Accountant those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Accountant, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTANT AND AUDITORS

The Accountant is responsible for preparing the Annual Report, including as set out in the Statement of Accountant's Responsibilities, the preparation of the financial statements in accordance with the Rules of Superior Courts, Order 77, Rule 83 and accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Rules of the Superior Courts, Order 77, Rule 83.

We read the other information contained in the annual report for the above year including the Investment Committee Report, the Accountant of the Courts of Justice's Report, the Investment Manager's Report, the Background Information and the Supplementary Information as described in the contents section and considered whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the accountant in the preparation of the financial statements and of whether the accounting policies are appropriate to The Office of the Accountant of the Courts of Justice's circumstances, consistently applied and adequately disclosed.



We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with the Rules of the Superior Courts, Order 77, Rule 83, of the state of the affairs of The Office of the Accountant of the Courts of Justice as at 30 September 2010 and of the result for the year then ended.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The statement of assets and liabilities and statement of operations account are in agreement with the books of account.

Chartered Accountants and Registered Auditors  
Dublin

13 December 2010

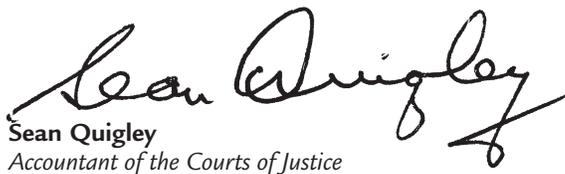


## STATEMENT OF ASSETS AND LIABILITIES

AT 30 SEPTEMBER 2010

	<i>Notes</i>	<b>30/9/2010</b> €	30/9/2009 €
<b>INVESTMENT ASSETS</b>			
Investments	4	1,122,846,654	1,035,531,238
<b>CURRENT ASSETS</b>			
Debtors	5	11,594,769	18,047,633
Bank	6	3,192,979	416,595
<b>TOTAL CURRENT ASSETS</b>		<b>14,787,748</b>	<b>18,464,228</b>
<b>CURRENT LIABILITIES</b>			
Creditors	7	(646,029)	(486,243)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(646,029)</b>	<b>(486,243)</b>
<b>NET CURRENT ASSETS</b>		<b>14,141,719</b>	<b>17,977,985</b>
<b>TOTAL NET ASSETS</b>		<b>1,136,988,373</b>	<b>1,053,509,223</b>
<b>Represented by:</b>			
Funds held for beneficiaries	8	1,136,988,373	1,053,509,223

The financial statements were approved by the Accountant on 13 December 2010.

  
Sean Quigley  
Accountant of the Courts of Justice

See accompanying notes to financial statements

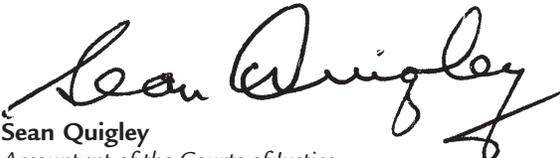


## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	<i>Notes</i>	<b>30/9/2010</b> €	30/9/2009 €
<b>NET REALISED AND UNREALISED GAINS</b>			
Net realised gains on investments disposed of during the year	10	7,252,749	3,244,912
Net change in unrealised gains on investments	11	20,081,168	14,117,285
Net losses realised on transfers of assets	12	(845,381)	(208,919)
		<hr/>	<hr/>
<b>NET REALISED AND CHANGE IN UNREALISED GAINS</b>		26,488,536	17,153,278
Investment income	13	2,468,735	2,139,042
		<hr/>	<hr/>
		28,957,271	19,292,320
Expenses	14	(1,400,045)	(1,376,765)
		<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>		27,557,226	17,915,555
		<hr/>	<hr/>

The financial statements were approved by the Accountant on 13 December 2010.

  
**Sean Quigley**  
 Accountant of the Courts of Justice

*See accompanying notes to financial statements*



## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	30/9/2010 €	30/9/2009 €
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		
Investment income less expenses	1,068,691	762,277
Net realised gains on investments	7,252,749	3,244,912
Net change in unrealised gains on investments	20,081,168	14,117,285
Net losses realised on transfers of assets	(845,381)	(208,919)
	<hr/> 27,557,227	<hr/> 17,915,555
<b>CAPITAL TRANSACTIONS</b>		
Receipts	230,825,502	194,371,464
Disbursements	(174,903,579)	(191,801,028)
	<hr/> 55,921,923	<hr/> 2,570,436
<b>INCREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS</b>		
Increase in net assets	83,479,150	20,485,991
Net assets at beginning of year	1,053,509,223	1,033,023,232
	<hr/>	<hr/>
<b>NET ASSETS AT END OF YEAR</b>	1,136,988,373	1,053,509,223

*See accompanying notes to financial statements*



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 SEPTEMBER 2010

#### 1. GENERAL – LEGAL STATUS

The Court Funds are managed in a fiduciary capacity on behalf of beneficiaries by the Accountant of the Courts of Justice. The main primary and subordinate legislations governing the receipt, management and investment of Court controlled funds is as follows:

- Court Officers Act 1926
- The Trustee (Authorised Investments) Act, 1958 and the Trustee (Authorised Investments) orders made thereunder
- The Rules of the Superior Courts
- The Rules of the Circuit Court
- The Rules of the District Court

#### 2. ACCOUNTING POLICIES

##### (a) Basis of preparation

These financial statements have been prepared in accordance with accounting standards generally accepted in Ireland.

The Accountant's Office has availed of the exemption available under FRS 1 Cash Flow Statement (revised) not to prepare a cash flow statement.

##### (b) Valuation of Investments

Listed investments and investments in unitised funds are valued at their bid price where they are quoted on a recognised stock exchange. Insurance policies are valued at their surrender value as confirmed independently by the insurance companies. Other investments are valued at their deposit value including interest accrued at year-end.

##### (c) Income

Interest and dividend income is recorded on an accruals basis.

##### (d) Realised gains and losses

Investment transactions are recorded on a trade date basis. Realised gains or losses on sales of traded securities are calculated on a first in, first out basis. Realised gains or losses on sales of investments in unitised funds are calculated on an average basis. Realised and change in unrealised gains or losses on investments are recorded in the statement of operations.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (e) Expenses

Expenses are accounted for on an accruals basis. Expenses are charged to the statement of operations, except for expenses incurred on the acquisition of an investment, which are included in the cost of such investments.

Expenses relating to the managing of the unitised funds are charged to the net realised and change in unrealised gains on investments.

## 3. FEES AND EXPENSES

### 3.1 Court Fees:

The legal responsibility discharged by the courts, which requires that funds and other assets held in trust on behalf of and for the benefit of beneficiaries are managed appropriately, is a very onerous one. Many of the beneficiaries are among the most vulnerable members of society, for example persons who are Wards of Court, and others who are minors under the age of 18 years. To ensure that the Courts Service discharges its responsibility in supporting the courts and the judiciary in respect of these funds it is necessary to have in place appropriate resources and systems to manage these funds. This also includes the engagement of external resources, for example in the form of Investment Advisors, Auditors and Investment Managers. As a contribution towards the costs of these operations, court fees and other charges are applied to the various transactions associated with the management of court funds. These charges are approved by the Minister for Justice, Equality and Law Reform and the Minister for Finance and are contained in the Supreme and High Court Fees Orders.

Fees amounting to €1.303 million (2009: €1.283 million) have been charged as a result of transactions processed in the Accountants Office during the year ended 30 September 2010. In addition to these fees, €0.095 million (2009: €0.093 million) in respect of court percentages was charged on funds held on behalf of Wards of Court



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3.2 Investment Management Fees:

A scale of investment management fees were agreed with Bank of Ireland Asset Management and State Street Global Advisors and incorporated in the Investment Management Agreement.

The average investment management fees on the Court funds in the period under review were as follows:

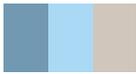
Cash:	0.03% (2009: 0.15%) Net Asset Value calculated weekly
Cash Plus:	0.10% (2009: 0.15%) Net Asset Value calculated weekly
Bond Plus:	0.11% (2009: 0.11%) Net Asset Value calculated weekly
Balanced:	0.22% (2009: 0.22%) Net Asset Value calculated weekly
Growth:	0.22% (2009: 0.22%) Net Asset Value calculated weekly

### 3.3 Administration and Custodian Fees:

These are transaction fees charged by the Administrator and Custodian.

The administration and custodian fee on each of the funds in 2010 was as follows:

Cash:	0.01% (2009: 0.01%) Net Asset Value calculated weekly
Cash Plus:	0.01% (2009: 0.01%) Net Asset Value calculated weekly
Bond Plus:	0.01% (2009: 0.01%) Net Asset Value calculated weekly
Balanced:	0.01% (2009: 0.01%) Net Asset Value calculated weekly
Growth:	0.01% (2009: 0.01%) Net Asset Value calculated weekly



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 4. INVESTMENTS

	<b>30/9/2010</b>	30/9/2009
	€	€
BIAM Unitised funds	1,097,311,276	820,474,896
Managed funds	3,421,486	4,220,825
Equities	4,260,081	13,548,212
Government bonds	920,154	1,400,560
Deposit accounts	16,046,063	194,946,479
An Post Saving Certificates	181,089	251,181
Insurance policies	706,505	689,085
<b>Portfolio of Investments</b>	<b>1,122,846,654</b>	<b>1,035,531,238</b>

## 5. DEBTORS

	<b>30/9/2010</b>	30/9/2009
	€	€
Court amounts awarded not yet received	11,560,009	17,611,433
Accrued Income	34,760	436,200
	<b>11,594,769</b>	<b>18,047,633</b>

Accrued income includes accrued interest on deposit accounts in 2010 which was recorded in accordance with generally accepted accounting principles.

## 6. BANK

	<b>30/9/2010</b>	30/9/2009
	€	€
Cash at bank	3,192,979	416,595



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. CREDITORS

	<b>30/9/2010</b>	30/9/2009
	€	€
Exit tax payable (See Note 10)	646,029	486,243

8. FUNDS HELD FOR BENEFICIARIES

	<b>30/9/2010</b>	30/9/2009
	€	€
Amounts held for wards of court	729,239,831	664,301,074
Amounts held for minors	269,181,821	262,722,177
Amounts held for pending further order cases	66,713,355	70,266,736
Amounts held for charitable bequests	3,036,786	9,285,161
Amounts held for lodgements with defence	11,956,527	23,923,214
Other (see note below)	56,860,053	23,010,861
	<u>1,136,988,373</u>	<u>1,053,509,223</u>

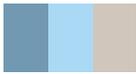
Included in Other, is an amount of €30,492,976, in respect of a single fund known as the “Insurance Compensation Fund” which was established under the Insurance Act, 1964 to meet certain liabilities of insolvent insurers, to provide for the making of a grant and loans to the fund by the Minister for Finance and to receive contributions to the fund by insurers. This fund had previously not been included in the financial statements.

9. FINANCIAL RISK MANAGEMENT

INVESTMENT RISKS

The investments managed by the Accountant’s Office are managed by appointed professional managers adopting agreed investment strategies. Risk is inherent in any investment strategy. Bank of Ireland Asset Management Limited (“BIAM”) acts as the Investment Manager to the BIAM Spectrum Unit Trust and the BIAM Gross Roll Up Unit Trust (BIAM Unitised funds) pursuant to the Investment Management Agreement.

State Street Global Advisors Limited (“SSgA”) acts as the Investment Manager to the BIAM GRU Eurozone Equity Fund, the BIAM GRU World Ex Eurozone Equity Fund and the BIAM GRU Eurozone Bond Fund pursuant to the Investment Advisory Agreement with Bank of Ireland Asset Management Limited.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In pursuing their investment objectives and policies, the Funds are exposed to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk that could result in a reduction in the Funds' net assets.

The Funds' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Funds' financial performance.

The risks, and the Investment Manager's approach to the management of the risks, are as follows.

### MARKET RISK

#### (a) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Funds' securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Investment Manager considers the asset allocation of the Funds in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objectives. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager seeks to moderate market price risk within the Funds by adhering to the investment restrictions outlined in the Prospectus and related Supplements. These investment restrictions ensure that the Funds are appropriately diversified and not overly concentrated within particular investments.

The asset allocation criteria used by the Investment Manager also ensures that the assets within the Funds are invested across different economic zones and investment sectors.

#### *BIAM Spectrum Unit Trust*

The BIAM Spectrum Unit Trust Funds invest in a combination of the BIAM Gross Roll Up Unit Trust Funds based on specific investment objectives for each of the Funds.

The Investment Manager monitors the current investment profile of the Funds and compares the Funds' current positions against targeted or ideal positions. Any material divergences from targeted or ideal positions are remedied on a quarterly basis.

The following analysis explains the impact that a 20% movement in the relevant benchmark index (calculated in euro terms) at 30 September 2010 and 30 September 2009, with all other variables held constant, would have on the net assets attributable to holders of redeemable participating units of the various Funds.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fund Name	Benchmark Index	% Change in Fund Net Assets As at 30 September 2010	% Change in Fund Net Assets As at 30 September 2009
BIAM Balanced Fund	Customised Index*	20.000%	19.929%
BIAM Bond Plus Fund	Customised Index*	20.000%	19.927%
BIAM Cash Plus Fund	Customised Index*	20.000%	19.967%
BIAM Growth Fund	Customised Index*	20.000%	20.001%

\* The indices include the FTSE Eurobloc Index, the FTSE World Developed ex Eurobloc Index and the Bank of America (BofA) Merrill Lynch EMU Direct Governments AA/AAA rated Index.

For example, the above analysis shows that if the BIAM Balanced Fund Customised Index in euro terms at 30 September 2010 had increased by 20%, with all other variables held constant, this would have increased net assets attributable to holders of redeemable participating units of the BIAM Balanced Fund by approximately 20.000% (2009: 19.929%).

Conversely, if the BIAM Balanced Fund Customised Index terms had decreased by 20%, with all other variables held constant, this would have decreased net assets attributable to holders of redeemable participating units of the BIAM Balanced Fund by approximately 20.000% (2009: 19.929%).

A customised index is a non published index which is built using a number of sub indices to create a client specific index or benchmark, the allocation to each sub indices is determined by the manager with the agreement of the client.

***BIAM GRU Euro Cash Fund***

The Investment Manager monitors the current investment profile of the Fund and compares the Fund's current positions against targeted or ideal positions on a daily basis. Any material divergences from targeted or ideal positions are remedied immediately.

The Investment Manager invests the Funds' assets in such a manner as to minimise the performance tracking error against the underlying benchmark index.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### *BIAM GRU Eurozone Equity Fund*

The BIAM GRU Eurozone Equity Fund seeks to track as closely as reasonably possible the performance of the FTSE Eurobloc Index. The Index is a market capitalisation-weighted benchmark of equity securities listed or traded on Regulated Markets in the Eurozone comprising approximately 260 stocks in the Index which are weighted by the total market capitalisation of the countries comprised in the Index, and by the market capitalisation of stocks within individual countries.

### *BIAM GRU World Ex Eurozone Equity Fund*

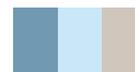
The BIAM GRU World Ex Eurozone Equity Fund seeks to track as closely as reasonably possible the performance of the FTSE World Developed ex Eurobloc Index. The Index is comprised of approximately 1,650 stocks which are weighted by the total market capitalisation of stocks of the countries comprised in the Index and by the market capitalisation within individual countries.

### *BIAM GRU Eurozone Bond Fund*

The BIAM GRU Eurozone Bond Fund seeks to track as closely as reasonably possible the performance of the BofA Merrill Lynch EMU Direct Governments AA/AAA rated Index since 28 May 2010, prior to which it sought to track the Merrill Lynch over 5 Year EMU Direct Government Bond Index. The Index is a market capitalisation-weighted benchmark of approximately 120 fixed rate Euro denominated investment grade debt securities of Eurozone Governments with maturities, at the time of the investment, of greater than 5 years.

The Investment Manager monitors the current investment profile of the Fund and compares the Fund's current positions against the index positions on a daily basis.

Any divergence from the index positions that will result in a material tracking error, after taking into account any relevant transaction costs, are remedied immediately.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following analysis explains the impact that a 20% movement in the relevant benchmark index (calculated in Euro terms) at 30 September 2010 and 30 September 2009, with all other variables held constant, would have on the net assets attributable to holders of redeemable participating units of the various Funds.

Fund Name	Benchmark Index	% Change in Fund Net Assets as at 30 September 2010	% Change in Fund Net Assets as at 30 September 2009
BIAM GRUFTSE Eurobloc	Eurozone Equity Fund Index	19.963%	19.970%
BIAM GRU World FTSE World	Ex Eurozone Equity Fund Developed ex Eurobloc Index	19.864%	20.006%
BIAM GRU Eurozone Bond Fund	BofA Merrill Lynch EMU Direct Government AA/AAA rated Index	19.747%	19.750%

For example, the above analysis shows that if the FTSE Eurobloc Index in Euro terms at 30 September 2010 had increased by 20%, with all other variables held constant, this would have increased net assets attributable to holders of redeemable participating units of the BIAM GRU Eurozone Equity Fund by approximately 19.96% (2009: 19.97%).

Conversely, if the FTSE Eurobloc Index in Euro terms had decreased by 20%, with all other variables held constant, this would have decreased net assets attributable to holders of redeemable participating units of the BIAM GRU Eurozone Equity Fund by approximately 19.96% (2009: 19.97%).

The Office of the Accountant of the Courts of Justice internally manages a portfolio of investments (“internally managed funds”) that includes:

- Managed Funds;
- Equities;
- Government Bonds;
- Deposit accounts;
- An Post Saving Certificates; and
- Insurance policies.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The internally managed funds make up 2.27% (2009: 20.8%) of the overall investment portfolio. The managed funds, equities and government bonds are valued at market value and invested in liquid markets. These investments are exposed to market price risk. Management internally manage these investments on a weekly basis.

### (b) **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

#### *BIAM Spectrum Unit Trust*

The Funds invest all of their assets in the underlying BIAM Gross Roll Up Unit Trust.

All of the Sub-Funds within the BIAM Gross Roll Up Unit Trust are denominated in Euro, the base currency of the Funds. The Funds therefore do not have any direct currency risk exposure.

All of the Funds are however indirectly exposed to currency risks through their investment in the BIAM GRU World ex Eurozone Equity Fund.

#### *BIAM Gross Roll Up Unit Trust*

The BIAM GRU Euro Cash Fund, BIAM GRU Eurozone Equity Fund and BIAM GRU Eurozone Bond Fund are not exposed to any foreign currency risks as all of the assets and liabilities are denominated in euro, the functional currency of the Funds.

All of the BIAM GRU World Ex Eurozone Equity Fund assets, liabilities and income are denominated in currencies other than Euro, the functional currency of all of the Funds. The significant currencies are US Dollar, British Pound, Japanese Yen, Australian Dollar, Canadian Dollar and Swiss Franc. It is, therefore, exposed to currency risk as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. Income denominated in foreign currencies is converted to Euro on receipt.

The investment objective of the Fund is to track as closely as reasonably possible the performance of the FTSE World Developed ex Eurobloc Index. The Investment Manager does not seek to manage the foreign currency exposure within the Fund and does not engage in any foreign currency hedging activities.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

There were no material changes to the Funds' policies and processes for managing currency risk and the methods used to measure risk during the period.

The internally managed funds are all denominated in Euro, the functional currency of the financial statements and are therefore not exposed to any currency risk.

### (c) **Interest Rate Risk**

A Fund's interest bearing financial assets and liabilities expose them to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

#### *BIAM Spectrum Unit Trust*

The Funds invest all of their assets in the underlying BIAM Gross Roll Up Unit Trust.

The Funds therefore do not have any direct interest rate exposure.

They are however indirectly exposed to interest rate risks through their investment in the BIAM GRU Euro Cash Fund and the BIAM GRU Eurozone Bond Fund.

The Funds did not employ leverage nor did they borrow for liquidity purposes during the year ended 30 September 2010 and 30 September 2009. The Funds were, therefore, not exposed to interest rate risk from unfavourable fluctuations in interest rates payable. The Investment Manager does not expect this position to change in the next reporting period.

#### *BIAM Gross Roll Up Unit Trust*

The BIAM GRU Euro Cash Fund and the BIAM GRU Eurozone Bond Fund hold interest-bearing assets and liabilities which expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

The investment objective of the BIAM GRU Eurozone Bond Fund is to track as closely as reasonably possible the performance of the Merrill Lynch over 5 Years EMU Direct Government Bond Index. The Investment Manager will therefore invest in such investments which will ensure that the performance of the Fund tracks as closely as reasonably possible the performance of the underlying index. It does not directly seek to manage the interest rate risk exposure within the Fund.

Interest rate risk for the BIAM GRU Euro Cash Fund is managed, in part, by the investment selection process of the Investment Manager which includes predictions of future events and their impact on interest rates, diversification and duration. In



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

accordance with Fund policy, the Investment Manager monitors the Fund's overall interest sensitivity on a daily basis.

The BIAM GRU Eurozone Equity Fund and the BIAM GRU World ex Eurozone Equity Funds do not hold interest-bearing securities and therefore no significant interest rate risk exposure arises in respect of these Funds.

There were no material changes to the Funds' policies and processes for managing interest rate risk and the methods used to measure risk since the prior year end.

Interest rate sensitivity is measured by duration, being the measurement of what effect on the NAV of the Fund a 100 basis point change in interest rates would have. The BIAM GRU Euro Cash Fund has a weighted average maturity of 43 days at 30 September 2010 (2009: 108 days). All other funds are indexed.

The following table explains the % impact on the Net Assets of the BIAM GRU Eurozone Bond Fund which hold interest bearing securities, assuming there is a 1% movement in interest rates.

Fund Name	% Change in Fund Net Assets assuming a 1% Movement in Interest Rates As at 30 September 2010	% Change in Fund Net Assets assuming a 1% Movement in Interest Rates As at 30 September 2009
BIAM GRU Eurozone Bond Fund	6.540%	9.033%

Please note that the above table can be explained as stating that a 1% increase in interest rates would lead to a 6.540% (2009: 9.033%) fall in the Net Asset Value of the Fund and vice versa.

It is no longer appropriate to disclose a duration number for BIAM GRU Euro Cash Fund as the Fund now invests primarily in cash deposits. As at 30 September 2010, the Fund held 98.09% (2009: 83.80%) of its total investments in cash deposits. The Investment Manager does not expect this position to change in the next reporting period.

None of the Funds employed leverage or borrowed for liquidity purposes during the year ended 30 September 2010 and 30 September 2009, and no interest was payable during the year. The Funds were, therefore, not exposed to interest rate risk from unfavourable fluctuations in interest rates payable.

The income generating return on the internally managed funds, in particular the Deposit accounts and An Post Saving Certificates will be exposed to interest rate fluctuation. However, this risk is seen as minimal.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (d) Credit Risk

The Funds take on exposure to credit risk, which is the risk that a counterparty or issuer will be unable to pay amounts in full when due.

#### *BIAM Spectrum Unit Trust*

The Funds invest all of their assets in the underlying BIAM Gross Roll Up Unit Trust.

The Funds have an indirect exposure to credit risk through their investment in the BIAM Gross Roll Up Unit Trust.

#### *BIAM GRU Euro Cash Fund*

The BIAM Fixed Income Desk and the BIAM Investment Support Unit monitor the current credit rating for all positions within the Funds on a daily basis to ensure that the Fund continues to meet the credit rating requirements and restrictions for the Fund as outlined in the fund documentation.

The BIAM Fixed Income Desk and the BIAM Investment Support Unit also ensure that there is appropriate investment diversification and that risk is not overly concentrated with a particular counterparty or issuer at any time.

#### *BIAM GRU Eurozone Bond Fund*

The Investment Manager monitors the current credit rating for all positions within the Fund on a daily basis to ensure that the Fund continues to meet the credit rating requirements and restrictions for the Fund as outlined in the fund documentation.

The Investment Manager also ensures that there is appropriate investment diversification and that risk is not overly concentrated with a particular counterparty or issuer at any time, while focussing on the core objective for the fund which is to track as closely as reasonably possible the performance of the BofA Merrill Lynch EMU Direct Governments AA/AAA rated Index since 28 May 2010, prior to which it sought to track the Merrill Lynch over 5 Year EMU Direct Government Bond Index.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

The BIAM GRU Euro Cash Fund and the BIAM GRU Eurozone Bond Fund hold interest-bearing securities with the following credit exposures as at 30 September 2010 and 30 September 2009:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fund Name	As at 30 September 2010		As at 30 September 2009	
	Investment Grade	Non-Investment Grade	Investment Grade	Non-Investment Grade
BIAM GRU Euro Cash Fund	100%	-	100%	-
BIAM GRU Eurozone Bond Fund	100%	-	100%	-

*BIAM GRU Eurozone Equity Fund**BIAM GRU World ex Eurozone Equity Fund*

The Funds takes on exposure to credit risk, which is the risk that a counterparty or issuer will be unable to pay amounts in full when due. The Funds' credit exposure comprises:

- the risk that cash, all held with JP Morgan at the reporting date, may be lost; and
- the risk that brokers may fail to pay for securities received from the Funds, or to deliver securities paid for by the Funds.

JP Morgan is rated "A+" for long term debt by Standard & Poor's and the risk of it defaulting is considered negligible.

All transactions in listed securities are settled and paid for upon delivery by the Custodian using approved brokers.

All brokers have to be approved by the Investment Manager before the Funds' Investment Manager may deal with them, a process which involves obtaining and reviewing their annual accounts. The risk of default by brokers is considered minimal, as delivery of securities sold is only made once the broker has received payment and payment is made on a purchase once the securities have been received by the broker.

For these reasons, the Investment Manager considers that the risk that counterparties will fail to discharge their obligations to the Fund is low.

The credit risk for the internally managed funds is deemed minimal.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### (e) **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

#### *BIAM Spectrum Unit Trust*

The Funds invest all of their assets in the underlying BIAM Gross Roll Up Unit Trust.

All of the Funds are exposed to weekly dealing.

All redemptions of redeemable units in the Funds are payable within 2 business days of the dealing day on which the redemption takes place.

The Investment Manager monitors the Funds' liquidity position on a daily basis. The Investment Manager reviews the current and future forecasted liquidity position of the Funds on a daily basis and ensures that any cash required to meet the settlement of redemption requests is generated as appropriate.

All of the Funds have the ability to borrow in the short term to ensure settlement. The Funds' Prospectus allows the Funds to borrow up to 10% of the Funds' net assets at any time for the account of any Funds and the Custodian may charge the assets of such Funds as security for any such borrowing, provided that such borrowing is only for temporary purposes.

All of the Funds do not generally borrow and had no borrowings as of the balance sheet date. (2009: Nil)

All of the Funds' financial liabilities are payable within one month.

The Funds' invest all of their assets in investments that are traded in an active market and can be readily disposed of.

#### *BIAM GRU Euro Cash Fund*

The Investment Manager monitors the Fund's liquidity position on a daily basis. The monitoring of liquidity risk within the Fund is specifically carried out by the BIAM Investment Support Unit. The BIAM Investment Support Unit reviews the current and future forecasted liquidity position of the Fund on a daily basis and ensures that any cash required to meet the settlement of redemption requests is generated as appropriate.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*BIAM GRU Eurozone Equity Fund**BIAM GRU World Ex Eurozone Equity Fund**BIAM GRU Eurozone Bond Fund*

The Investment Manager monitors the Funds' liquidity position on a daily basis. The Investment Manager reviews the current and future forecasted liquidity position of the Funds on a daily basis and ensures that any cash required to meet the settlement of redemption requests is generated as appropriate.

All of the Funds have the ability to borrow in the short term to ensure settlement. The Funds' Prospectus allows the Funds to borrow up to 10% of the Funds' net assets at any time for the account of any Funds and the Custodian may charge the assets of such Funds as security for any such borrowing, provided that such borrowing is only for temporary purposes.

All of the Funds do not generally borrow and had no borrowings as of the balance sheet date. (2009: Nil)

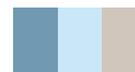
For these reasons, the Investment Manager has assessed the risk of the Funds being affected by the lack of liquidity as low.

The internally managed funds are all in highly liquid markets and can be accessed at very short notice. Therefore, the liquidity risk is seen as minimal.

**10. NET REALISED GAINS ON INVESTMENTS**

	<b>30/9/2010</b>	30/9/2009
	€	€
Realised gains on investments disposed of during the year	9,843,818	5,043,440
Less:		
Exit tax	(2,562,789)	(1,783,317)
Administration and custodian fee (Note 3.3)	(28,280)	(15,211)
Net realised gain on investments disposed of during the year	<u>7,252,749</u>	<u>3,244,912</u>

The Finance Act 2003 authorises the Courts Service to deduct at source and account for exit taxes arising from the disposal of investments. The tax is calculated at the rate of 28% (2009: 28%) and is payable to the Revenue.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**11. NET CHANGE IN UNREALISED  
GAINS ON INVESTMENTS**

	<b>30/9/2010</b>	30/9/2009
	€	€
Change in unrealised gains on investments during the year	21,384,151	15,478,228
Less:		
Investment management fees (Note 3.2)	(966,692)	(1,040,340)
Administration and custodian fees (Note 3.3)	(60,685)	(45,353)
Miscellaneous managed funds' fees (i)	(275,606)	(275,250)
Net change in unrealised gains on investments	20,081,168	14,117,285

(i) These fees include transaction charges, audit fees, safe-keeping fees, other professional fees, trustee fees and bank interest.

**12. NET LOSSES REALISED ON  
TRANSFER OF ASSETS**

	<b>30/9/2010</b>	30/9/2009
	€	€
Net losses on the transfer of equities	(845,381)	(208,919)

These net losses arose on the transfer of equities out of the custody of the court, held in the name of the Accountant of the Courts of Justice. These equities were originally brought into court when a person was made a Ward of Court, and recorded in the accounts at their market value at that time. The net loss represents a net decrease in the value of equities at the time the equities were transferred out of court, as directed by a court order. The net loss referred to is a paper loss as the equities were not actually sold.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**13. INVESTMENT INCOME**

	<b>30/9/2010</b>	30/9/2009
	€	€
Deposit interest	1,782,601	1,824,652
Dividends	144,786	253,411
Shares in lieu of dividends	6,977	(18,494)
Interest on other investments	5,804	42,579
Sale of rights issue	527,848	-
Other	719	36,894
	<hr/> 2,468,735	<hr/> 2,139,042

Investment income is shown net of withholding tax. Deposit interest in 2010 and 2009 includes accrued deposit interest income in accordance with generally accepted accounting principles.

**14. EXPENSES**

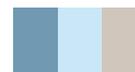
	<b>30/9/2010</b>	30/9/2009
	€	€
Court fees (Note 3.1)	1,398,532	1,375,942
Brokers' fees	100	375
Bank charges	1,413	448
	<hr/> 1,400,045	<hr/> 1,376,765

**15. OTHER INCOME**

Other income is represented by inter alia, annuity income, sold right options and interest on late lodgements.

**16. FAIR VALUE MEASUREMENT**

The Office of the Accountant of the Courts of Justice adopted the amendment to FRS 29 Financial Instrument: Disclosures, effective for the year ended 30 September 2010. This requires the Trust to disclose financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The three levels of the fair value hierarchy are as follows:

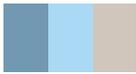
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest Level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Trust’s financial assets and liabilities (by class) measured at fair value at 30 September 2010:

Investments	Level 1 €	Level 2 €	Level 3 €	Total €
BIAM Unitised funds	-	1,097,311,276	-	1,097,311,276
Managed funds	-	3,421,486	-	3,421,486
Equities	4,260,081	-	-	4,260,081
Government bonds	920,154	-	-	920,154
Deposit accounts	16,046,063	-	-	16,046,063
An Post Savings Certificates	181,089	-	-	181,089
Insurance policies	-	-	706,505	706,505
<b>Total</b>	<b>21,407,387</b>	<b>1,100,732,762</b>	<b>706,505</b>	<b>1,122,846,654</b>



The Level 3 investments relate to investments held in insurance policies which are not quoted on an exchange or actively traded. In the absence of any market information the Accountant has valued these investments based on values provided by the insurance company. The Accountant believes that this approximates the fair value and any adjustment required to value these investments at fair value would not result in a material adjustment to the financial statements. As the Level 3 investments are valued at cost, a sensitivity analysis has not been presented.

The following table includes the reconciliation of the amounts for the year ended 30 September 2010 for financial instruments classified within Level 3. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

<b>Insurance Policies</b>	<b>€</b>
Opening balance	689,085
Purchases - Sales proceeds	(18,125)
Movement in net unrealised appreciation	35,545
Realised loss	-
<b>Closing balance</b>	<b>706,505</b>

The net unrealised losses that relate to insurance policies still held at 30 September 2010 are €220,477.

## 17. POST BALANCE SHEET EVENTS

There were no material post balance sheet events, which would require revision of the figures in the financial statements.

## 18. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 13 December 2010.





***SUPPLEMENTARY INFORMATION***  
*(NOT COVERED BY INDEPENDENT AUDITOR'S REPORT)*



## HIGH COURT FUNDS

*SUPPLEMENTARY INFORMATION (NOT COVERED BY INDEPENDENT AUDITOR'S REPORT)*

### STATEMENT OF ASSETS AND LIABILITIES

AT 30 SEPTEMBER 2010

	<b>30/9/2010</b>	30/09/2009
	€	€
<b>INVESTMENT ASSETS</b>		
Investments	1,020,427,593	933,299,414
<b>CURRENT ASSETS</b>		
Debtors	10,723,316	17,470,749
Bank	2,974,342	269,900
<b>TOTAL CURRENT ASSETS</b>	<u>13,697,658</u>	<u>17,740,649</u>
<b>CURRENT LIABILITIES</b>		
Creditors	(581,831)	(457,652)
<b>TOTAL LIABILITIES</b>	<u>(581,831)</u>	<u>(457,652)</u>
<b>NET CURRENT ASSETS</b>	<u>13,115,827</u>	<u>17,282,997</u>
<b>TOTAL NET ASSETS</b>	<u>1,033,543,420</u>	<u>950,582,411</u>
<b>REPRESENTED BY:</b>		
Funds held for beneficiaries at year end	<u>1,033,543,420</u>	<u>950,582,411</u>

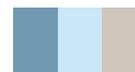


## HIGH COURT FUNDS

### STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	30/9/2010 €	30/9/2009 €
<b>NET REALISED AND UNREALISED GAINS</b>		
Net realised gains on investments disposed of during the year	6,768,938	3,026,429
Net unrealised gains on investments	18,405,814	12,247,877
Losses realised on transfers from funds	(845,381)	(208,919)
	<hr/>	<hr/>
<b>NET REALISED AND UNREALISED GAINS</b>	24,329,371	15,065,387
Investment income	2,343,498	1,897,863
	<hr/>	<hr/>
	26,672,869	16,963,250
Expenses	(1,399,774)	(1,376,091)
	<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	25,273,095	15,587,159
	<hr/>	<hr/>



## HIGH COURT FUNDS

### STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	30/9/2010 €	30/9/2009 €
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		
Investment income less expenses	943,724	521,772
Net realised gains on investments	6,768,938	3,026,429
Net unrealised gains on investments	18,405,814	12,247,877
(Losses) realised on transfers from funds	(845,381)	(208,919)
	<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	25,273,095	15,587,159
	<hr/>	<hr/>
<b>CAPITAL TRANSACTIONS</b>		
Receipts	215,465,668	179,880,729
Disbursements	(157,777,754)	(172,091,619)
	<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS</b>	57,687,914	7,789,110
	<hr/>	<hr/>
Increase in Net Assets	82,961,009	23,376,269
Net assets at beginning of year	950,582,411	927,206,142
	<hr/>	<hr/>
<b>NET ASSETS AT END OF YEAR</b>	1,033,543,420	950,582,411
	<hr/>	<hr/>



## CIRCUIT COURT FUNDS

SUPPLEMENTARY INFORMATION (NOT COVERED BY INDEPENDENT AUDITOR'S REPORT)

### STATEMENT OF ASSETS AND LIABILITIES

AT 30 SEPTEMBER 2010

	30/9/2010 €	30/9/2009 €
<b>INVESTMENT ASSETS</b>		
Investments	98,623,747	98,402,200
<b>CURRENT ASSETS</b>		
Debtors	779,546	552,793
Bank	208,196	140,242
<b>TOTAL CURRENT ASSETS</b>	987,742	693,035
<b>CURRENT LIABILITIES</b>		
Creditors	(61,385)	(27,189)
<b>TOTAL LIABILITIES</b>	(61,385)	(27,189)
<b>NET CURRENT ASSETS</b>	926,357	665,846
<b>TOTAL NET ASSETS</b>	99,550,104	99,068,046
<b>REPRESENTED BY:</b>		
Funds held for beneficiaries at year end	99,550,104	99,068,046



## CIRCUIT COURT FUNDS

### STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	30/9/2010 €	30/9/2009 €
<b>NET REALISED AND UNREALISED GAINS</b>		
Net realised gains on investments disposed of during the year	465,064	208,712
Net unrealised gains on investments	1,619,262	1,801,089
<hr/>		
<b>NET REALISED AND UNREALISED GAINS</b>	2,084,326	2,009,801
Investment income	121,810	240,207
<hr/>		
	2,206,136	2,250,008
Expenses	(270)	(674)
<hr/>		
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	2,205,866	2,249,334
<hr/>		

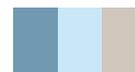


## CIRCUIT COURT FUNDS

### STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	30/9/2010 €	30/9/2009 €
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		
Investment income less expenses	121,540	239,533
Net realised gains on investments	465,064	208,712
Net unrealised gains on investments	1,619,262	1,801,089
	<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	2,205,866	2,249,334
	<hr/>	<hr/>
<b>CAPITAL TRANSACTIONS</b>		
Receipts	14,841,178	14,120,630
Disbursements	(16,564,986)	(18,991,400)
	<hr/>	<hr/>
<b>DECREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS</b>	(1,723,808)	(4,870,770)
	<hr/>	<hr/>
Increase/ (Decrease) in Net Assets	482,058	(2,621,436)
Net Assets at beginning of year	99,068,046	101,689,482
	<hr/>	<hr/>
<b>NET ASSETS AT END OF YEAR</b>	99,550,104	99,068,046
	<hr/>	<hr/>



## DISTRICT COURT FUNDS

SUPPLEMENTARY INFORMATION (NOT COVERED BY INDEPENDENT AUDITOR'S REPORT)

### STATEMENT OF ASSETS AND LIABILITIES

AT 30 SEPTEMBER 2010

	30/9/2010 €	30/9/2009 €
<b>INVESTMENT ASSETS</b>		
Investments	3,795,314	3,829,624
<b>CURRENT ASSETS</b>		
Debtors	91,907	24,091
Bank	10,441	6,453
<b>TOTAL CURRENT ASSETS</b>	102,348	30,544
<b>CURRENT LIABILITIES</b>		
Creditors	(2,813)	(1,402)
<b>TOTAL LIABILITIES</b>	(2,813)	(1,402)
<b>NET CURRENT ASSETS</b>	99,535	29,142
<b>TOTAL NET ASSETS</b>	3,894,849	3,858,766
<b>REPRESENTED BY:</b>		
Funds held for beneficiaries at year end	3,894,849	3,858,766

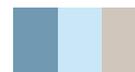


## DISTRICT COURT FUNDS

### STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	<b>30/9/2010</b>	30/09/2009
	€	€
<b>NET REALISED AND UNREALISED GAINS</b>		
Net realised gains on investments disposed of during the year	18,747	9,771
Net unrealised gains on investments	56,092	68,319
<b>NET REALISED AND UNREALISED GAINS</b>	74,839	78,090
Investment income	3,427	972
	78,266	79,062
Expenses	-	-
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	78,266	79,062



## DISTRICT COURT FUNDS

### STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

	30/9/2010 €	30/9/2009 €
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		
Investment income less expenses	3,427	972
Net realised gains on investments	18,747	9,771
Net unrealised gains on investments	56,092	68,319
	<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	78,266	79,062
	<hr/>	<hr/>
<b>CAPITAL TRANSACTIONS</b>		
Receipts	518,656	370,105
Disbursements	(560,839)	(718,009)
	<hr/>	<hr/>
<b>DECREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS</b>	(42,183)	(347,904)
	<hr/>	<hr/>
Increase/(Decrease) in Net Assets	36,083	(268,842)
Net Assets at beginning of year	3,858,766	4,127,608
	<hr/>	<hr/>
<b>NET ASSETS AT END OF YEAR</b>	3,894,849	3,858,766
	<hr/>	<hr/>





COURTS SERVICE  
*An tSeirbhís Chúirteanna*

**The Accountant's Office**

**The Courts Service**

Phoenix House  
Phoenix Street North  
Smithfield  
Dublin 7.

Telephone. 01 8886211  
01 8886214

Website. [www.courts.ie](http://www.courts.ie)