



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 2006**







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## INVESTMENT COMMITTEE AND OTHER INFORMATION

### INVESTMENT COMMITTEE

The Hon. Mr. Justice Joseph Finnegan, President of the  
High Court  
(resigned 11 December 2006)

The Hon. Mr. Justice Richard Johnson, President of the  
High Court  
(appointed 11 December 2006)

Her Honour Judge Katherine Delahunt  
(Judge of the Circuit Court)

Judge Cormac Dunne  
(Judge of the District Court)

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

Mr. Noel D. Doherty,  
The Registrar, Office of the Wards of Court

Mr. John Mahon,  
The Senior Assistant Registrar, Office of Wards of Court

Mr. Fintan Murphy,  
County Registrar, Mayo

Mr. John Molloy, Chief Clerk,  
Dublin Metropolitan District Court

Mr. Jim Farrell,  
Independent External Expert (formerly of National Treasury  
Management Agency)

### 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** Mercer Investment Consulting  
Charlotte House  
Charlemont Street  
Dublin 2.

**LEGAL ADVISORS** A & L Goodbody  
IFSC  
North Wall Quay  
Dublin 1.

**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) Lodgments 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

It is intended that a Central Funds Office, headed by a Fund Executive, will be established for the management of all court funds countrywide.



## 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 fulfill 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 €946.8 million.

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 report another successful year of operations by the Office of the Accountant of the Courts of Justice in respect of the year ended 30th September 2006.

As you will see from the report and financial statements for the year under review, significant progress has been made in implementing the recommendations of the external independent investment advisors, which were approved by the Board of the Courts Service in 2003. At this stage virtually all High Court funds, with the exception of a small number of legacy investments, have now been transferred into the new investment strategies. Since the 11th January 2006 all new Circuit and District Court funds are lodged in the Accountant's Office. The process of transferring all Circuit and District Court legacy cases has commenced. Total investments managed by the Accountant's Office amounted to €937.2m at the end of the year, an increase of €88.6m on the previous year. Of this increase €39m was attributable to investment performance.

Investment performance across all four strategies was down on last year and ranged from 1.63% for Cash Plus Fund to 8.02 % for the Growth Fund. Much of this poor performance was attributable to poor bond returns. As a result a new Cash Fund was introduced on the 21st June 2006 for cases with less than two years or where the investment duration is not known.

The new structures and systems put in place over three years ago continue to bear fruit and it is reassuring for me as President of the High Court and Chairman of the Investment Committee that virtually all of the recommendations for modernising the management of court funds have been implemented. As President of the High Court I have direct judicial responsibility for persons who are Wards of Court. Some 70% of the funds managed by the Accountant's Office relate to persons who are Wards of Court. I am pleased that the new management and investment arrangements for court funds delivers added value to the beneficiaries of these funds.

The Investment Committee met three times during the period under review and in conjunction with our investment and other advisors, monitor investment performance and general compliance with best practice. The Committee will continue 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 acknowledge the excellent contribution of staff in the Accountant's Office throughout the year.

**Richard Johnson**  
*President of the High Court*

Chairman of the Investment Committee

30th March 2007



## INVESTMENT COMMITTEE

The Investment Committee comprises members of the judiciary, court officers with investment decision making responsibilities, the Director of Finance and an independent expert. 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 and to oversee the implementation of the recommendations in the Mercer report and to ensure compliance with best practice in the management of court funds.

The Committee meets on a quarterly basis and its membership is as follows:

### NAME AND BASIS FOR MEMBERSHIP



The Honourable Mr Justice  
**Richard Johnson**

*President of High Court or a  
judge of the High Court  
Nominated by the President*



Her Honour Judge  
**Katherine Delahunty**

*President of Circuit Court or a  
judge of the Circuit Court  
Nominated by the President*



Judge  
**Cormac Dunne**

*President of District Court or a  
judge of the District Court  
Nominated by the President*



Mr **Sean Quigley**

*The Accountant of the Courts of  
Justice/The Director of Finance of  
the Courts Service*



Mr **Noel D. Doherty**

*The Registrar, Office of Wards of  
Court*



Mr **John Mahon**

*The Senior Assistant Registrar,  
Office of Wards of Court*



Mr **Fintan Murphy**

*A County Registrar nominated by  
the Chief Executive Officer in  
consultation with the President of  
the Circuit Court*



Mr **John Molloy**

*A Chief Clerk from the District  
Court nominated by the Chief  
Executive Officer in consultation  
with the President of the District  
Court*



Mr **Jim Farrell**

*Independent External Expert,  
formerly of the National Treasury  
Management Agency*



Mr **Paddy O'Neill**

*Secretary*



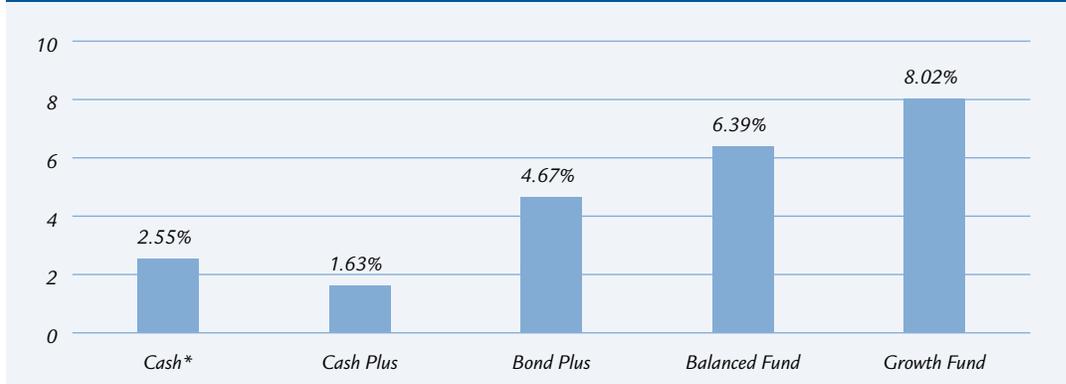
## REPORT OF THE ACCOUNTANT OF THE COURTS OF JUSTICE

Following the approval of changes to Court Rules, enabling the Accountant to deal with funds other than High Court funds, the year under review saw the start of the transfer to the Accountant's Office of Circuit and District Court funds. With effect from 11th January 2006 all new Circuit and District Court funds are lodged in the Office of the Accountant. Work is currently progressing with the transfer of all legacy funds held in all Circuit and District offices. There are approximately 13,000 cases with a value of €134m.

Total funds managed by the Accountant's Office increased to €937.2m at the end of September 2006, up €88.6m on the previous year. €39.1m of this increase is attributable to investment performance. In what was at times a difficult year for equities and bonds, especially during the first six months of 2006, overall investment performance was reasonably good throughout the year, but not as good as the previous year.

It was decided, with the approval of the Investment Committee, to establish a new cash only fund. We commenced investing in this fund on 21st June 2006 for cases which have a duration of less than two years or where the duration is not known. Investment performance for each fund for the year ended 30th September 2006 is shown in Table 1 below.

**Table 1 - New Investment Funds, Investment Performance (Net of Fees)  
October 2005 to September 2006, % Increase**



\* Investment in Cash Fund commenced 21st June 2006



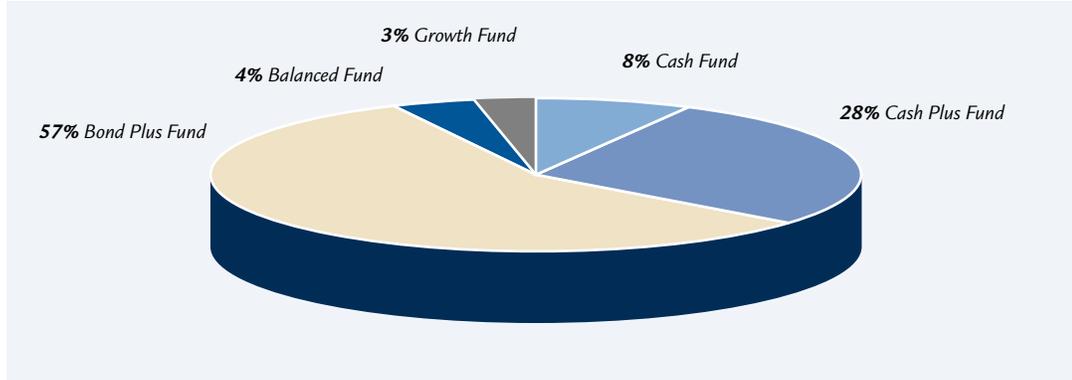
## ASSET ALLOCATION

The investment decision takes account of each beneficiary's particular circumstances, and are 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 modeling 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 2, represents the allocation of funds to each strategy held in the three jurisdictions at the end of September 2006.

**Table 2 - Investment Allocation to Funds**





The composition of funds held by the Accountant at 30th September 2006 was:

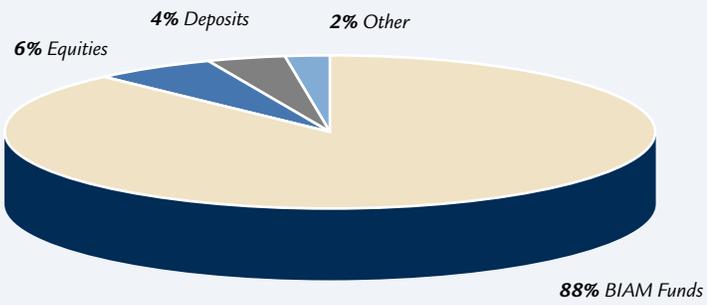
**Nature of Investment**

	€m
BIAM Funds (see Table 4 below)	826.1
Managed Funds	10.7
Equities	59.4
Government Bonds	1.6
Deposit Accounts	36.7
Other Investments	1.5
Insurance Policies	1.2
Total Portfolio of Investments	937.2

This is represented graphically in Table 3

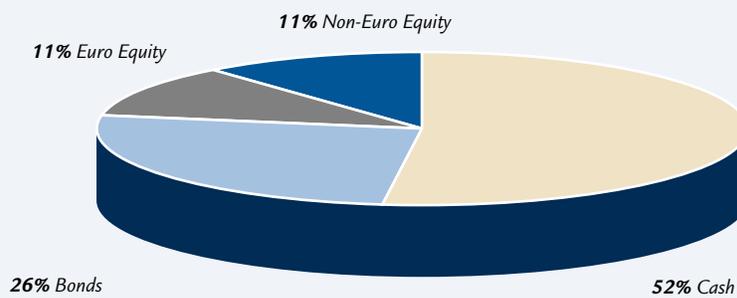


**Table 3 - Profile of Portfolio of Investments**



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

**Table 4 - Asset Class Allocation**





## MANAGEMENT OF COURT FUNDS

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

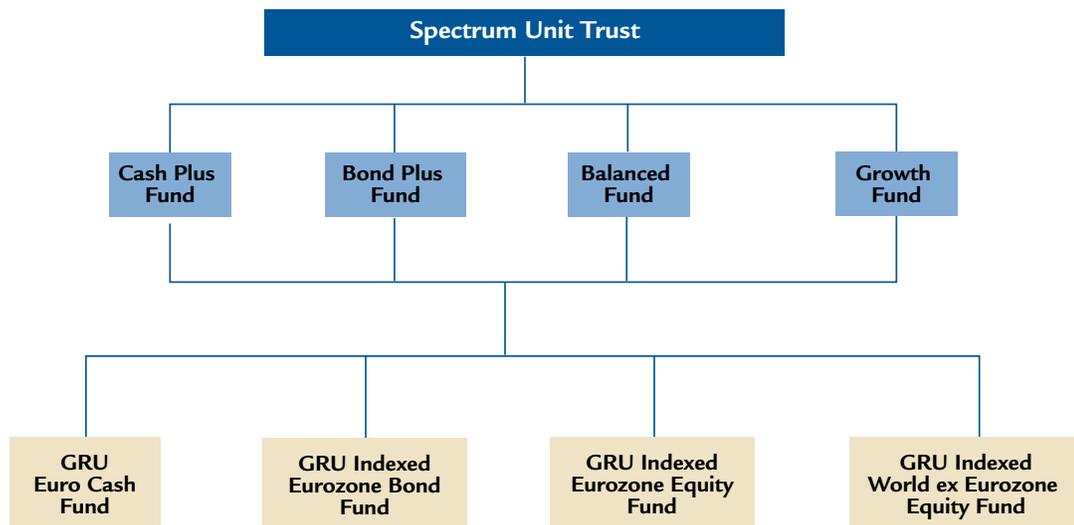
- **Investment Committee:** An Investment Committee was established in 2002 to oversee the implementation of the arrangements approved by the Board for the management and investment of court funds. The membership of the Committee comprises representatives of the judiciary, court officers with responsibility for court funds and an independent external representative. (See membership of the Committee on page 7). The Committee meets on a quarterly basis to monitor progress and to review reports from the Director of Finance, investment advisors and fund managers.
- **Investment Advisors:** The Courts Service has retained the services of Mercer Investment Consulting, as independent investment advisors to advise on a range of matters related to the management and investment of court funds.
- **Fund Managers:** Following a competitive tendering exercise, in compliance with EU procurement regulations, the Courts Service appointed Bank of Ireland Asset Management and State Street Global Advisors as joint fund managers.
- **External Audit:** Shortly after the establishment of the Courts Service in 1999, arrangements were put in place for the audit of funds managed by the Accountant. This is the fifth year that external audits have been carried out. 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 during the year the Accountant now 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, Equality 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.

## 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 fund managers.



BIAM in response to the investment requirements for court funds and with the approval of the Irish Financial Services Regulatory Authority established the following investment structure:



## INVESTMENT FUNDS

The following is a brief description of the investment objectives of each fund.

### CASH FUND

The Cash Fund is designed as a low risk strategy aimed at maintaining the value of the invested capital.

### CASH PLUS FUND

The Cash Plus Fund is a low risk strategy with an investment objective primarily to maintain capital value and also to generate capital appreciation while maintaining a high level of risk control.



## BOND PLUS FUND

The investment objective of the Bond Plus Fund is primarily to maintain capital value and also to generate a moderate level of income for the beneficiary.

## BALANCED FUND

The Balanced Fund is designed to achieve a combination of reasonable income and sound capital growth over the medium to long term. This fund has 48% equity content and returns may be subject to market variations and there is a risk that the value may fall, particularly over short-term periods.

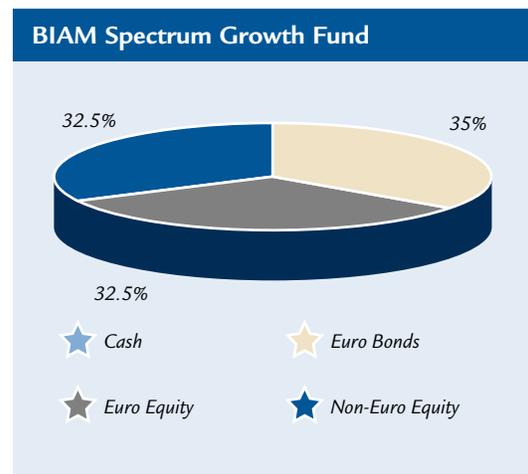
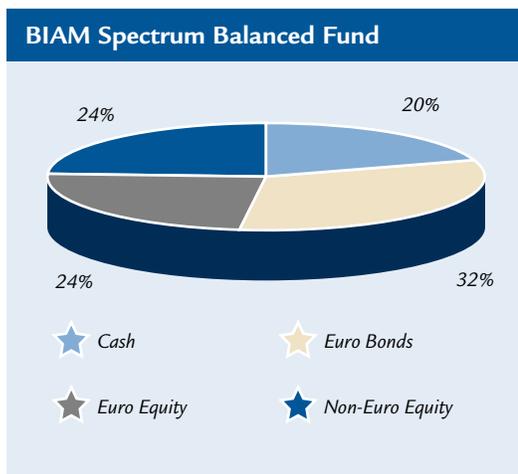
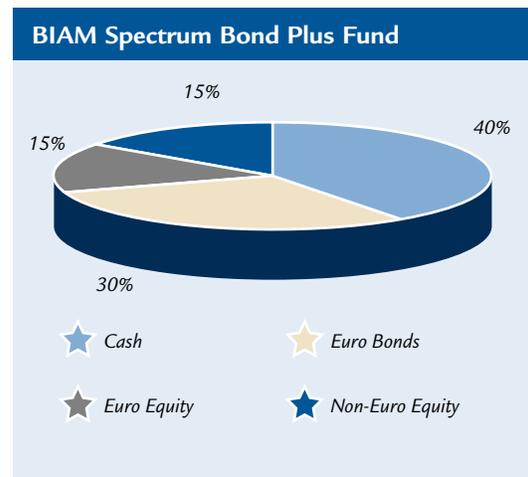
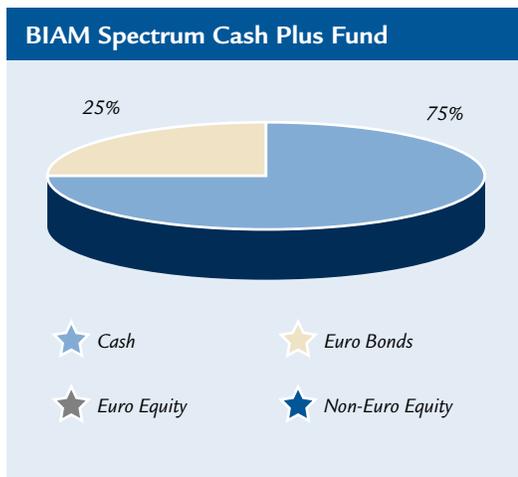
## GROWTH FUND

The Growth Fund is primarily designed to generate capital appreciation while maintaining a high level of risk control. This fund has a 65% equity content and 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 investment time horizon.

In the BIAM Spectrum Unit Trust structure on page 13, the beneficiaries invest in the spectrum funds (highlighted in blue). These funds subsequently invest in the underlying market specific funds (highlighted in yellow) in the proportions outlined on page 15. The Cash Fund invests 100% in the BIAM GRU Euro Cash Fund.

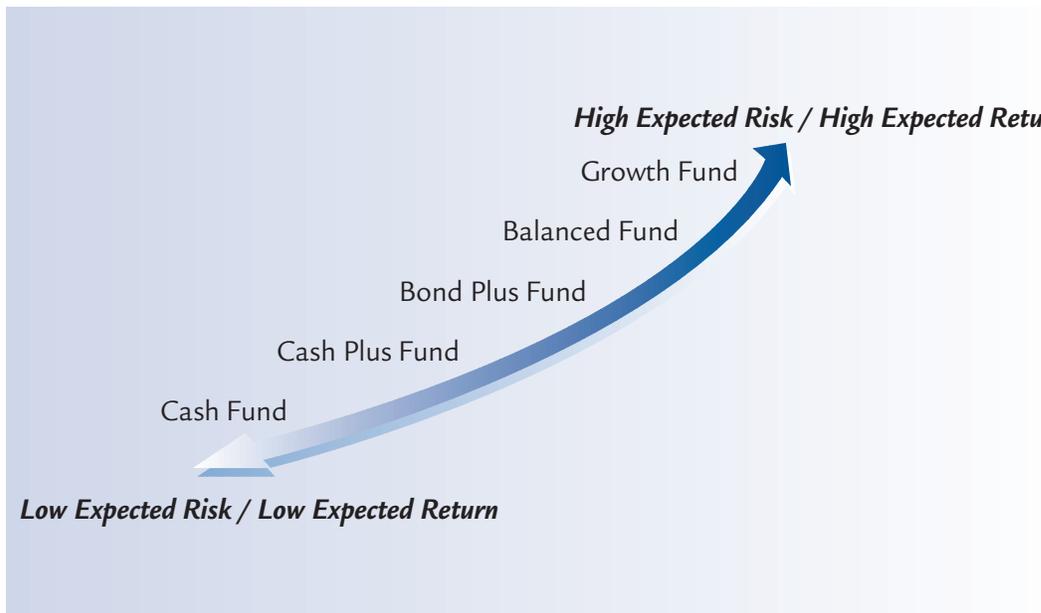


## ASSET DISTRIBUTION OF SPECTRUM FUNDS





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



## OPERATIONAL UPDATE

We continue to monitor the operation of the Accountant's Office, seeking opportunities to improve customer service and performance. Good progress has been made in the use of electronic funds transfer (EFT). There has been an increase month on month, both in terms of numbers and value, throughout the year. At 30th September, 36.6% of payments issued were by EFT. During the year in excess of 40,000 financial transactions, with a monetary value of €622m, were processed in the Accountant's Office. With the introduction of the funds accounting system and the new investment strategies turnaround times have improved from fifteen to five business days for part payments. Turn around times for final payments have improved from twenty to fifteen business days.

With the take-on of responsibility for processing both the Circuit and District Court funds and the accounting transactions for the General Solicitor's Office the volume of transactions will increase dramatically in the future.



I would like to thank the staff in the Accountant's Office for the excellent work done during the year in delivering the implementation of a very significant range of changes that have made a major contribution to the improved management of court funds that is directly benefiting beneficiaries of court funds.

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 Accountant's Office achieve its objectives during the year.

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

30th March 2007



## 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 Office of 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 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 2006)

	BIAM GRU Euro Cash Fund	BIAM GRU Eurozone Bond Fund	BIAM GRU Eurozone Equity Fund	BIAM GRU World Ex Eurozone Equity Fund
Portfolio Return	2.57%	-0.75%	19.02%	7.70%
Benchmark Return	2.57%	-0.71%	19.00%	7.43%
Difference	0.00%	-0.04%	0.02%	0.27%

### PERFORMANCE OF SPECTRUM FUNDS (YEAR ENDED 30 SEPTEMBER 2006)

	BIAM Cash Plus Fund	BIAM Bond Plus Fund	BIAM Balanced Fund	BIAM Growth Fund
Portfolio Return	1.77%	4.80%	6.63%	8.29%
Benchmark Return	1.77%	4.77%	6.59%	8.26%
Difference	0.00%	0.03%	0.04%	0.03%

### DISTRIBUTION OF SPECTRUM FUNDS AT 30 SEPTEMBER 2006

	BIAM GRU Euro Cash Fund	BIAM GRU Eurozone Bond Fund	BIAM GRU Eurozone Equity Fund	BIAM GRU World Ex Eurozone Equity Fund
Spectrum Fund				
BIAM Cash Plus Fund	74.3%	25.7%	0.0%	0.0%
BIAM Bond Plus Fund	38.9%	30.2%	15.6%	15.3%
BIAM Balanced Fund	19.2%	31.9%	24.7%	24.2%
BIAM Growth Fund	0.0%	34.5%	33.1%	32.4%

Notes: The performance of the Spectrum Funds is gross of management fee.

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.

"FTSETM" is a trademark of London Stock Exchange Plc and the Financial Times Limited and is used by FTSE International Limited under Licence.



## BIAM GRU EURO CASH FUND

Interest rate activity was significant during the period under review. At the beginning of the period the European Central Bank was maintaining interest rates at 2%, a position held since June 2003. However, with evidence of economic recovery and accompanying concerns about inflation, the ECB implemented its first rate hike in five years in December. By the end of September 2006, the rate stood at 3% with the market anticipating a further two quarter percentage point increases before the end of the year. The pace of hikes accelerated during the year amid robust growth data and as high oil and commodity prices also posed an inflationary threat. Beyond the Eurozone's borders interest rates remained under upward pressure with the US Federal Reserve raising rates to 5.75%, before settling at that level. The Bank of England surprised markets with a quarter percentage point hike in August, while the Bank of Japan moved away from its zero-interest-rate policy in July by pushing its rate up to 0.25%.

## BIAM GRU EUROZONE BOND FUND

The benchmark for this fund is the Merrill Lynch over 5 Yr. EMU Direct Government Bond Index. The fund is passively managed against this benchmark. The benchmark return was -0.71% for the twelve months under review. The performance of the fund was -0.75% over the period. The fund underperformed the benchmark by 4 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 7.43% for the twelve months under review. The performance of the fund was 7.70% over the period. The fund outperformed the benchmark by 27 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 7.89%

## 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 19.00% for the twelve months under review. The performance of the fund was 19.02% over the period. The fund outperformed the benchmark by 2 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 19.81%



## STATEMENT OF RESPONSIBILITIES

### STATEMENT OF ACCOUNTANT'S RESPONSIBILITIES

The Office of the Accountant of the Courts of Justice 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 31st March showing the total amount of funds paid or transferred into and out of Court in the year ended on the 30th 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 pages 27 and 28.

### 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 Accountant's Office.

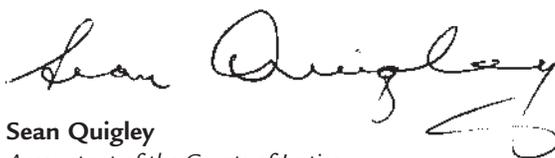
The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorized and properly recorded and that material errors or irregularities are either prevented or would be detected in a timely manner.

### 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*

30th March 2007



## 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 period ended 30 September 2006 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 14. These financial statements have been prepared under the accounting policies set out therein.

Our audit work has been undertaken so that we might state to the Accountant those matters we are required to state to him 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 Statement of Accountants' Responsibilities, the preparation of the financial statements in accordance with the Rules of Superior Courts, Order 77, Rule 83. Our responsibilities, as independent auditors, are established in Ireland by auditing standards as promulgated by the Auditing Practices Board in Ireland and by our profession's ethical guidance.

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 Superior Courts, Order 77, Rule 83.

We read the other information contained in the Annual Report for the above year 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 mis-statement or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with the auditing standards issued by the Auditing Practices Board and generally accepted in Ireland. 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 mis-statement, 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 of the state of affairs of The Office of the Accountant of the Courts of Justice as at 30 September 2006 and of its result for the period then ended and have been properly prepared in accordance with the Rules of Superior Courts, Order 77, Rule 83.

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 entity. The statement of assets and liabilities and statement of operations are in agreement with the books of account.

Chartered Accountants and Registered Auditors

Dublin

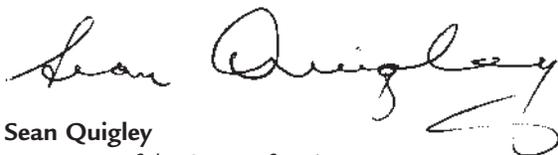


## STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 SEPTEMBER 2006

	Notes	2006 €	2005 €
<b>INVESTMENT ASSETS</b>			
Investments	4	937,168,487	848,611,782
<b>CURRENT ASSETS</b>			
Debtors	5	7,814,970	8,420,118
Bank		2,298,772	2,999,344
<b>TOTAL CURRENT ASSETS</b>		10,113,742	11,419,462
<b>CURRENT LIABILITIES</b>			
Creditors	6	523,607	685,202
<b>TOTAL LIABILITIES</b>		523,607	685,202
<b>NET CURRENT ASSETS</b>		9,590,135	10,734,260
<b>TOTAL NET ASSETS</b>		946,758,622	859,346,042
<b>Represented by:</b>			
Funds held for beneficiaries at year end	7	946,758,622	859,346,042

The financial statements were approved by the Accountant on 30th March 2007



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

30th March 2007

*See accompanying notes to financial statements*

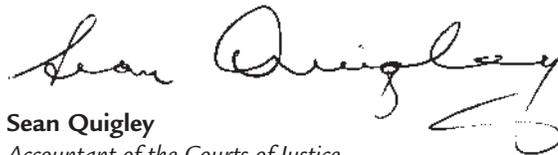


## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Notes	2006 €	2005 €
<b>NET REALISED AND UNREALISED GAINS</b>			
Net realised gains on investments disposed of during the year	9	5,718,120	6,858,336
Net unrealised gains on investments	10	30,604,979	62,625,311
Gains realised on transfer out during the year		1,521,579	4,869
		<hr/>	<hr/>
<b>NET REALISED AND UNREALISED GAINS</b>			
Investment income	11	2,467,707	5,999,379
		<hr/>	<hr/>
		40,312,385	75,487,895
Expenses	12	(1,246,794)	(2,061,168)
		<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>			
		39,065,591	73,426,727

The financial statements were approved by the Accountant on 30th March 2007



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

30th March 2007

*See accompanying notes to financial statements*



## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 €	2005 €
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		
Net investment gains	1,220,913	3,938,211
Net realised gains on investments	5,718,120	6,858,336
Net unrealised gains on investments	30,604,979	62,625,311
Gains realised on transfers from funds	1,521,579	4,869
	<hr/>	<hr/>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>39,065,591</b>	<b>73,426,727</b>
<b>CAPITAL TRANSACTIONS</b>		
Receipts	164,109,273	150,018,824
Disbursements	(115,762,284)	(119,392,014)
	<hr/>	<hr/>
<b>INCREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS</b>	<b>48,346,989</b>	<b>30,626,810</b>
	<hr/>	<hr/>
Increase in net assets	87,412,580	104,053,537
Net assets at beginning of year	859,346,042	755,292,505
	<hr/>	<hr/>
<b>NET ASSETS AT END OF YEAR</b>	<b>946,758,622</b>	<b>859,346,042</b>

*See accompanying notes to financial statements*



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

## 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 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 transfer of funds under the control of the Circuit Court and the District Court to the Accountant of the Courts of Justice commenced on the 11 January 2006.

## 2. ACCOUNTING POLICIES

### (a) Basis of preparation

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

### (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 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 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 (persons under the age of 18 years of age). 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 fund 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 €1.157m (2005: €1.505m) have been charged as a result of transactions processed in the Accountant's Office during the year ended 30 September 2006. In addition to these fees, €0.076m (2005: €0.526m) in respect of court percentages was charged on funds held on behalf of Wards of Court. The figure of €0.526m for 2005 includes €0.45m which was collected in respect of previous years.



## 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 fee on the court funds in 2006 was as follows:

Cash:	0.14% (2005: Nil) Net Asset Value calculated weekly
Cash Plus:	0.14% (2005: 0.15%) Net Asset Value calculated weekly
Bond Plus:	0.12% (2005: 0.13%) Net Asset Value calculated weekly
Balanced:	0.23% (2005: 0.24%) Net Asset Value calculated weekly
Growth:	0.25% (2005: 0.25%) 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 2006 was as follows:

Cash:	0.00% Anti-Dilution Levy calculated weekly
Cash Plus:	0.03% Anti-Dilution Levy calculated weekly
Bond Plus:	0.11% Anti-Dilution Levy calculated weekly
Balanced:	0.15% Anti-Dilution Levy calculated weekly
Growth:	0.20% Anti-Dilution Levy calculated weekly.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. INVESTMENTS

	2006 €	2005 €
BIAM Unitised funds	826,079,833	743,328,548
Managed funds	10,654,343	9,731,368
Equities	59,411,279	55,634,367
Government bonds	1,577,835	2,091,481
Deposit accounts	36,695,349	33,937,351
Other investments	1,530,403	2,495,301
Insurance policies	1,219,445	1,393,366
Portfolio of Investments	<u>937,168,487</u>	<u>848,611,782</u>

### 5. DEBTORS

	2006 €	2005 €
Court amounts awarded not yet received	<u>7,814,970</u>	<u>8,420,118</u>

### 6. CURRENT LIABILITIES

	2006 €	2005 €
Creditors	29,061	175,934
Exit tax payable	494,546	509,268
	<u>523,607</u>	<u>685,202</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7. FUNDS HELD FOR BENEFICIARIES

	2006 €	2005 €
Amounts held for wards of court	665,933,867	611,394,779
Amounts held for minors	155,608,467	150,055,540
Amounts held for pending further order cases	33,703,212	30,521,813
Amounts held for charitable bequests	36,073,686	30,761,114
Amounts held for lodgements with defence	28,426,475	18,983,775
Other	27,012,915	17,629,021
	<u>946,758,622</u>	<u>859,346,042</u>

## 8. INVESTMENT RISKS

**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, and the principal risks relevant to these strategies are as follows:

**Market Price Risk**

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss which might be suffered through holding market positions in the face of price movements. The investments held are subject to normal market fluctuations and the risks inherent in investment in international securities markets. The investment managers consider 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.

**Credit Risk**

Foreign exchange, futures, other transactions and investment instruments involve counterparty credit risk which potentially expose the funds to losses to the extent that counterparties are unable or unwilling to fulfill their contractual obligations. Available contractual remedies could be inadequate to the extent that the collateral or other assets available are insufficient to satisfy the obligations of the counterparty.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Foreign Currency Risk**

A proportion of the funds are invested in financial assets denominated in currencies other than the Euro. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital.

**9. NET REALISED GAIN ON INVESTMENTS  
DISPOSED OF DURING THE YEAR**

	2006 €	2005 €
Realised gain on investments disposed of during the year	6,818,184	7,827,556
Less:		
Exit Tax	(1,076,193)	(919,192)
Capital Gains Tax	(1,256)	(20,554)
Capital Acquisition Tax	-	(6,097)
Administration and custodian fee (Note 3.3)	(22,615)	(23,377)
Net realised gain on investments disposed of during the year	<u>5,718,120</u>	<u>6,858,336</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 standard rate plus 3% and is payable to the Revenue.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10. NET UNREALISED GAINS ON INVESTMENTS

	2006 €	2005 €
Unrealised gains on investments during the year	32,123,073	64,098,559
Less:		
Investment management fee (Note 3.2)	(1,057,927)	(883,102)
Administration and custodian fee (Note 3.3)	(128,150)	(210,395)
Miscellaneous managed funds' fees (i)	(332,017)	(379,751)
Net unrealised gains on investments	<u>30,604,979</u>	<u>62,625,311</u>

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

## 11. INVESTMENT INCOME

	2006 €	2005 €
Deposit interest	510,815	1,683,188
Dividends	1,799,236	1,594,370
Shares in lieu of dividends	15,985	82,609
Interest on other investments	133,809	2,605,367
Other	7,862	33,845
	<u>2,467,707</u>	<u>5,999,379</u>

Investment income is shown net of withholding tax.

During 2005 investments in An Post were switched from being held at cost price to being held at market value. Investment income was recognised on encashment. From 30th September 2005 these investments are carried at market value and therefore the income recognised in the year ended 30th September 2006 is that arising in that year only.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. EXPENSES

	2006 €	2005 €
Court fees (Note 3.1)	1,233,703	2,031,571
Brokers' fees	7,918	28,789
Bank charges	420	808
Other Expenses	4,753	-
	<hr/> <hr/> 1,246,794	<hr/> <hr/> 2,061,168

### 13. OTHER INCOME

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

### 14. POST BALANCE SHEET EVENTS

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



# HIGH COURT FUNDS

SUPPLEMENTARY INFORMATION (NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

## STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 SEPTEMBER 2006

	2006 €
<b>INVESTMENT ASSETS</b>	
Investments	931,534,570
<b>CURRENT ASSETS</b>	
Debtors	7,388,687
Bank	2,223,513
<b>TOTAL CURRENT ASSETS</b>	<u>941,146,770</u>
<b>CURRENT LIABILITIES</b>	
Creditors	<u>523,517</u>
<b>TOTAL LIABILITIES</b>	523,517
<b>NET CURRENT ASSETS</b>	<u>9,088,683</u>
<b>TOTAL NET ASSETS</b>	<u>940,623,253</u>
<b>Represented by:</b>	
Funds held for beneficiaries at year end	<u>940,623,253</u>



# HIGH COURT FUNDS

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 €
<b>NET REALISED AND UNREALISED GAINS</b>	
Net realised gains on investments disposed of during the year	5,717,820
Net unrealised gains on investments	30,514,700
Gains realised on transfer out during the year	<u>1,521,579</u>
<b>NET REALISED AND UNREALISED GAINS</b>	37,754,099
Investment income	<u>2,467,198</u>
	40,221,297
Expenses	<u>(1,236,910)</u>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<u><u>38,984,387</u></u>



# HIGH COURT FUNDS

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 €
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	
Net investment gains	1,230,288
Net realised gains on investments	5,717,820
Net unrealised gains on investments	30,514,700
Gains realised on transfers from funds	1,521,579
	<hr/>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>	38,984,387
	<hr/>
<b>CAPITAL TRANSACTIONS</b>	
Receipts	158,004,640
Disbursements	(115,711,816)
	<hr/>
<b>INCREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS</b>	42,292,824
	<hr/>
Increase in net assets	81,277,211
Net assets at beginning of year	859,346,042
	<hr/>
<b>NET ASSETS AT END OF YEAR</b>	940,623,253
	<hr/> <hr/>



## CIRCUIT COURT FUNDS

SUPPLEMENTARY INFORMATION (NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

### STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 SEPTEMBER 2006

	2006 €
<b>INVESTMENT ASSETS</b>	
Investments	5,525,605
<b>CURRENT ASSETS</b>	
Debtors	426,283
Bank	47,972
<b>TOTAL CURRENT ASSETS</b>	<u>5,999,860</u>
<b>CURRENT LIABILITIES</b>	
Creditors	<u>90</u>
<b>TOTAL LIABILITIES</b>	90
<b>NET CURRENT ASSETS</b>	<u>474,165</u>
<b>TOTAL NET ASSETS</b>	<u>5,999,770</u>
<b>Represented by:</b>	
Funds held for beneficiaries at year end	<u>5,999,770</u>



# CIRCUIT COURT FUNDS

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 €
<b>NET REALISED AND UNREALISED GAINS</b>	
Net realised gains on investments disposed of during the year	300
Net unrealised gains on investments	<u>89,034</u>
<b>NET REALISED AND UNREALISED GAINS</b>	89,334
Investment income	<u>509</u>
	89,843
Expenses	<u>(9,671)</u>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	<u><u>80,172</u></u>



## CIRCUIT COURT FUNDS

### STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 €
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	
Net investment gains	9,162
Net realised gains on investments	300
Net unrealised gains on investments	89,034
	80,172
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>	
<b>CAPITAL TRANSACTIONS</b>	
Receipts	5,970,066
Disbursements	(50,468)
	5,919,598
<b>INCREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS</b>	
Increase in net assets	5,999,770
Net assets at beginning of year	-
	5,999,770
<b>NET ASSETS AT END OF YEAR</b>	



## DISTRICT COURT FUNDS

SUPPLEMENTARY INFORMATION (NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

### STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 SEPTEMBER 2006

	2006 €
<b>INVESTMENT ASSETS</b>	
Investments	108,312
<b>CURRENT ASSETS</b>	
Bank	27,287
<b>TOTAL CURRENT ASSETS</b>	<u>135,599</u>
<b>CURRENT LIABILITIES</b>	
Creditors	<u>-</u>
<b>TOTAL LIABILITIES</b>	-
<b>NET CURRENT ASSETS</b>	27,287
<b>TOTAL NET ASSETS</b>	<u>135,599</u>
<b>Represented by:</b>	
Funds held for beneficiaries at year end	<u>135,599</u>



## DISTRICT COURT FUNDS

### STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 €
<b>NET REALISED AND UNREALISED GAINS</b>	
Net unrealised gains on investments	1,245
<b>NET REALISED AND UNREALISED GAINS</b>	1,245
Expenses	(213)
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>	1,032



## DISTRICT COURT FUNDS

### STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	2006 €
<b>INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	
Net investment gains	213
Net unrealised gains on investments	1,245
	<hr/>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>	1,032
	<hr/>
<b>CAPITAL TRANSACTIONS</b>	
Receipts	134,567
	<hr/>
<b>INCREASE IN NET ASSETS FROM CAPITAL TRANSACTIONS</b>	134,567
	<hr/>
Increase in net assets	135,599
Net assets at beginning of year	-
	<hr/>
<b>NET ASSETS AT END OF YEAR</b>	135,599
	<hr/> <hr/>







COURTS SERVICE  
*An tSeirbhís Chúirteanna*

**The Accountant's Office**

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