
HM Procurator General and Treasury Solicitor

Accounts for the Crown's Nominee for the year ended 31 March 2010

Presented to Parliament pursuant to the Treasury Solicitor Act 1876 c. 20 ss 4&5

Ordered by the House of Commons
to be printed on 30 June 2010

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Foreword

Introduction and Background

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").

The provisions of the Royal 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 Agent for the Treasury Solicitor.

Section 4 of the 1876 Act provides that all money arising from the disposal of bona vacantia 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.

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 HM Treasury of their right to the whole or any part of unclaimed money, securities or property, HM 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

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.

In recognition of the move to International Financial Reporting Standards (IFRS) from 2009-10, and to more closely align to the presentation of other Government accounts, the Crown's Nominee Accounts now include information about the value of inventory held by the Crown's Nominee and other assets and liabilities that remain at the reporting date. The improved presentation has led to the re-statement of the 2008-09 Accounts. The Notes to the Accounts provide reconciliation between the key balances of 2008-09 published Accounts and the re-stated figures.

Assets and liabilities at 31 March 2010 are the result of a review of all bona vacantia cases held by the Treasury Solicitor that remained open at that date. To re-state the 2008-09 Accounts assets and liabilities for that year were estimated by using information about the live caseload at 31 March 2008 and 31 March 2009.

Aims and Objectives

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.

The Bona Vacantia Division collects and administers property and rights that have vested in the Crown as bona vacantia in England (except in the Duchies of Cornwall and Lancaster), Wales and Northern Ireland. 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; and
- makes discretionary grants where appropriate.

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

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

Against the background of an uncertain economic climate, the Bona Vacantia Division handled 20,984 new cases, an increase of 8,753 (71.57%) on the previous year, with the largest proportion of the increase coming in Companies cases.

Management Commentary

The income generated during the year amounted to £78.4 million (2008-09: £37.6 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 2010 was £40 million (£18 million in 2009).

The income generated this year is considerably higher than in previous years. This is mainly due to the increase in the number of companies being dissolved, possibly linked to the recession. There is also an increased awareness within banks to refer cases to the Bona Vacantia Division in light of the Dormant Bank Account legislation. It is unlikely that this income trend will continue into next year.

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

The Treasury Solicitor's Department charged the Crown's Nominee Account £3.9 million (2008-09: £3.8 million) for the services of the Bona Vacantia Division. The Crown's Nominee Account paid £4.0 million for running costs in 2009-10. This included £0.1 million which related to 2008-09 running costs.

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.

Key Operational Processes

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.

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.

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.

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 the 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.

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.

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.

Governance

Day to day responsibility for the system of internal control in the Bona Vacantia Division is delegated to the Head of Division. The Director in the post of Head of Division during 2009-10 was Zane Denton. Group leaders within the Bona Vacantia Division support the Head of the Division; and the Deputy Director of the Finance, Performance and Planning manages a discrete unit within his directorate that is responsible for the Crown's Nominee'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 policy, operational and financial matters, and for informing them of new developments and key issues.

The Head of the Bona Vacantia Division is part of the Treasury Solicitor's Department's Senior Management Team and is subject to the Agency's wider control system. The Head of the Bona Vacantia Division is also a member of the Treasury Solicitor's Department's Board and Directors Forum. Regular reports are provided to me as Chief Executive by the Bona Vacantia's Head of Division, 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 the Bona Vacantia 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

In the next financial year, the priority for the Bona Vacantia Division will be to continue to improve and further embed its in-year financial management information. It will embed processes to deal with administrative restorations following the company restoration provisions of the Companies Act 2006, which came 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 the Treasury Solicitor's Department'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 Division represents and (ii) developing the skills and expertise of staff.

External Audit

The Crown's Nominee Accounts are audited by the National Audit Office on behalf of the Comptroller and Auditor General. The notional audit fee is £55,000 in 2009-10 (£40,000 in 2008-09) and no further assurance or other advisory service has been provided by the NAO. The audit fee includes £5,000 for the IFRS review.

Provision of Information to Auditors

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
21 June 2010

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 ending on the preceding 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; and
- prepare the accounts on a going concern basis.

The responsibilities of the Treasury Solicitor include responsibility for the propriety and regularity of public finances, for keeping proper records and safeguarding the Crown's Nominee's assets.

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 the 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. I exercise this system through my Bona Vacantia Division.

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 the Bona Vacantia Division's policies, aims and objectives; to evaluate the likelihood and impact of those risks being realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place for the Bona Vacantia Division for the year ended 31 March 2010 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 the Bona Vacantia Division are related to the key targets and priority work areas set out in its Business Plan. Risk is managed by identifying and evaluating risks and appropriate control measures, which are set out in its Risk Register. All Bona Vacantia Division staff have access to the risk register, which is held on the shared network. As external third party fraud is the main risk, it has developed links 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 which forms part of their training.

The Head of the Bona Vacantia Division holds regular management meetings where new risks are identified and existing risks reviewed. The Division has adapted to changes to risk environment by focussing on Resource Accounting and a huge increase in volume of both Companies work and Freedom of Information work.

The Risk and Control Framework

Risk management is embedded in the activity of the Division. The system of control underpinning the Crown's Nominee Accounts 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 Risk Register linked to the 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 on a monthly basis;
- a Business Continuity Plan setting out arrangements for dealing with loss of infrastructure or IT;
- a Resource Accounting Project Plan and Project Board in place to improve in-year management accounting and the year end accounts production; and
- money laundering procedures that are applied on the sale of appropriate bona vacantia property.

Management meetings are used to identify, evaluate and control risks on an ongoing basis.

The Risk Register for 2009-10 identified the main risks as fraud, failure to complete the Resource Accounting Project within the prescribed timescale, managing unbanked cheques, loss of infrastructure or IT, under capacity or overburdened staff, the failure to manage resources adequately, potential liabilities arising from un-disclaimed assets and handling increased volumes of Freedom of Information requests. These risks were addressed during the year and the action included:

- keeping under review measures to counter fraud, including links with the Metropolitan Police, and other delivery partners such as the Probate Registry and Land Registry, issuing an anti-fraud policy to all staff which is also 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 un-disclaimed assets register;
- providing sick absence refresher training to all staff;
- providing guidance to staff on completing the gifts and hospitality register;
- good progress on completing the Resource Accounting Project; and
- exploring options to address the high increase in Freedom of Information requests.

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

Information Security

During 2009-10, a framework was implemented for handling data and to provide assurance over the management and security of information held with the Division, including:

- the Head of Bona Vacantia Division taking on the role of Information Asset Owner for all information held by the Division;
- the 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 on the Treasury Solicitor's Department'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;
- all staff successfully completed mandatory training course in Protecting Information (Level 1), with the Head of Division successfully completing the training course at Level 2;
- incorporation of information risks within the risk management policy and process; and
- a register of incidents to identify any breaches of the policies and to provide information on such to the Treasury Solicitor's Department's Senior Information Risk Owner (Director of Corporate Resources).

Review of Effectiveness

I am responsible for reviewing the effectiveness of the system of internal control in the Bona Vacantia Division. My review of such effectiveness is informed by the work of the executive managers in the Division, Accountability Review meetings, Business Plan Review meetings, 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 for Communities and Local Government, provides me with independent assurance on the effectiveness of internal control arrangements in the Division. During the year ended 31 March 2010, Internal Audit made ten recommendations, all which have been implemented.

Audit Committee

The Treasury Solicitor's Department's Audit Committee scrutinises and challenges the Department's control, risk and corporate governance systems, including those that operate in the 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.

Business Plan Review and Accountability Review Meetings

I hold regular half yearly Business Plan Review meetings with the Head of the Division and management team. These discuss progress against Business Plan objectives and associated risks. I also hold Accountability Review meetings with the Head of the Division twice a year.

External Audit

External Audit scrutiny of the Crown's Nominee Accounts for the year ended 31 March 2009 resulted in seven recommendations. The audit findings have been accepted and taken forward and most of the recommendations have been implemented. Further work will be undertaken during 2010-11 to fully implement any outstanding issues.

Significant Control Issues

Certain checks are undertaken prior to the banking of a cheque receipt to ensure that the Crown's Nominee is not exposed to onerous obligations. During the year a number of cheques became out of date prior to these checks being completed. Subsequently, we have requested new cheques and all but £3,820 of these have so far been reissued and banked. We have tightened up our review processes to minimise the risk of this re-occurring in the future.

During the year the Division has continued to develop its processes and controls to ensure its in-year financial management information is provided on an accruals basis. Further work will be undertaken in 2010-11 to achieve and embed this.

I believe that the above measures, including strengthening of controls around cheques are contributing to a sound system of internal control.

Paul Jenkins
Treasury Solicitor and Crown's Nominee
21 June 2010

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 2010. These comprise the Net Income Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves 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

As explained more fully in the Statement of the Crown's Nominee's Responsibilities, the Crown's Nominee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Crown's Nominee's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Crown's Nominee; and the overall presentation of the financial statements.

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

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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Crown's Nominee's affairs as at 31 March 2010 and of its net income, changes in reserves and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Treasury Solicitor Act 1876 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or

- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Paul Keane
For the Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
23 June 2010

Net Income Account
for the year ending 31 March 2010

	Notes	2009-10	2008-09
		£000	Restated £000
Income	3	78,355	37,629
Expenditure			
Staff costs	4	(2,060)	(2,068)
Expenditure in relation to estates passing to the Crown under the Administration of Estates Act 1925	5	(17,032)	(9,364)
Expenditure arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing	5	(10,110)	(5,917)
Other expenditure	5	(1,958)	(1,974)
Total expenditure		(31,160)	(19,323)
Net Income		47,195	18,306

All income and expenditure is derived from continuing operations.

The notes on pages 17 to 24 form part of these accounts.

Statement of Financial Position

		31 March 2010	31 March 2009 Restated	1 April 2008 Restated
Notes		£000	£000	£000
Current Assets				
Inventory	6	10,124	7,058	6,641
Trade and other receivables	7	7,395	2,918	2,808
Cash and cash equivalents	8	15,650	10,274	10,300
Total current assets		33,169	20,250	19,749
Current Liabilities				
Trade and other payables	9	(6,658)	(839)	(644)
Total current liabilities		(6,658)	(839)	(644)
Net current assets		26,511	19,411	19,105
Non-current liabilities				
Provisions	10	(20)	(115)	(115)
Total non-current liabilities		(20)	(115)	(115)
Assets less liabilities		26,491	19,296	18,990
Reserves				
Capital Reserve		25,461	19,093	18,904
Crown Share Reservation		1,030	203	86
Total		26,491	19,296	18,990

Paul Jenkins
Treasury Solicitor and Crown's Nominee
21 June 2010

The notes on pages 17 to 24 form part of these accounts

Statement of Cash Flows

for year ending 31 March 2010

	Notes	2009-10 £000	2008-09 Restated £000
Net cash flow from operating activities		47,195	18,306
Adjustments for non-cash transactions arising in the year			
Provisions	10	(95)	-
(Increase)/decrease in inventory	6	(3,066)	(417)
(Increase)/decrease in trade and other receivables	7	(4,477)	(110)
Increase/(decrease) in trade and other payables	9	5,819	195
Net cash inflow from operating activities		45,376	17,974
Payments to the Consolidated Fund		(40,000)	(18,000)
Increase/(decrease) in cash in period	8	5,376	(26)
Cash and cash equivalents at the beginning of the period		10,274	10,300
Cash and cash equivalents at the end of the period		15,650	10,274

The notes on pages 17 to 24 form part of these accounts

Statement of Changes in Reserves

for year ending 31 March 2009

	General Fund £000	Crown Share £000	Bona Vacantia Asset Reserve £000	Total Reserves £000
Balance as at 31 March 2008	12,263	86	16,391	28,740
Changes in accounting policy	6,641	-	(16,391)	(9,750)
Restated balance at 1 April 2008	18,904	86	-	18,990
Surplus for the year	18,306	-	-	18,306
Payments to Consolidated Fund	(18,000)	-	-	(18,000)
Transfer to Crown Share Reservation	(117)	117	-	-
Balance at 31 March 2009	19,093	203	-	19,296

Statement of Changes in Reserves

for year ending 31 March 2010

	General Fund £000	Crown Share £000	Total Reserves £000
Balance at 1 April 2009	19,093	203	19,296
Surplus for the year	47,195	-	47,195
Payments to Consolidated Fund	(40,000)	-	(40,000)
Transfer to Crown Share Reservation	(827)	827	-
Balance at 31 March 2010	25,461	1,030	26,491

Crown Share represents the monies retained by the Crown, as set out in the Royal Warrant, when making a discretionary payment. The reservation is 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.

The notes on pages 17 to 24 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 with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted to the extent that it is meaningful and appropriate to public bodies.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Crown's Nominee Accounts for the purpose of giving a true and fair view has been selected. The Crown's Nominee Accounts accounting policies have been applied consistently in dealing with items considered material in relation to the Accounts.

1.1. Income

The sources of income are:

- the sums arising from the realisation of estates 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 when it is probable that any economic benefits associated with the items of bona vacantia will flow to the Crown's Nominee Account and these benefits can be measured reliably at fair value. Assets for which there is no ready market are valued at nil until realised.

1.2. Inventory

The Crown's Nominee receives assets from estates of deceased people and dissolved companies and trusts. These assets are normally converted into cash within a year. Non-cash assets are recorded as inventory at their fair value until sold. Any movements in fair value are taken to the Net Income Account. Valuations are based on professional valuation reports, market prices or previous experience.

1.3. Expenditure

The categories of expenditure are:

- expenditure in relation to estates passing to the Crown under the Administration of Estates Act 1925.
- expenditure arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing
- administration expenditure primarily reflecting the charge made by the Treasury Solicitor's Department and the Crown Solicitor's Office for running the Bona Vacantia Division. The charges are calculated on a full cost recovery basis.

1.4. 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. The Crown's Nominee 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.

1.5. Transfer to the Consolidated Fund

By agreement with HM 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 administration costs, kin payments, contingencies and creditors.

1.6. Contingent Liabilities

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.

1.7. Provisions

The Crown's Nominee provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of a best estimate of the expenditure required to settle the obligation.

1.8. Taxation

The Crown's Nominee is exempt from Income and Corporation Tax by way of his Crown exemption.

Where VAT is recoverable 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 receivables or payables as appropriate.

1.9. Capital Charge

The assets held by the Crown's Nominee are made up of cash balances with the Office of Paymaster General (OPG), where the cost of capital charge is nil. A cost of capital charge is contained within the administration expenditure charged by the Treasury Solicitor's Department which is reported in the Treasury Solicitor's Departmental Resource Accounts and is disclosed in the foreword.

2. First-time adoption of IFRS

	General Fund	Crown Share Reserve	Bona Vacantia Assets Reserve
	£000	£000	£000
Reserves at 31 March 2009 under UK GAAP	12,035	203	15,623
Adjustments			
Inventory treated as income on recognition (estates)	4,792	-	(4,792)
Inventory treated as income on recognition (companies)	6,795	-	(6,795)
Change in valuation of company inventory	(4,529)	-	(4,036)
Reserves at 1 April 2009 under IFRS	19,093	203	-

	£000
Net Income for 2008-09 under UK GAAP	17,889
Adjustments	
Reversal of 2007-08 accrued inventory (estates)	(3,756)
Reversal of 2007-08 accrued inventory (companies)	(2,885)
Inventory treated as income on recognition (estates)	4,792
Inventory treated as income on recognition (companies)	6,795
Change in valuation of company inventory	(4,529)
Net Income for 2008-09 under IFRS	18,306

The Bona Vacantia Division amended its income recognition and inventory valuation policies in 2009-10 to ensure consistency with International Financial Reporting Standards (IFRS) and better reflect the underlying business activity. Inventory is treated as income on recognition when it is probable that any economic benefits associated with items of bona vacantia will flow to the Crown's Nominee account and can be measured reliably.

3. Income

	2009-10	2008-09
	£000	Restated £000
3.1. Analysis by type		
Sums arising from the realisation of estates passing to the Crown under the Administration of Estates Act 1925	24,465	19,220
Sums arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing	52,101	17,123
Recovery of Crown costs	1,504	1,041
Disbursement receipts (Estates)	182	194
Disbursement receipts (Companies)	103	51
	78,355	37,629

3.2. Segmental information

Analysis by geographical location

	2009-10	2008-09
	£000	Restated £000
Income		
England and Wales (excluding the Duchies of Cornwall and Lancaster)	77,305	37,515
Northern Ireland	1,050	114
	78,355	37,629
Surplus		
England and Wales (excluding the Duchies of Cornwall and Lancaster)	46,254	18,193
Northern Ireland	941	113
	47,195	18,306

Crown's Nominee 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.

4. Staff numbers and costs

4.1. Staff costs comprise:

	2009-10 £000	2008-09 £000
Staff costs		
Permanent staff costs	2,001	2,052
Agency staff	59	16
Total staff cost	2,060	2,068

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

4.2. Staff numbers

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

	2009-10			2008-09		
	Permanent staff number	Other staff number	Total staff number	Permanent staff number	Other staff number	Total staff number
Bona Vacantia Division	46	2	48	49	1	50

5. Analysis of non-staff expenditure

Expenditure in relation to Estates under administration

	2009-10 £000	2008-09 £000
Legal liabilities and debts of estates	2,151	1,387
Discretionary grants	1,547	425
Payments to kin	12,998	6,867
Disbursements	336	681
	17,032	9,360
Provision for bad or doubtful debt	-	4
	17,032	9,364

Expenditure in relation to dissolved companies

Legal liabilities	9,451	5,177
Discretionary grants	461	491
Disbursements paid	293	249
Non-Cash Costs		
Provisions	10	-
	10,110	5,917

Other expenditure

Accommodation	522	378
Training	15	23
Administration costs*	1,361	1,508
Bank charges	5	4
Website payments	8	8
Systems administration	16	20
Compensation	7	-
General expenses	24	33
	1,958	1,974
	29,100	17,255

*Administration costs, recovered by the Treasury Solicitor's Department, included the notional audit fee for 2009-10 of £55,000 (this includes an additional £5,000 for the IFRS work). These costs are recorded under operating income within the Treasury Solicitor's Department Agency and Resource Accounts.

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

6. Inventory

	2009-10		2008-09 Restated	
	£000	£000	£000	£000
Estates passing to the Crown under the Administration of Estates Act 1925				
Freehold/leasehold property	5,515		4,648	
Goods, chattels and shares	1,062		143	
		6,577		4,791
Assets which belonged to dissolved companies and trusts which have failed or are no longer existing				
Freehold/leasehold property	3,546		2,264	
Goods, chattels and shares	1		3	
		3,547		2,267
		<u>10,124</u>		<u>7,058</u>

7. Trade receivables and other current assets

Amounts falling due in one year	2009-10		2008-09	
	£000	£000	£000	£000
Companies	3,535		724	
Estates	3,858		2,194	
Prepayments	2		-	
		<u>7,395</u>		<u>2,918</u>

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

The trade receivables include some balances with local authorities, other central government bodies and NHS bodies. For estates receivables this will include, for example, refunds due to overpayment of council tax and rent. For companies receivables this will include, for example, refunds from HMRC in relation to VAT overpayments.

8. Cash and cash equivalents

	2009-10	2008-09
	£000	£000
Balance at 1 April	10,274	10,300
Net cash inflow/(outflow)	5,376	(26)
Balance at 31 March	<u>15,650</u>	<u>10,274</u>

The following balances at 31 March were held at:

Balance held at Office of HM Paymaster General	15,272	9,485
Cash in hand	378	789
Balance at 31 March	<u>15,650</u>	<u>10,274</u>

Segmental analysis

	2009-10	2008-09
	£000	£000
England and Wales (excluding the Duchies of Cornwall and Lancaster)	14,677	9,533
Northern Ireland	973	741
Balance at 31 March	<u>15,650</u>	<u>10,274</u>

9. Trade payables and other current liabilities

	2009-10	2008-09
	£000	£000
Estates under administration	5,854	430
Companies	508	20
VAT	70	34
Income Tax payable on behalf of kin	142	166
Administration costs	68	170
Administrative advertising for kin	16	19
Balance at 31 March	<u>6,658</u>	<u>839</u>

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

The trade payables will include some balances with local authorities, other central government bodies and NHS bodies. For estates payables this will include, for example, amounts due for council tax and rent. For companies this will include, for example, amounts due to HMRC in relation to VAT.

10. Provisions for liabilities and charges

	2009-10	2008-09
	£000	£000
Balance at 1 April	115	115
Arising in the year	-	-
Write back of provision not required	(95)	-
Utilised in the year	-	-
Balance at 31 March	<u>20</u>	<u>115</u>

The provisions have been calculated based on the best estimate of the liability outstanding for two undisclaimed assets as at 31 March 2010. One plot of land will require remedial works due to contamination and the other contains areas subject to tree preservation orders.

11. 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 reporting date.

12. Related party transactions

The Treasury Solicitor is the Crown's Nominee. The Crown's Nominee Account is administered by the 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 to 31 March 2010 are £3,944,782 (2008-09: £3,839,499) and to date, £3,911,936 has been paid (2008-09: £3,713,351). The Division has outstanding administration costs of £32,500 with the Crown Solicitor's Office (2008-09 £64,100). 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.

13. Compensation payments

Included within the Net Income Account is £7,049 (2008-09: £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 2009-10.

14. Financial Instruments

As the cash requirements of the Crown's Nominee 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 the Bona Vacantia Division expected purchase and usage requirements. Financial assets and liabilities vested in the Crown are not held to change the risk facing the Division in undertaking its activities and the Division is, therefore, exposed to little credit, liquidity or market risk. The Bona Vacantia Division is shielded from the risk of financial instruments since there is no cost associated with the financial instruments it holds.

15. Events after the Reporting Period

There were no events after the reporting period. In accordance with the requirements of IAS 10, events after the reporting period 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.



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