

HM Procurator General and Treasury Solicitor

Accounts of the Crown's Nominee for the year ending 31 March 2009

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Foreword

Introduction and Background

1. The Solicitor for the Affairs of Her Majesty's Treasury ("the Treasury Solicitor") was incorporated as a corporation sole by the Treasury Solicitor Act 1876 ("the 1876 Act"). The Treasury Solicitor has been appointed by successive Sovereigns by Royal Warrant to be the Crown's Nominee for the purpose of collecting bona vacantia (Latin, literally "vacant goods").

2. The provisions of the warrant may be varied from time to time to take account of modification or changes to the law. The current Royal Warrant is dated 21 August 1984. It appoints the Treasury Solicitor as the Crown's Nominee for the purposes of the administration of estates of persons who die intestate and without known kin entitled to inherit, and for the collection of assets of dissolved companies and other miscellaneous bona vacantia, in England, Wales and Northern Ireland (except in the Duchies of Cornwall and Lancaster). In Northern Ireland the Crown Solicitor deals with these matters as the Agent for the Treasury Solicitor.

3. Section 4 of the 1876 Act provides that all money arising from the disposal of property and rights whether as income or as proceeds of the sale or disposal should be carried to the account directed by rules under the 1876 Act. This account is referred to as the Crown's Nominee Account and is maintained with the Paymaster General at the Bank of England.

4. The accounts of the income and expenditure arising during the year are deemed to be public accounts and the 1876 Act provides that an abstract of those accounts shall be laid annually before the House of Commons. The 1876 Act also provides that if a person satisfies the Treasury of their right to the whole or any part of unclaimed money, securities or property, the Treasury may direct that the sum paid to the Crown's Nominee Account be reimbursed to the entitled person.

Presentation and format of the Account

5. The financial statements below have been prepared under an Accounts Direction of 17 April 2009 given by HM Treasury in accordance with Sections 4 and 5 of the 1876 Act, and the Treasury Solicitor (Crown's Nominee) Rules 1997 (S.I. 1997 No. 2870) emanating from the 1876 Act. The Accounts of the Crown's Nominee are to be presented to Parliament by 31 July every year for the year ending on the preceding 31 March.

6. To prepare for the move to International Financial Reporting Standards from 2009-10, and to more closely align to the presentation of other Government accounts, the Crown's Nominee Account now includes information about the value of assets held by the Crown's Nominee for sale and other assets and liabilities that remain at the Balance Sheet date. The improved presentation has led to the re-statement of the 2007-08 Account. The Notes to the Accounts provide reconciliation between the key balances of 2007-08 published Accounts and the re-stated figures.

7. Assets and liabilities at 31 March 2009 are the result of a review of all cases that remained open at that date. To re-state the 2007-08 Accounts assets and liabilities for that year were estimated by using information about the live caseload at March 2008 and March 2009.

Aims and Objectives

8. The aim of the Treasury Solicitor, the Crown's Nominee as described above, is to provide a high quality service to its client, HM Treasury, and stakeholders including Parliament, staff and people who will be affected by dealing with bona vacantia assets. The Treasury Solicitor's Bona Vacantia Division (a Division of the Treasury Solicitor's Department) is responsible for implementing these aims and the objectives below.

9. Bona Vacantia Division collects and administers property and rights that have vested in the Crown as bona vacantia in England, Wales and Northern Ireland (except in the Duchies of Cornwall and Lancaster). The two main categories of bona vacantia are: (i) the assets of people who have died intestate with no relatives entitled to inherit; and (ii) the assets of companies which have been dissolved. The Bona Vacantia Division therefore:

- Investigates the jurisdiction and the title to assets to establish whether they have passed to the Crown as bona vacantia;
- Collects and administers those that have;
- Sells bona vacantia assets so as to realise their proper value for the Crown;
- Disclaims onerous assets;
- Makes discretionary grants where appropriate.

10. During the year, the additional objectives of Bona Vacantia Division were to:

- deliver satisfying and challenging jobs, and embed TSol's values;
- deliver good quality casework, generate income quickly and effectively and increase turnover;
- provide improved services on-line through our website and DirectGov;
- meet the expectations of our client, HM Treasury, and to work more effectively with our delivery partners.

11. Against the background of an uncertain economic climate, the Bona Vacantia Division handled 12,231 new cases, a decrease of 1,232 (9.15%) on the previous year, with the largest proportion of the decrease coming in Companies' cases.

Management Commentary

12. The income generated during the year amounted to £37.2 million (2007-08: £39.6 million). By agreement with HM Treasury, there is an annual transfer from the Crown's Nominee Account to the Consolidated Fund. The amount to be transferred is 85% of the net Crown's Nominee bank balance on the last working day of January subject always to a balance of at least £5 million being retained in bank for administrative costs and creditors. The transfer in February 2009 was £18 million (£30 million in 2008, which included the remainder of the surplus built up in previous years).

13. The Treasury Solicitor's Department charges the Crown's Nominee Account for the services provided by Bona Vacantia Division on a full cost recovery basis, including a proportion of the Department's total cost of capital charge. The Treasury Solicitor's Department accounts for this as part of the Department's operating income in the Departmental Resource Accounts audited by the Comptroller and Auditor General.

14. The Treasury Solicitor's Department charged the Crown's Nominee Account £3.8 million (2007-08: £3.6 million) for the services of Bona Vacantia Division.

15. Personal data related incidents are reported in detail within the Treasury Solicitor's Annual Report and Accounts. There have been no incidents arising from the work of the Bona Vacantia Division.

Governance

16. Day to day responsibility for the system of internal control in the Bona Vacantia Division is delegated to the Head of Division. The Directors in the post of Head of Division over the 2008-09 were Peter Loosley until February 2009 and then Zane Denton. Group leaders within the Bona Vacantia Division support the Head of the Division; and the Director of the Finance, Performance and Planning Directorate manages a discrete unit within his directorate that is responsible for Bona Vacantia Division's payments, receipts, preparation of accounts and general financial assistance. The Head of the Bona Vacantia Division has in place systems for regular communication with all staff, including on

policy, operational and financial matters, and for informing them of new developments and key issues.

In addition, the Head of Division is part of TSol's Senior Management Team and is subject to the Agency's wider control system. The Head of Division also attends the TSol Board and Directors Forum. Regular reports are provided to me as Chief Executive, which are reinforced by quarterly meetings for us to discuss work priorities, progress against business plan targets and the steps being taken to manage risk. The Head of Division is also required to provide an annual Director's Assurance Report reporting on activity during the year, the management of the resources allocated and confirming that all risks to the achievement of objectives have been reviewed and that appropriate action to manage those risks has been, or is being, taken.

Looking Forward

17. In the next financial year, the priority for the Bona Vacantia Division will be to implement changes to its procedures to take account of the bona vacantia and company restoration provisions of the Companies Act 2006, which are due to come into force in October 2009. It will continue to identify and develop new business areas, where appropriate, and continue to work with delivery partners to identify, collect and dispose of assets effectively. It will continue to support delivery of TSol's "Towards 2012" strategy by (i) working to ensure that its client has confidence in how we handle bona vacantia and the value for money that the Division represents and (ii) developing the skills and expertise of staff.

External Audit

18. The Crown's Nominee Account is audited by the National Audit Office on behalf of the Comptroller and Auditor General. The notional audit fee is £40,000 in 2008-09 (£42,000 in 2007-08) and no further assurance or other advisory service has been provided by the NAO.

Provision of Information to Auditors

19. As the Crown's Nominee, so far as I am aware there is no relevant audit information of which the auditor is unaware. I have taken all the steps necessary to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Paul Jenkins
Treasury Solicitor and Crown's Nominee
10 July 2009

Statement of the Crown's Nominee's Responsibilities

The Accounts are to be prepared under an Accounts Direction of 17 April 2009 given by HM Treasury in accordance with sections 4 and 5 of the Treasury Solicitor Act 1876. For further information see the Statement of Accounting Policies.

In preparing the Accounts, the Treasury Solicitor is required to:

- Comply with the Accounts Direction issued by HM Treasury on 17 April 2009;
- Comply with the Treasury Solicitor (Crown's Nominee) Rules 1997 (S.I. 1997 No. 2870);
- Present to Parliament by 31 July every year the financial statements for the year preceding ending on 31 March;
- Observe the relevant accounting and disclosure requirements and to apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- Prepare the accounts on a going concern basis.

The responsibilities of the Treasury Solicitor include responsibility for the propriety and regularity of public finances.

By agreement with HM Treasury, an amount is transferred to the Consolidated Fund each year, after retaining sufficient funds in order to meet future liabilities.

The Treasury Solicitor's Department is responsible for putting in place reasonable controls to protect the integrity of Bona Vacantia Division's website. This responsibility includes accurate reproduction and maintenance of the annual audited Accounts that are made available to users of the website.

Statement on Internal Control

Scope of Responsibility

As the Crown's Nominee, a position vested in the Treasury Solicitor by the Treasury Solicitor Act 1876, I am responsible for the collection, administration, and disposal of bona vacantia (Latin literally "vacant goods") in accordance with that Act and any subsequent Rules made under it. This legislation requires me to prepare annual accounts for the Crown's Nominee Account, which is made up of public funds, and whilst I am not appointed as the Accounting Officer, as defined by Managing Public Money, I am responsible for maintaining a sound system of internal control for the collection and disposal of bona vacantia as if I were.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bona Vacantia Division's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place for the Division for the year ended 31 March 2009 and up to the date of the approval of the accounts for that year and accords with guidance from HM Treasury.

Capacity to Handle Risk

Risks in bona vacantia are related to the key targets and priority work areas set out in Bona Vacantia Business Plan. Risk is managed by identifying and evaluating risks and appropriate control measures, which are set out in the Divisional Risk Register. All staff have access to the risk register, which is held on the shared network. As external third party fraud is bona vacantia's major risk we have developed further our anti-fraud forum with the Metropolitan Police, and other delivery partners such as the Probate Registry and Land Registry. Risk and fraud awareness is also covered in the induction programme for new staff.

The Risk and Control Framework

The system of control underpinning the Crown's Nominee Account is based on:

- a budget and business plan which defines priorities, key targets and accountability for delivery;
- systematic identification and management of risks through a Divisional Risk Register linked to the Division's Business Plan;
- standardised processes and procedures set out in published guidelines, practice guides and internal desk instructions, supplemented by training events;
- segregation of duties, and the "four eyes" principles in key areas such as post opening, house searches and cheque and cash handling;
- divisional standards on the handling and management of bona vacantia cases;
- management arrangements including a system of delegated financial authorities for all payments made by the Division. These delegations relate to both case related payments and the payment of discretionary grants;
- a management information system, based on information from an electronic case management and finance system, which provides details of key performance indicators for the Division on a monthly basis;
- a Business Continuity Plan setting out arrangements for dealing with loss of infrastructure or IT.

Information Security

During 2008-09, a framework was implemented for handling data and to provide assurance over the management and security of information held with Bona Vacantia Division, including:

- From 1 July 2008, the Head of Bona Vacantia Division took on the role of Information Asset Owner for all information held by the Division
- Bona Vacantia Division has identified the information held and maintains an Information Asset Control Register. Access to information is minimised whilst maintaining a balance between business needs and risk
- Instructions have been provided to staff in TSol's and Bona Vacantia Division's data handling and security related policies, procedures for handling information, and a system is in place to authorise and record any dispensation from compliance from those policies
- incorporation of information risks within the risk management policy and process
- a register of incidents to identify any breaches of the policies and to provide information on such to the Senior Information Risk Owner (Deputy Treasury Solicitor)

The Risk Register for 2008/09 identified the main risks as fraud, loss of infrastructure or IT, under capacity or overburdened staff and the failure to manage resources adequately, and potential liabilities arising from un-disclaimed assets. These risks were addressed during the year and the action included:

- keeping under review measures to counter fraud, including membership of a cross-Government anti-fraud forum, issuing an anti-fraud policy to all staff and included in the induction process for new staff, and publishing an anti-fraud statement on the Divisional website;
- providing guidance to staff on related party transactions;
- following the disclaimer policy and maintaining an undisclaimed assets register;
- providing sick absence refresher training to all staff;
- providing guidance to staff on completing the gifts and hospitality register

These processes have not identified the need for any additional controls to mitigate the risk of fraud.

Review of Effectiveness

I am responsible for reviewing the effectiveness of the system of internal control in Bona Vacantia Division. My review of such effectiveness is informed by the work of the executive managers in the Division, Internal Audit, the views of the Audit Committee and any comments made by external auditors in their management letter and other reports. These are commented on below.

Internal Audit

The Internal Audit service, provided by the Department of Communities and Local Government, provides me with independent assurance on the effectiveness of internal control arrangements in the Division. Internal Audit for the year ended 31 March 2009 made three recommendations, and these have been implemented.

Audit Committee

The Department's Audit Committee scrutinises and challenges the Department's control, risk and corporate governance systems, including those that operate in Bona Vacantia Division, and assists me in preparing the assurances that I deliver to Parliament and Ministers. In addition, the Audit Committee also consider the Crown's Nominee Account.

External Audit

Audit scrutiny of the Crown's Nominee Account for the year ended 31 March 2008 made 11 recommendations, one of which was a priority 1 level issue concerning the move to International Financial Reporting Standards (IFRS). The audit findings have been accepted and the Crown Nominee Account will be prepared in accordance with the HM Treasury timetable for the move to IFRS.

Conclusion

I believe that the above measures have led to a sound system of management control.

Paul Jenkins
Treasury Solicitor and Crown's Nominee
10 July 2009

INDEPENDENT AUDITOR'S REPORT TO THE CROWN'S NOMINEE

I have audited the financial statements of the Crown's Nominee for the year ended 31 March 2009. These comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Crown's Nominee and Auditor

The Crown's Nominee is responsible for preparing the Foreword and the financial statements in accordance with the Accounts Direction and rules emanating from the Treasury Solicitor Act 1876 and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Crown's Nominee's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Treasury Solicitor Act 1876 and HM Treasury directions made thereunder. I report to you whether, in my opinion, information given in the Foreword is consistent with the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information. I also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Crown's Nominee has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury is not disclosed.

I review whether the Statement on Internal Control reflects the Crown's Nominee's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Crown's Nominee's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Crown's Nominee in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Crown's Nominee's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Treasury Solicitor Act 1876

and directions made thereunder by HM Treasury, of the state of the Crown's Nominee's affairs as at 31 March 2009 and of its net income , total recognised gains and losses and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Treasury Solicitor Act 1876 and HM Treasury directions made thereunder; and
- information, within the Foreword, is consistent with the financial statements.

Opinion on Regularity

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

*Paul Keane
Director, Justice Financial Audit
For and on behalf of the Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria SW1W 9SS*

13 July 09

Income and Expenditure Account

for the year ending 31 March 2009

	Note	2008-09 £000	2007-08 <i>as restated</i> £000
Income	2	37,212	39,573
Expenditure			
Staff costs	3	(2,068)	(1,965)
Expenditure in relation to estates passing to the Crown under the Administration of Estates Act 1925	4	(9,364)	(11,072)
Expenditure arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing	4	(5,917)	(5,133)
Other expenditure	4	<u>(1,974)</u>	<u>(1,763)</u>
Total expenditure		(19,323)	(19,933)
Net Income		<u><u>17,889</u></u>	<u><u>19,640</u></u>

All income and expenditure is derived from continuing operations.

Statement of Total Recognised Gains and Losses

for the year ending 31 March 2009

	Note	2008-09 £000	2007-08 <i>as restated</i> £000
Net Income for the year		17,889	19,640
Adjustment to opening reserves	10	-	2,049
Net increase in bona vacantia assets	12	1,038	16,391
Net disposal of bona vacantia assets	12	(1,806)	-
Payment to Consolidated Fund		(18,000)	(30,000)
Total (loss)/gain for the financial year		<u><u>(879)</u></u>	<u><u>8,080</u></u>

The cumulative effect of the prior-period adjustment on the opening reserves for 2008-09 is an increase of £19,154K as shown in Note 19.3

The notes on pages 14 to 25 form part of these accounts.

Balance Sheet
as at 31 March 2009

		2008-09	2007-08 <i>as restated</i>
	Note	£000	£000
Current Assets			
Assets held for sale	5	15,623	16,391
Debtors	6	2,918	2,808
Cash at bank and in hand	7	10,274	10,300
		<u>28,815</u>	<u>29,499</u>
Current Liabilities			
Creditors	8	(839)	(644)
		<u>27,976</u>	<u>28,855</u>
Total assets less current liabilities			
Provision for liabilities and charges	9	(115)	(115)
		<u>27,861</u>	<u>28,740</u>
Reserves			
General Fund	10	12,035	12,263
Crown Share Reservation	11	203	86
Bona Vacantia Assets Reserve	12	15,623	16,391
Total		<u>27,861</u>	<u>28,740</u>

Paul Jenkins
Treasury Solicitor and Crown's Nominee
10 July 2009

The notes on pages 14 to 25 form part of these accounts

Cash Flow Statement
for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 as restated £000
Net cash inflow from operating activities	13	17,974	19,504
Payment to the Consolidated Fund		(18,000)	(30,000)
(Decrease)/increase in cash in period	7	<u><u>(26)</u></u>	<u><u>(10,496)</u></u>

The notes on pages 14 to 25 form part of these accounts

NOTES TO THE ACCOUNTS

1. Statement of Accounting Policies

In exercise of the powers conferred by sections 4 and 5 of the Treasury Solicitor Act 1876, the Treasury have made an Accounts Direction for the preparation of the Crown's Nominee Accounts. The financial statements have been prepared in accordance with the Direction and the Treasury Solicitor (Crown's Nominee) Rules 1997 (SI 1997 No 2870) emanating from the Act and in accordance with applicable accounting standards.

1.1 Income

The sources of income are:

- the sums arising from the realisation of estates of deceased people passing to the Crown under the Administration of Estates Act 1925;
- the sums arising from the realisation of property and rights which belonged to dissolved companies, and trusts, which have failed, and sums arising from the sale of miscellaneous bona vacantia;
- the recovery of costs and disbursements incurred by the Crown.

Income is recognised as follows:

- Freehold/Leasehold property; income is recognised at the point at which the sale has been completed and is legally binding.
- Goods, chattels and shares; income is recognised at the point of sale of the asset.
- Cash or bank balances: estates income is recognised at the date the Crown's Nominee becomes the administrator of the estate
companies income is recognised at the date the bank notifies the Crown's Nominee of the balance.

1.2 Assets

Bona vacantia assets are, because of the nature of the business, wide-ranging. The majority of assets referred as bona vacantia (either from dissolved Companies or forming part of a deceased person's estate) are bank balances, stocks and shares, land and property (freehold and leasehold), intellectual property, pensions and freehold reversions. Other, rarer, asset types can include livestock, works of art, mobile homes and boats/warships.

Estate assets are recognised at the date on which the Treasury Solicitor became the administrator of the estate. Depending on the type of asset, assets are stated at either (i) the value at the date of death (ii) estimated value (where it would be uneconomic to obtain a formal valuation) at the date of death or (iii) the latest professional valuation held on file.

Depending on the type of asset, company assets are recognised at either (i) the date of dissolution (ii) notification to the Treasury Solicitor (iii) the date of vesting (iv) or the date of valuation. The value stated will be either the latest valuation held on file or, where it would be uneconomic to obtain a formal valuation, the published minimum price.

Stocks and shares have been valued at the current market price as at 31 March 2009. These valuations showed no material changes to the previous valuations held.

Valuations of assets are typically sought from relevant professionals such as District Valuers or estate

agents for land and real property valuations. Typically, however, the largest category of bona vacantia assets is bank balances and the values of such are provided by the banks.

1.3 Contingent Assets

Whilst the Treasury Solicitor seeks assets due to the Crown where it can, it is heavily reliant on referrals from third parties. For example, an individual may have died intestate without entitled kin but the Treasury Solicitor is not immediately informed of the death and may not be for some years. As a consequence, the estate becomes an outstanding asset. There will always be such assets and their amounts are not known. These assets do not meet the asset recognition criteria of Financial Reporting Standard 5 which states that assets should be recognised in the balance sheet if:

- there is sufficient evidence of the existence of the item, and
- the item can be measured at a monetary amount with sufficient reliability

As a result of this these assets are not included in the financial statements.

1.4 Revaluation and depreciation of assets

Bona vacantia assets are more closely identified as inventory rather than fixed assets as all assets should normally be converted into cash within a year. The values of assets held for sale are brought into account through the Bona Vacantia Asset Reserve. These are not depreciated as they are usually disposed of within one year of acquisition.

The value of assets held for sale will be either the latest valuation held on file or, where it would be uneconomic to obtain a formal valuation, the published minimum price. Some of the undisclaimed assets have been valued by District Valuers. Where more than one year has elapsed since the valuation, values have been adjusted by the use of indices.

On sale of assets, there may appear to be a surplus or deficit against the valuation, which will be adjusted through reserves rather than the Income and Expenditure Account. This is because the acquisition cost of bona vacantia assets is zero as they pass to the Crown by law rather than as a result of being purchased.

1.5 Expenditure

Administration expenditure reflects the charge made by the Treasury Solicitor's Department for running Bona Vacantia Division. The charge is calculated on a full cost recovery basis.

1.6 Payments to kin

An action by kin to claim an estate is barred under the provisions of the Limitation Act 1980 after 12 years from the latest of one of the following dates: (i) one year after the date of death or (ii) the date that letters of administration were issued or (iii) the date that the administration of the estate is substantially completed or (iv) the date that the estate acquires a vested interest in a further asset. The rate of interest paid for a kin claim within the limitation period is calculated using the Bank of England's Base Rates minus 10 points. Interest is paid net of income tax, currently set at 20%. Claims received after the Limitation Act period but within 30 years of death are currently dealt with on a discretionary basis subject to kin agreeing not to claim interest.

1.7 Payments to Companies on Restoration

Section 651 of the Companies Act 1985 provides that a company that has been liquidated may be restored to the Register within two years of dissolution, and section 653 provides that a dissolved company may be restored within twenty years of dissolution. Under section 1030 of the Companies Act 2006, the two restoration periods will be replaced and a company dissolved after 1 October 2009 may be restored within six years from the date of dissolution.

When a company is restored under section 655 of the 1985 Act (section 1034 of the 2006 Act from 1 October 2009), the Division is required to pay to the restored company the amount of the value of the consideration received or, if no consideration was received, an amount equal to the value of the asset at the date of disposal.

1.8 Disclaimed Assets

Under section 656(1) of the Companies Act 1985 the Treasury Solicitor, as the Crown's Nominee, may disclaim property vested in the Crown under Section 654 of the Act. The Treasury Solicitor has three or twelve months to disclaim the asset, rising to one or three years from 1 October 2009 (section 1013 of the 2006 Act) for companies dissolved after that date. The effect of the disclaimer is that any assets are deemed never to have vested in the Crown's Nominee.

1.9 Vesting Orders

The most important exclusion from section 654 is property held by a dissolved company on trust. Property held by a dissolved company on trust is not bona vacantia at all. The legal title may well vest in the Crown but not as bona vacantia. The result is that Bona Vacantia Division cannot deal with it. If it can be shown that immediately before a company was dissolved it held property on trust, then it can be recovered by obtaining a Vesting Order under the Trustee Act 1925.

A company can hold property on trust because it has contracted to sell property but failed to execute a transfer or conveyance before dissolution. A trust may also arise when a company agrees to distribute its assets to its members but fails to do so prior to dissolution.

If the asset is valuable, it is likely that the informant will seek a Vesting Order from the Court.

1.10 Discretionary Payments

Although all bona vacantia assets belong to the Crown, the Crown has the power to make discretionary payments. The Administration of Estates Act 1925 provides for discretionary payments from estates to be made to those people for whom the deceased might reasonably have been expected to make provision. Discretionary payments are not recovered from people to whom they have already been paid, even in the event that entitled kin come forward after a discretionary payment has been made.

Where a company can be restored, restoration to the Register is the appropriate remedy to enable its property and rights to be reclaimed. However, it is recognised that restoration is not always an economic proposition. The Crown may therefore make discretionary payments of up to £3,000 to former members or former liquidators of dissolved companies from cash balances received from banks and other financial institutions. Where a dissolved company cannot be restored to the Register, the Crown may make discretionary payments under different criteria.

All cases involving novel or contentious issues are referred to HM Treasury.

1.11 Crown Share Reservation

Crown Share

This term is used to represent a percentage retention as set out in the Royal Warrant (this may be waived under delegated or HM Treasury Authority) when a discretionary payment is made. Bona Vacantia Division currently has delegated authority, from HM Treasury, to agree a waiver of up to £25,000.

Reservation

This is currently a 5% retention of the net value of the estate or the value of the payment for the company's assets (only in cases where the company can be restored) and is a form of insurance to

protect the Crown, after a discretionary payment has been made, in the event that (i) kin come forward to claim the estate or (ii) the company, a member or a creditor restores the company to the register. The reservation is not taken where the net value of an estate is under £750.

1.12 Transfer to the Consolidated Fund

By agreement with the Treasury, on a date after the last day of January but no later than 14 March, there shall be transferred to the Consolidated Fund from the Crown's Nominee Account 85% of the net balance held in the bank at the end of January subject always to a balance of at least £5 million being retained in the bank for admin costs, kin payments, contingencies and creditors.

1.13 Contingencies

Under section 656(1) of the Companies Act 1985 the Treasury Solicitor, as the Crown's Nominee, may disclaim property vested in the Crown under Section 654 of the Act. Some of this property is potentially onerous. The Treasury Solicitor has twelve months to disclaim, rising to three years from 1 October 2009 for Companies dissolved after that date. However, there is a small risk that some property held by the Treasury Solicitor, in his capacity as Crown's Nominee, could give rise to third party claims. The risk arises primarily from un-disclaimed land, which it would be uneconomic to identify or evaluate. For this reason the amount of any contingent liability is unquantifiable and is not shown in the Accounts.

1.14 Onerous / un-disclaimed assets

Pre-2004

Onerous assets, for example, contaminated land and other hazardous property, may give rise to potential personal injury or other claims against the Crown's Nominee. There is no central record of onerous assets pre-dating 2004 and neither the asset values, nor the contingent liabilities, can be calculated on a true and fair basis. This class of assets is, therefore, excluded from these accounts.

2004 onwards

From 2004, a register has been maintained detailing companies' assets held as bona vacantia, in either the dissolved company's name or in the name of the Treasury Solicitor, which the Division has not disposed of by either (i) selling the asset or (ii) disclaiming it. The value of such assets is included in the accounts on the basis of either the latest formal valuation or the minimum price for the asset if it would be uneconomic to obtain a formal valuation.

1.15 Provisions

Bona Vacantia Division provide for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of a best estimate of the expenditure required to settle the obligation.

1.16 Taxation

The Bona Vacantia Division is exempt from Income and Corporation Tax by way of its Crown exemption.

Where VAT is recoverable by Bona Vacantia Division (on its costs and charges) amounts are included net of VAT. Irrecoverable VAT is included in income and expenditure. The amount due to or from HM Revenue and Customs in respect of VAT is included within debtors or creditors as appropriate.

1.17 Corresponding Amounts

Corresponding amounts are shown for the primary accounts and for notes to the accounts. Where corresponding amounts are not directly comparable with the amount shown in the financial year Financial Reporting Standard 28 (section 9) requires that the former amount should be adjusted.

The Crown's Nominee Account now includes information about the value of assets held by the Crown's Nominee Account and other assets and liabilities that remain at the Balance Sheet date. The improved presentation has led to the restatement of the 2007-08 Crown's Nominee Account as shown in Note 19.

The Solcase system used by the Bona Vacantia Division, to track live cases, overwrites information when changes are made making it difficult to recreate past reports. It has been possible to run a current report and reconcile this to the number of live cases at March 2009. This has been used to generate asset and liability balances for the Accounts. Opening balances for 2008-09 and 2007-08 have been calculated using March 2009 balances extrapolated back using the ratio of the live case loads at March 2009, March 2008 and March 2007.

The methodology for calculating the balance as at 31 March 2007 and 2008 is to apply the ratio of live cases between the base year (31/03/09) and the other years to the value of the assets and liabilities, as shown (estate cases being the example):

Value of 'estate' assets at 31/3/09		
-----	x	No. of live 'estate' cases at 31/3/xx
2,254		
(No. of live 'estate' cases at 31/3/09)		

1.18 Prompt Payment

Most case related payments are for liabilities of a deceased person's estate which cannot be settled until such time as an administrator is appointed to administer the estate and sufficient assets of the estate have been collected to settle the liabilities. For case related disbursements, payment is either made (i) in advance of the goods/services being provided (ii) on a GPC card at the point of purchase or (iii) on account. A small number of disbursements are paid once the goods/services have been provided and the prompt payment target is applied to these.

1.19 Capital Charge

The assets held by Bona Vacantia Division are made up of cash balances with the Office of the Paymaster General (OPG) and 'donated' assets held for sale, where the cost of capital charge is £ nil. As debtors are made up of assets held for sale and therefore 'donated' there is no cost of capital charge associated with the Division. A cost of capital charge (£30,100) is contained within the administration expenditure charged by the Treasury Solicitor's Department. This is reported in the Treasury Solicitor's Departmental Resource Accounts.

2. Income

	Note	2008-09 £000	2007-08 <i>as restated</i> £000
2.1 Analysis by type			
Sums arising from the realisation of estates passing to the Crown under the Administration of Estates Act 1925		18,184	18,055
Sums arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing		17,741	19,615
Recovery of Crown costs		1,042	1,644
Disbursements receipts (Estates)		194	179
Disbursements receipts (Companies)		51	80
		<u>37,212</u>	<u>39,573</u>

2.2 Segmental information

Analysis by geographical location

	2008-09 £000	2007-08 <i>as restated</i> £000
Income		
England and Wales (excluding the Duchies of Cornwall and Lancaster)	36,933	39,116
Northern Ireland	<u>279</u>	<u>457</u>
	<u>37,212</u>	<u>39,573</u>
Surplus		
England and Wales (excluding the Duchies of Cornwall and Lancaster)	17,665	19,259
Northern Ireland	<u>224</u>	<u>381</u>
	<u>17,889</u>	<u>19,640</u>

Bona vacantia income is variable by nature, and will be influenced by the size and nature of the assets being disposed of, for example, land and buildings, bank and building society accounts, shares, life assurance policies, etc.

3. Staff numbers and costs

3.1 Staff costs comprise:

	2008-09 £000	2007-08 <i>as restated</i> £000
Staff costs		
Permanent staff costs	2,052	1,965
Agency staff	<u>16</u>	<u>-</u>
Total staff cost	<u>2,068</u>	<u>1,965</u>

The permanent staff costs are gross costs, including National Insurance and pension contributions, and are paid to the Treasury Solicitor's Department.

3.2 Staff numbers

The average number of whole-time equivalent persons employed (including senior management) during the year was as follows.

	Permanent staff number	Other staff number	Total staff number	Permanent staff number	Other staff number	Total staff number
Bona Vacantia Division	49	1	50	47	2	49

4. Analysis of non-staff expenditure

Expenditure in relation to Estates under administration	2008-09	2007-08 <i>as restated</i>
	£000	£000
Legal liabilities and debts of estates	1,387	1,315
Discretionary grants	425	645
Payments to kin	6,867	8,217
Disbursements	681	895
	9,360	11,072
Provision for bad or doubtful debt	4	-
	9,364	11,072
Expenditure in relation to dissolved companies		
Legal liabilities	5,177	4,484
Discretionary grants	491	354
Disbursements paid	249	180
Non-cash costs		
Provisions	-	115
	5,917	5,133
Other expenditure		
Accommodation	378	418
Training	23	28
Administration costs*	1,508	1,271
Bank charges	4	4
Website payments	8	4
Systems administration	20	19
General expenses	33	19
	1,974	1,763
	17,255	17,968

*Administration costs, recovered by the Treasury Solicitor's Department, included the notional audit fee for 2008-09 of £40,000 (£42,000 in 2007-08). These costs are recorded under operating income within the Treasury Solicitor's Department Agency and Resource Accounts.

The Crown's Nominee Account is audited by the National Audit Office on behalf of the Comptroller and Auditor General.

5. Assets held for sale

	2008-09		2007-08	
	£000	£000	£000	£000
Estates passing to the Crown under the Administration of Estates Act 1925				
Freehold/leasehold property	4,648		3,644	
Goods, chattels and shares	<u>143</u>		<u>112</u>	
		4,791		3,756
Assets which belonged to dissolved companies and trusts which have failed or are no longer existing				
Freehold/leasehold property	10,829		12,631	
Goods, chattels and shares	<u>3</u>		<u>4</u>	
		10,832		12,635
		<u>15,623</u>		<u>16,391</u>

Bona vacantia assets are more closely identified as inventory rather than fixed assets as all assets should be converted into cash. Assets are not depreciated as they are usually disposed of within one year of acquisition. The value of assets held for sale will be either the latest valuation held on file or, where it would be uneconomic to obtain a formal valuation, the published minimum price.

Included in the figures are undisclaimed assets of £4,035,969 that were brought into account in 2007-08. This value has not been adjusted in relation to provisions of £115,000 for two assets (see Note 9). The provisions are based on a professional Valuer's estimate of the cost of bringing the assets into a saleable condition.

Some of the undisclaimed assets have been valued by District Valuers. Where more than one year has elapsed since the valuation, values have been adjusted by the use of indices. As a result of market conditions, a downward valuation has occurred.

6. Debtors amounts

Amounts falling due in one year	2008-09	2007-08
	£000	<i>as restated</i> £000
Companies	724	918
Estates	2,194	1,784
Other	<u>-</u>	<u>106</u>
	<u>2,918</u>	<u>2,808</u>

The Crown's Nominee has no debtors falling due after more than one year.

7. Cash at bank

	2008-09	2007-08 <i>as restated</i>
	£000	£000
Balance at 1 April	10,300	20,796
Net cash (outflow)/inflow	<u>(26)</u>	<u>(10,496)</u>
Balance at 31 March	<u>10,274</u>	<u>10,300</u>

The following balances at 31 March were held at:

Balance held at Office of HM Paymaster General	9,485	9,839
Cheques awaiting clearance	<u>789</u>	<u>461</u>
Balance at 31 March	<u>10,274</u>	<u>10,300</u>

Segmental analysis

	2008-09	2007-08 <i>as restated</i>
	£000	£000
England and Wales (excluding the Duchies of Cornwall and Lancaster)	9,533	9,776
Northern Ireland	<u>741</u>	<u>524</u>
Balance at 31 March	<u>10,274</u>	<u>10,300</u>

8. Creditors: amounts falling due within one year

	2008-09	2007-08 <i>as restated</i>
	£000	£000
Estates under administration	430	260
Companies	20	25
VAT	34	40
Income Tax	166	239
Administration costs	170	-
Administrative advertising for kin	<u>19</u>	<u>80</u>
	<u>839</u>	<u>644</u>

9. Provisions for liabilities and charges

	2008-09	2007-08 <i>as restated</i>
	£000	£000
Balance at 1 April	115	-
Arising in the year	-	115
Utilised in the year	<u>-</u>	<u>-</u>
Balance at 31 March	<u>115</u>	<u>115</u>

Provision has been made for two undisclaimed assets, based on a professional Valuer's estimate of the cost of bringing the assets into a saleable condition (see Note 5). The assets have unknown economic benefits and timetable of disposal. This is due to the nature of the land; one plot will require remedial works due to contamination and the other contains areas subject to tree preservation orders.

10. General Fund

	2008-09	2007-08
	£000	as restated £000
Balance at 1 April	12,263	20,660
Surplus for the year	17,889	19,640
Adjustment for Debtors at 1 April	-	2,343
Adjustment for Creditors at 1 April	-	(294)
Payments to Consolidated Fund	(18,000)	(30,000)
Transfer to Crown Share Reservation	11 (117)	(86)
Balance at 31 March	12,035	12,263

11. Crown Share Reservation

	2008-09	2007-08
	£000	as restated £000
Balance at 1 April	86	-
Transfer from General Fund	10 117	86
Balance at 31 March	203	86

Crown Share represents the monies retained by the Crown, as set out in the Royal Warrant, when making a discretionary payment. The reservation is a five per cent retention of the net value of the estate or the value of the payment for the company's assets (in cases where the company can be restored). The retention is a form of insurance to protect the Crown in the event that, subsequent to the discretionary payment having been made, (i) kin come forward to claim the estate or (ii) the company, a member or a creditor restores the company to the register.

12. Bona Vacantia Asset Reserve

	2008-09	2007-08
	£000	as restated £000
Balance at 1 April	16,391	-
Prior year adjustment to assets held for sale		16,391
Net movement in valuation of assets held for sale	1,038	
Disposal, sale or restoration	(1,806)	-
Balance at 31 March	15,623	16,391

The Bona Vacantia Asset Reserve includes undisclaimed assets, some of which have been valued by District Valuers. Where more than one year has elapsed since the valuation, values have been adjusted by the use of indices. As a result of market conditions, a downward revaluation has occurred.

13. Reconciliation of net income to operating cash flow

	Note	2008-09 £000	2007-08 as restated £000
Surplus of income over expenditure		17,889	19,640
Adjustments for non-cash transactions arising in the year			
Provisions	4	-	115
(Increase)/decrease in debtors	6	(110)	(315)
Increase/(decrease) in creditors	8	195	64
Net cash inflow from operating activities		17,974	19,504

14. Contingent liabilities

Liabilities may crystallise at any time, for example, because of a successful claim from kin, the restoration of a company to the Register of Companies for England and Wales or the Companies Register for Northern Ireland, or a personal injury claim. There are no known contingent liabilities at the balance sheet date.

15. Related party transactions

The Treasury Solicitor is the Crown's Nominee. The Crown's Nominee Account is administered by Bona Vacantia Division of the Treasury Solicitor's Department in England and Wales, and by the Crown Solicitor's Office in Northern Ireland. The Crown's Nominee Account pays administration costs each year to the Treasury Solicitor's Department and the Crown Solicitor's Office. The actual administration costs for the year are £3,839,499 and to date, £3,713,351 has been paid. The Division has outstanding administration costs of £64,100 with the Crown Solicitor's Office. None of the board members, key managerial staff or other related parties has undertaken any material transactions with the Crown's Nominee Account during the year.

16. Post balance sheet events

There were no post balance sheet events. In accordance with the requirements of Financial Reporting Standard 21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate of the Comptroller and Auditor General.

17. Compensation payments

Included within the Income and Expenditure Account is £451 relating to reimbursement or compensation payments made to those who incurred a loss during the administration of bona vacantia. The Treasury Solicitor has delegated authority from the Treasury to make such payments up to £20,000 except in novel or contentious cases. It was not necessary to obtain HM Treasury approval for any payments made during 2008-09.

18. Financial Instruments

As the cash requirements of Bona Vacantia Division are met from realised income from estates and companies, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy in non-financial items in line with Bona Vacantia Division expected purchase and usage requirements. Financial assets and liabilities vested in the Crown are not held to change the risk facing Bona Vacantia Division in undertaking its activities and Bona Vacantia Division is therefore exposed to little credit, liquidity or market risk.

19. Prior year restatement

To prepare for the move to International Financial Reporting Standards from 2009-10, and to more closely align to the presentation of other Government accounts, the Crown's Nominee Account now includes information about the value of assets held by the Crown's Nominee Account and other assets and liabilities that remain at the Balance Sheet date. The improved presentation has led to the restatement of the 2007-08 Crown's Nominee Account and this note provides reconciliation to the previously published figures.

19.1 Reconciliation of 2007-08 restated income to 2007-08 published accounts

	£000
2007-08 Income as published in 2007-08 Account	38,482
Adjustment for incoming cheques banked in 2007-08 that related to 2006-07 or 2008-09	74
Adjustment for income from debtors	1,017
2007-08 Income (restated)	<u>39,573</u>

19.2 Reconciliation of 2007-08 restated expenditure to 2007-08 published accounts

	£000
2007-08 Expenditure as published in 2007-08 Account	19,555
Adjustment for expenditure from creditors	263
Adjustment for provisions	115
2007-08 Expenditure (restated)	<u>19,933</u>

19.3 Reconciliation of 2007-08 restated Balance Sheet to 2007-08 published accounts

	£000
2007-08 total net assets as published in 2007-08 Account	9,586
add	
Assets held for sale	16,391
Debtors adjustment	2,703
Change in cash/cash equivalents	461
less	
Creditors adjustment	(286)
Provision for liabilities and charges.	(115)
2007-08 Total Net Assets (restated)	<u>28,740</u>