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HM Procurator General and Treasury Solicitor

Annual Report and Accounts for the Crown's  
Nominee for the year ended 31 March 2013

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# Annual Report and Accounts for the Crown's Nominee for the year ended 31 March 2013

Presented to Parliament pursuant to sections 4 and 5 of the Treasury Solicitor Act 1876

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## **Contents**

Foreword	5
Statement of the Crown's Nominee's Responsibilities	10
The Governance Statement	11
Independent Auditor's Report to the Crown's Nominee	15

## **The Accounting Schedules**

Statement of Net Income	17
Statement of Financial Position	18
Statement of Cash Flows	19
Statement of Changes in Reserves	20

## **Notes to the Accounts** 21-29

1. Statement of Accounting Policies
2. Income
3. Staff Costs and Numbers
4. Other Expenditure
5. Inventory
6. Trade and Other Receivables
7. Cash and Cash Equivalents
8. Trade and Other Payables
9. Provisions for Liabilities and Charges
10. Contingent Liabilities
11. Related Party Transactions
12. Compensation Payments
13. Financial Instruments
14. Impending Application of Newly Issued Accounting Standards Not Yet Effective
15. Events after the Reporting Period



## **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 Warrants to be the Crown's Nominee for the purpose of collecting and disposing of bona vacantia (Latin, literally "vacant goods").

The provisions of the Royal Warrants may be varied from time to time to take account of modification or changes to the law. The current Royal Warrants are dated 21 August 1984. They appoint 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 and disposal of assets of dissolved companies and other miscellaneous bona vacantia in England (except in the Duchies of Cornwall and Lancaster), Wales and Northern Ireland. In Northern Ireland, the Crown Solicitor deals with these matters as Agent for the Crown's Nominee.

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 by the Government Banking Services with the accounts being held at the Royal Bank of Scotland plc and Citibank.

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 Her Majesty's Treasury of their right to the whole or any part of unclaimed money, securities or property, Her Majesty's 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 with this report have been prepared under an Accounts Direction of 17 April 2009 given by Her Majesty's 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.

At 31 March 2013, the Crown's Nominee's Statement of Financial Position shows net liabilities of £27.4 million (31 March 2012: net liabilities of £12.6 million), reflecting the inclusion of an estimate of liabilities to kin and dissolved companies falling due in future years. Proceeds arising from the future liquidation of estates and companies assets are expected to be sufficient to meet these liabilities as they fall due. In the unlikely event that insufficient funds are available to meet a kin or company payment, the Crown's Nominee will call on funds from Her Majesty's Treasury. It is therefore appropriate to adopt the going concern basis for the preparation of these financial statements.

### **Objectives**

The two main categories of bona vacantia dealt with by the Crown's Nominee are: the assets of people who have died intestate with no relatives entitled to inherit; and the assets of companies which have been dissolved. The functions of the Crown's Nominee are to:

- investigate the jurisdiction and the title to assets to establish whether they should be passed to the Crown as bona vacantia;
- collect and administer those that have passed to the Crown;
- sell bona vacantia assets for the Crown so as to realise their best price;

- disclaim onerous assets; and
- make discretionary grants where appropriate.

The objectives of the Crown's Nominee are to:

- deliver good quality casework, generate income effectively and with increased efficiency;
- provide improved services on-line through the Bona Vacantia Division's website and Gov.uk;
- meet the expectations of its client, Her Majesty's Treasury; and
- to work more effectively with its delivery partners.

### Management Commentary

The net income generated during the year amounted to £13.2 million which is less than the year before (2011-12: £37.7 million). The reduced income is attributable to three factors: last year the estates' receipts were high due to a large multi-million pound estate; companies income reduced in line with the lower number of cases handled; and provisions for future claims from kin and companies have been increased following the annual review of payment trends.

By agreement with Her Majesty's Treasury, there is an annual transfer from the Crown's Nominee's bank balance to the Consolidated Fund. The amount to be transferred is 85 per cent of the Crown's Nominee's bank balance on the last working day of January, subject always to a balance of at least £5 million being retained in the bank for administrative costs and creditors. The transfer in February 2013 was £28 million (£33 million in 2012).

The Crown's Nominee, through the Bona Vacantia Division, handled a total of 24,903 cases in 2012-13, a decrease of 11 per cent on the previous year.

The number of estates cases received is broadly similar to last year and the same is expected in 2013-14. Looking forward, a fall in income is anticipated as the Crown's Nominee expects to administer fewer estates due to increased awareness of the need to make a Will leading to less people dying intestate.

The publication of the list of all unclaimed estates in 2010 led to a significant increase in the number of kin claims. With continuing media and public interest, the volume of claims is expected to remain high and the Crown's Nominee has set aside a provision to meet them. In the medium to long term, the volume of kin claims is expected to fall as the pool of historic unclaimed estates diminishes.

The number of companies cases handled this year is 21,034 (23,407 in 2011-12), a decrease of 10 per cent on the previous year. Although there was a decrease in companies work this year, the overall number of companies cases remains in excess of 20,000 a year. This has been the case since 2009-10, the point at which case numbers increased significantly due to compliance by financial institutions with dormant bank account legislation.

The Treasury Solicitor's Department charges the Crown's Nominee Account for the services provided by its Bona Vacantia Division on a full cost recovery basis. In 2012-13 the amount charged was £3.8 million (2011-12: £3.7 million).

Personal data related incidents concerning the work of the Crown's Nominee would be reported in detail within the Treasury Solicitor's Annual Report and Accounts. There have been no incidents arising in 2012-13.

## Operational Framework

### 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:

- one year after the date of death;
- the date that letters of administration were issued;
- the date that the administration of the estate is substantially completed; or
- the date that the estate acquires a vested interest in a further asset.

The rate of interest paid for a kin claim received within the limitation period is calculated using the Bank of England's Base Rates minus 0.1 per cent. Interest is paid net of income tax, currently set at 20 per cent. Claims received after the Limitation Act 1980 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

Under Section 1024 (for administrative restorations) and section 1029 (for court restorations) of the Companies Act 2006, a company that has been dissolved may be restored to the Register within six years from the date of dissolution.

When a company is restored, under section 1034 of the Companies Act 2006 the Crown's Nominee is required to pay to the restored company the amount of the value of the consideration received for the bona vacantia asset dealt with during dissolution.

### Provision for future payments to kin and companies

As payments are made to kin and companies in years after income from the bona vacantia estates and companies has been recognised, a provision for future payments is included in the Accounts. The provision is an estimate based on patterns of payments made to kin and companies in the past reflecting a number of years data covering a substantial number of cases.

### Disclaimed Assets

Under section 1013 of the Companies Act 2006, the Treasury Solicitor, as the Crown's Nominee, may disclaim property vested in the Crown under section 1012 of the Act. Generally, assets that are likely to be onerous are disclaimed. The Crown's Nominee generally has three years to disclaim the property, which is reduced to one year on receipt of a specific request to disclaim from an interested party. The effect of the disclaimer is that any assets are deemed, in law, never to have vested in the Crown.

### Vesting Orders

The most important exclusion from section 1012 of the Companies Act 2006 is property that was held on trust by a now dissolved company. A company can hold property on trust because, for example, 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. Such trust property is not bona vacantia at all, although the legal title may well vest in the Crown, but not as bona vacantia. The result is that the Crown's Nominee cannot deal with the property.

## Discretionary Payments

Although all bona vacantia assets belong to the Crown, the Crown's Nominee has the power to make discretionary payments out of monies raised.

Section 46 of the Administration of Estates Act 1925 states that the Crown may make provision for the dependants of the deceased and for other people for whom the deceased might reasonably have made provision had they made a Will. Discretionary payments are not recovered once paid, even if entitled kin come forward after a discretionary payment has been made.

Where a company can be restored, restoration to the Register of Companies 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's Nominee therefore currently makes 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's Nominee may make discretionary payments under different criteria.

All cases involving novel or contentious issues are referred to Her Majesty's Treasury for approval. We have not referred any cases to Her Majesty's Treasury in 2012-13 (nil in 2011-12).

## Crown Share

When a discretionary payment is made, as described above, the Royal Warrant states that a percentage of the net value of the estate of a deceased person or the property and rights of a dissolved company is retained for the Crown. The Crown Share may be waived by the Crown's Nominee under authority delegated from Her Majesty's Treasury. The Crown's Nominee currently has delegated authority to agree a waiver of up to £25,000.

## Reservation

In addition to Crown Share, the Crown's Nominee currently retains five per cent of the value of assets or the net estate when making a discretionary payment. The reservation is designed to minimise any loss to the Crown if, after a discretionary payment has been made, kin come forward to claim the relevant estate or the company is restored to the register. The reservation is not taken where the net value of an estate is under £750.

## Looking Forward

The work of the Crown's Nominee is undertaken by the Bona Vacantia Division of the Treasury Solicitor's Department and the Division's priorities are therefore linked to those of the Department. The Crown's Nominee's priorities in part reflect that position and in the next financial year, priorities for the Crown's Nominee, will be to:

- continue to support delivery of the Treasury Solicitor's Department's "Building on Success" strategy by:
  - working to ensure that its client, Her Majesty's Treasury, remains fully confident in how it handles bona vacantia and the value for money that the Crown's Nominee brings; and
  - developing the skills and expertise of Bona Vacantia Division staff;
- continue to identify and develop new types of bona vacantia assets;
- continue to work with delivery partners to identify, collect and dispose of assets effectively; and
- work with Attorney General's Office to deliver the 'Digital by Default' strategy.

## External Audit

The Crown's Nominee Accounts are audited by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General. The notional audit fee is £48,000 in 2012-13 (£52,000 in 2011-12) and no further assurance or other advisory service has been provided by the NAO.

## Provision of Information to Auditors

As the Crown's Nominee, so far as I am aware having made all reasonable enquiry, there is no relevant audit information of which the auditor is unaware.

**Sir Paul Jenkins KCB QC**  
**Treasury Solicitor and Crown's Nominee**  
**9 May 2013**

## **Statement of the Crown's Nominee's Responsibilities**

The Accounts are to be prepared under an Accounts Direction of 17 April 2009 given by Her Majesty's 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 Crown's Nominee is required to:

- comply with the Accounts Direction issued by Her Majesty's 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 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 Crown's Nominee is responsible for the propriety and regularity of the public finances for which he is accountable, for keeping proper records and for safeguarding the Crown's Nominee's assets.

By agreement with Her Majesty's Treasury, an amount raised through the realisation of bona vacantia assets is transferred to the Consolidated Fund each year, after retaining sufficient funds in order to meet the Crown's Nominee's liabilities, as they fall due, in respect of his bona vacantia duties.

The Crown's Nominee operates through the Bona Vacantia Division, a part of the Treasury Solicitor's Department. The Crown's Nominee therefore looks to the Treasury Solicitor's Department to provide certain services in support of the Crown's Nominee's functions. 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.

## **The Governance Statement**

### **Framework**

Under the Treasury Solicitor Act 1876, the Treasury Solicitor has been appointed by successive Sovereigns by Royal Warrants to be the Crown's Nominee for the purpose of collecting and disposing of bona vacantia. This nomination is formalised by way of Royal Warrant and made on the advice and by the recommendation of the Commissioners of Her Majesty's Treasury.

The Treasury Solicitor has been designated the Accounting Officer for the Crown's Nominee Account. The Treasury Solicitor, as Crown's Nominee, is required to comply with The Treasury Solicitor (Crown's Nominee) Rules 1997 and to maintain the Crown's Nominee Account. This requires the Treasury Solicitor to prepare accounts each year for presentation to Parliament. The accounts are to be prepared under Accounts Direction of 17 April 2009 given by Her Majesty's Treasury.

The Treasury Solicitor, as Crown's Nominee, is responsible for the propriety and regularity of public finances for which he is answerable, for keeping proper records and safeguarding the Crown's Nominee's assets, as well as having responsibility for day to day issues affecting the Treasury Solicitor's Department's Bona Vacantia Division such as staffing, training and compliance.

Her Majesty's Treasury Commissioners advise Her Majesty on the role of the Crown's Nominee, as detailed in the Royal Warrants. There are also statutory provisions governing directly some aspects of the Crown's Nominee's functions. It is also for Her Majesty's Treasury to set regulations, policy, financial delegation limits and direction for the management of the Crown's Nominee Account. A Minister of Her Majesty's Treasury is required to lay annual accounts before Parliament.

The aim of the Crown's Nominee is to provide a high quality service to its client, Her Majesty's Treasury, and stakeholders including Parliament, staff and people who will be affected by dealing with bona vacantia assets. To this end, formal quarterly meetings take place between management representatives on behalf of the Crown's Nominee and Her Majesty's Treasury, to provide updates on performance, agree Business Plans, budgets, the transfer of monies to Consolidated Fund and to review risks.

To the extent that it is deemed relevant and practical the Crown's Nominee, in discharging his responsibilities, applies relevant elements of the Corporate Governance Code as set out in Managing Public Money. These include:

- strategy – setting the vision;
- commercial focus – scrutinising the allocation of resources to achieve plans; ensuring controls are in place to manage risk;
- talented people – ensuring there is the capability to deliver and to plan and meet current and future needs;
- results focus – agreeing the annual Business Plan and monitoring and steering performance against the plan; and
- management information – producing Monthly Performance Reports containing clear consistent and comparable performance information to drive improvements.

### **Operation**

The Treasury Solicitor's Department's Bona Vacantia Division acts on behalf of the Crown's Nominee to identify, collect and dispose of bona vacantia assets. Day to day responsibility for dealing with bona vacantia is delegated to the Head of Division. The Director in the post of Head of Division during 2012-13 was Zane Denton. Group leaders within the Bona Vacantia Division support the Head of Division. The Treasury Solicitor's Department's Finance Director manages a discrete unit within his division that is responsible for the Crown's Nominee's payments, receipts, preparation of accounts and financial

accounting and management. The Head of 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 Bona Vacantia Division is part of the Treasury Solicitor's Department's Senior Management Team and is subject to the Department's governance and wider control system that is described in the Treasury Solicitor's Department Annual Report and Accounts 2012-13. The Head of Bona Vacantia Division is also a member of the Board and Directors' Forum of the Treasury Solicitor's Department. Regular reports are provided to me as Crown's Nominee by the Bona Vacantia's Head of Division, with meetings arranged, as required, to discuss work priorities, progress against Business Plan targets and the steps being taken to manage risk. The Head of 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.

The Crown's Nominee seeks advice and a challenge function from the Treasury Solicitor's Department's Board, Internal Audit and the Audit and Risk Committee as and when required. Assurance on control is also gained from internal audit work undertaken during the year.

The Crown's Nominee, through the Head of Bona Vacantia Division, provides assurance to Her Majesty's Treasury by submitting quarterly progress reports and meeting formally once a quarter. These meetings are also used to agree budgets, Business Plans, seeking agreement on policy issues and to highlight risks. Ad hoc meetings also take place to discuss urgent issues or where direction or authority is sought. The Crown's Nominee Accounts also need to be approved by Her Majesty's Treasury.

The Crown's Nominee's day to day management and operational function is carried out through the Head of Bona Vacantia Division's monthly meetings with his senior management team to discuss and agree operational and strategic issues, including review of risk registers. Divisional meetings also take place during the year to deliver the key messages of the Crown's Nominee to all staff in the Bona Vacantia Division.

### Risk Management and Internal Control

The Crown's Nominee's system of internal control, managed through the Bona Vacantia Division, is in place 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 Crown's Nominee's and Treasury Solicitor's Department'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 Crown's Nominee for the year ended 31 March 2013 and up to the date of the approval of these accounts and accords with guidance from Her Majesty's Treasury.

The Crown's Nominee's and Bona Vacantia Division's risks are related to the key targets and priority work areas set out in the Division's Business Plan. Risk is managed by identifying and evaluating risks and appropriate control measures, which are set out in the Division's 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, the Division has continued to develop links with the Metropolitan Police and other delivery partners such as the Probate Registry and Land Registry to help address this risk. Risk and fraud awareness is also covered in the induction programme for new staff to the Division which forms part of their training.

On behalf of the Crown's Nominee, the Head of Bona Vacantia Division holds regular management meetings with the Division's senior management team where new risks are identified and existing risks

reviewed. The Crown's Nominee has adapted to changes to the risk environment by focussing on better securing valuables during house searches, reducing the continued potential for fraud, and dealing more efficiently with a large increase in volume of both companies and estates work.

In 2011-12 we undertook a self assessment review to assess the risk of financial loss in the Division and our ability to manage this risk.

The Crown's Nominee's risk management is embedded in the activity of the Bona Vacantia Division. The system of control underpinning the Crown's Nominee Accounts includes:

- a Divisional 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 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;
- an invigilator to oversee post opening;
- detailed procedures for handling valuables and cheques received during post opening to account for all valuable items in a secure way and ensuring there is a clear audit trail;
- 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 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.

A framework is in place for handling data relevant to the Crown's Nominee's work and to provide assurance over the management and security of information held with the Bona Vacantia Division, including:

- the Head of Bona Vacantia Division having the role of Information Asset Owner for all information held by the Division;
- the Bona Vacantia Division identifying the information held and maintaining an Information Asset Control Register. Access to information is minimised whilst maintaining a balance between business needs and risk;
- instructions being 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 in place to authorise and record any dispensation from compliance with those policies;
- all staff successfully completing mandatory training courses in Protecting Information (Level 1 and 2) and Counter Fraud, Bribery and Corruption; and
- incorporation of information risks within the risk management policy and process.

The Treasury Solicitor's Audit and Risk Committee provides support in monitoring and reviewing the Crown Nominee's risk, control and governance processes, and the associated assurance processes. The Committee is chaired by an independent non-executive director and meets at least three times a year. Membership of this committee includes two non-executive directors and an additional external member.

Additionally, the Internal Audit service, provided by audit staff of the Department for Communities and Local Government provides independent assurance on the effectiveness of internal control arrangements in the Bona Vacantia Division.

### Risk Assessment and Issues

The Risk Register for 2012-13 records the main areas of risk to the Crown's Nominee's work as fraud, loss of infrastructure or IT, failure to embed adequate accrual processes and the handling of valuables from house searches. These risks continued to be 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, and publishing an anti-fraud statement on the Divisional website;
- having a Fraud Working Group to identify any new areas of potential fraud risk and take appropriate steps to address risks identified;
- an independent review of house search procedures and handling of valuables;
- reviewing and updating Business Continuity Plan;
- review and simplification of recognition criteria for accruals, additional training, and additional checks on accruals transactions; and
- providing guidance to staff on such matters as gifts and hospitality and related party transactions.

### Significant Control Issues

No significant control issues were identified during the year.

**Sir Paul Jenkins KCB QC**  
**Treasury Solicitor and Crown's Nominee**  
**9 May 2013**

## **Independent Auditor's Report to the Crown's Nominee**

### **Independent Auditor's Report to the Crown's Nominee 2012-13**

I have audited the financial statements of the Crown's Nominee for the year ended 31 March 2013. The financial statements comprise: the Statement of Net Income, Statement of Financial Position, Statement of Cash Flows, 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 Board, Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer'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. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Foreword to the Accounts, the Statement of the Crown's Nominee's Responsibilities and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

#### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 2013 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Treasury Solicitor's Act 1876 and HM Treasury directions issued thereunder.

#### **Opinion on other matters**

In my opinion:

- the information given in the Foreword to the Accounts 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 and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Amanda Measures**  
**For and on behalf of the Comptroller and Auditor General**

**Date 13 May 2013**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**Statement of Net Income**  
for the year ending 31 March 2013

	<b>Notes</b>	<b>2012-13 £000</b>	<b>2011-12 £000</b>
<b>Income</b>	2	18,555	42,954
<b>Expenditure</b>			
Staff costs	3	(1,976)	(1,967)
Other expenditure	4	(2,876)	(2,656)
Disbursements		<u>(533)</u>	<u>(669)</u>
<b>Total expenditure</b>		(5,385)	(5,292)
<b>Net Income</b>		<u><u>13,170</u></u>	<u><u>37,662</u></u>

All income and expenditure is derived from continuing operations.

*The notes on pages 21 to 29 form part of these accounts*

**Statement of Financial Position**  
as at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 £000
<b>Current assets</b>			
Inventory	5	8,556	10,071
Trade and other receivables	6	3,773	4,173
Cash and cash equivalents	7	10,999	15,580
<b>Total current assets</b>		<b>23,328</b>	<b>29,824</b>
<b>Current liabilities</b>			
Trade and other payables	8	(1,691)	(9,278)
Provisions	9	(26,743)	(11,914)
<b>Total current liabilities</b>		<b>(28,434)</b>	<b>(21,192)</b>
<b>Assets less current liabilities</b>		<b>(5,106)</b>	<b>8,632</b>
<b>Non-current liabilities</b>			
Provisions	9	(22,269)	(21,225)
<b>Net liabilities</b>		<b>(27,375)</b>	<b>(12,593)</b>
<b>Reserves</b>		<b>(27,375)</b>	<b>(12,593)</b>

Sir Paul Jenkins KCB QC  
Treasury Solicitor and Crown's Nominee  
9 May 2013

*The notes on pages 21 to 29 form part of these accounts*

**Statement of Cash Flows**  
for the year ending 31 March 2013

	Notes	2012-13 £000	2011-12 £000
Net income		13,170	37,662
<i>Adjustments for non-cash transactions arising in the year</i>			
Decrease in inventory	5	1,515	1,342
Decrease in trade and other receivables	6	400	2,299
Decrease in trade and other payables	8	(7,587)	(2,477)
Provisions made in year	9	31,940	26,481
Auditors' remuneration	4	48	52
<i>Less:</i>			
Provisions used in year	9	(16,067)	(26,949)
<b>Net cash inflow from operating activities</b>		<b><u>23,419</u></b>	<b><u>38,410</u></b>
Payments to the Consolidated Fund		(28,000)	(33,000)
<b>(Decrease)/increase in cash in period</b>	<b>7</b>	<b><u>(4,581)</u></b>	<b><u>5,410</u></b>
Cash and cash equivalents at the beginning of the period	7	15,580	10,170
Cash and cash equivalents at the end of the period	7	10,999	15,580
<b>(Decrease)/increase in cash in period</b>	<b>7</b>	<b><u>(4,581)</u></b>	<b><u>5,410</u></b>

*The notes on pages 21 to 29 form part of these accounts*

**Statement of Changes in Reserves**  
for the year ending 31 March 2013

	Notes	Capital Reserve 2012-13 £000	Capital Reserve 2011-12 £000
Balance at 1 April		(12,593)	(17,307)
Net Income		13,170	37,662
Payments to Consolidated Fund		(28,000)	(33,000)
Non cash charges: auditors' remuneration	4	48	52
Balance at 31 March		<u><u>(27,375)</u></u>	<u><u>(12,593)</u></u>

*The notes on pages 21 to 29 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, Her Majesty's 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 2012-13 Government Financial Reporting Manual (FReM) issued by Her Majesty's 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 Account for the purpose of giving a true and fair view has been selected. The updated accounting policies for the Crown's Nominee Account have been applied consistently in dealing with items considered material in relation to the Account.

### 1.1 Accounting Convention

The financial statements together with the notes on pages 21 to 29 have been prepared under the historical cost convention, and, where material, current asset investments and stocks to fair value as determined by the relevant accounting standard.

At 31 March 2013, the Crown's Nominee's Statement of Financial Position shows net liabilities of £27.4 million (31 March 2012: net liabilities of £12.6 million), reflecting the inclusion of an estimate of liabilities to kin and dissolved companies falling due in future years. Proceeds arising from the future liquidation of estates and companies assets are expected to be sufficient to meet these liabilities as they fall due. A minimum of £5 million is retained from the annual payment to Consolidated Fund to meet any liabilities that crystallise in the months immediately following the annual payment. In the unlikely event that insufficient funds are available to meet a kin or company payment, the Crown's Nominee will call on funds from Her Majesty's Treasury. It is therefore appropriate to adopt the going concern basis for the preparation of these financial statements.

### 1.2 Income

Income comprises of:

- the sums arising from the realisation of estates passing to the Crown's Nominee under the Administration of Estates Act 1925, net of all legal liabilities relating to the estate;
- 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, net of all legal liabilities;
- administrative restoration waiver fees; and
- the recovery of costs and disbursements incurred by the Crown's Nominee.

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. Income is stated net of the estimated future repayments to kin and companies and net of discretionary payments arising during the year.

The Companies Act 2006 created an administrative restoration process which allows company members to restore a dissolved company to the Companies Register quickly and efficiently. Prior to restoration, the Crown's Nominee's consent, referred to as a waiver, is required. As a result, the Crown's Nominee charges an administrative fee to recover the cost of dealing with such applications.

### **1.3 Inventory**

The Crown's Nominee receives assets from estates of deceased intestate people and dissolved companies and trusts. These assets are normally converted into cash within a year. Non-cash assets, for which there is a ready market, are recorded as inventory at their estimated fair value until sold. Any movements in fair value are taken to the Statement of Net Income. Valuations are based on professional valuation reports, market prices or previous experience. Assets for which there is no ready market are valued at nil until realised.

### **1.4 Expenditure**

The categories of expenditure are:

- staff costs paid to the Treasury Solicitor's Department whose staff administer bona vacantia on behalf of the Crown's Nominee;
- other expenditure which includes general administrative expenditure such as accommodation and staff training costs, unwinding of provisions discount and provisions for repairs to undisclaimed assets; and
- disbursements which are third party costs directly attributable to the administration of an estate or dissolved company.

### **1.5 Transfer to the Consolidated Fund**

By agreement with Her Majesty's 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 per cent 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, company restorations, contingencies and creditors.

### **1.6 Contingent Liabilities**

Under section 1013 of the Companies Act 2006, the Treasury Solicitor, as the Crown's Nominee, may disclaim property vested in the Crown under section 1012 of the Act. The Treasury Solicitor has three years to disclaim, which is reduced to one year on receipt of a specific request to disclaim from a member of the public. However, there is a risk that some property held by the Crown's Nominee could give rise to third party claims. The risk arises primarily from un-disclaimed land but the current legal view is that such claims, if identifiable, would not succeed and therefore no liability has been recognised.

### **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 those obligations, having regard to historical trends. These include provisions for future claims from kin in estates cases, and applications to recover assets in relation to dissolved companies. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Her Majesty's Treasury discount rate of minus 1.8 per cent in real terms up to five years from the date of the Statement of Financial Position, minus 1 per cent from five to ten years and positive 2.2 per cent for more than ten years.

## 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 Her Majesty's Revenue and Customs in respect of VAT is included within receivables or payables as appropriate.

Payments to kin can include interest from which Income Tax is deducted and paid directly to Her Majesty's Revenue and Customs.

## 2. Income

	2012-13	2011-12
Notes	£000	£000
Amounts arising from the realisation of estates passing to the Crown under the Administration of Estates Act 1925	18,265	33,514
Amounts arising from the realisation of property which belonged to dissolved companies and trusts which have failed or are no longer existing	36,706	40,697
Company restoration waiver fees	276	255
Recovery of Crown costs	1,481	1,525
Disbursements receipts (estates & companies)	239	209
	<u>56,967</u>	<u>76,200</u>
<i>Less:</i>		
Legal charges on estates	(1,118)	(1,965)
Discretionary payments to kin and companies	(6,223)	(5,490)
Provision for future payments to kin and companies	9 (31,071)	(25,791)
	<u><b>18,555</b></u>	<u><b>42,954</b></u>

## 3. Staff Costs and Numbers

### 3.1. Staff Costs

	2012-13	2011-12
	£000	£000
Permanent staff costs	1,946	1,951
Agency staff costs	30	16
<b>Total staff cost</b>	<u><b>1,976</b></u>	<u><b>1,967</b></u>

The permanent staff costs are gross costs, including National Insurance and pension contributions, and are reimbursed to the Treasury Solicitor's Department who make payment to staff and settle employee related liabilities on behalf of the Crown's Nominee.

### 3.2 Staff numbers

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

	2012-13	2011-12
Permanent staff number	48	46
Other staff number	1	1
<b>Total staff number</b>	<b>49</b>	<b>47</b>

### 4. Other Expenditure

	Notes	2012-13 £000	2011-12 £000
<b>Other expenditure</b>			
Accommodation		504	531
Training		4	4
Administration costs		1,410	1,332
Compensation	12	2	1
General expenses		39	46
<b>Non-cash costs</b>			
Auditors' remuneration		48	52
Unwinding of provision discount	9	467	452
Provided in year for repairs to undisclaimed assets	9	402	238
		<b>2,876</b>	<b>2,656</b>

Prior year administration costs have been changed from £815,000 to £1.332m by reclassifying £517,000 of other building charges such as ICT and the provision of disaster recovery facilities from accommodation charges. The reclassification reduced prior year accommodation costs from £1.048m to £531,000.

The Crown's Nominee Account is audited by the National Audit Office on behalf of the Comptroller and Auditor General and a notional fee is charged. There was no auditor remuneration for non-audit work.

### 5. Inventory

	31 March 2013 £000	31 March 2012 £000
Freehold/leasehold property	8,030	9,397
Goods, chattels and shares	526	674
	<b>8,556</b>	<b>10,071</b>

## 6. Trade and Other Receivables

### 6.1 Analysis by type

	<b>31 March 2013 £000</b>	<b>31 March 2012 £000</b>
<b>Amounts falling due in one year</b>		
Trade receivables	276	361
Other receivables	3,359	3,702
Prepayments	138	110
	<u><b>3,773</b></u>	<u><b>4,173</b></u>

Trade receivables primarily represents the amounts invoiced for administration and other services; other receivables represent cash owed by third parties as a result of administering estates and realising property belonging to dissolved companies, for example, monies due from banks, local authorities and other Government departments.

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

### 6.2 Intra-government balances

	<b>31 March 2013 £000</b>	<b>31 March 2012 £000</b>
Balances with other central government bodies	1	69
Balances with local authorities	173	251
Balances with NHS Trust	14	-
Sub total: intra-government balances	<u>188</u>	<u>320</u>
Balances with bodies external to government	<u>3,585</u>	<u>3,853</u>
	<u><b>3,773</b></u>	<u><b>4,173</b></u>

This note provides an analysis of the amounts owed to the Crown's Nominee by different groups of public sector bodies and bodies external to government. For estates receivables this includes refunds due to overpayment of council tax and rent. For companies receivables this will include refunds from Her Majesty's Revenue and Customs in relation to VAT overpayments and refunds from local authorities for business rates overpayments. The balances with bodies external to government, £3.6m (£3.9m at 31 March 2012) represents balances at banks awaiting transfer to the Crown's Nominee Account and other funds such as private pensions.

## 7. Cash and Cash Equivalents

	<b>2012-13 £000</b>	<b>2011-12 £000</b>
Balance at 1 April	15,580	10,170
Net cash (outflow) / inflow	<u>(4,581)</u>	<u>5,410</u>
Balance at 31 March	<u><b>10,999</b></u>	<u><b>15,580</b></u>

All balances were held with Government Banking Service.

## 8. Trade and Other Payables

### 8.1 Analysis by type

	<b>31 March 2013 £000</b>	<b>31 March 2012 £000</b>
Trade payables	-	58
Other payables	1,376	8,781
VAT	73	82
Other tax and social security	<u>242</u>	<u>357</u>
	<u><b>1,691</b></u>	<u><b>9,278</b></u>

Other payables are amounts due as a result of kin claims and company restorations.

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

### 8.2 Intra-government balances

	<b>31 March 2013 £000</b>	<b>31 March 2012 £000</b>
Balances with other central government bodies	321	448
Balances with local authorities	27	137
Balance with NHS Trusts	<u>1</u>	<u>1</u>
Sub total: intra-government balances	349	586
Balances with bodies external to government	<u>1,342</u>	<u>8,692</u>
	<u><b>1,691</b></u>	<u><b>9,278</b></u>

This note provides an analysis of the amounts owed by the Crown's Nominee to different groups of public sector bodies and bodies external to government. For estates payables this includes amounts due for council tax, rent and pensions. For companies this includes amounts due to Her Majesty's Revenue and Customs in relation to VAT.

Prior year balances with bodies external to government included £439,000 of VAT, tax and social security that have now been reclassified to balances with other central government bodies. The reclassification reduced prior year balances with bodies external to government from £9.131 million to £8.692 million and has increased balances with other central government bodies from £9,000 to £448,000.

## 9. Provisions for Liabilities and Charges

### 9.1 Provisions

	Notes	2012-13 £000	2011-12 £000
Balance at 1 April		33,139	33,607
<i>Add</i>			
Provided in year for future payments to kin and companies	2	31,071	25,791
Provided in year for repairs to undisclaimed assets	4	402	238
Unwinding of discount	4	467	452
		<u>31,940</u>	<u>26,481</u>
<i>Less</i>			
Provisions used in year		(16,067)	(26,949)
Balance at 31 March		<u><b>49,012</b></u>	<u><b>33,139</b></u>

### 9.2 Analysis of expected timing of discounted cash flows

	2012-13 £000	2011-12 £000
Not later than one year	26,743	11,914
Later than one year and not later than five years	14,114	15,925
Later than five years	8,155	5,300
	<u><b>49,012</b></u>	<u><b>33,139</b></u>

The provision is an estimate of the anticipated future repayments as a result of kin claims or the restoration of companies and also includes a provision of £331,000 in relation to asset repairs prior to disposal. The estimated value of repayments to kin and companies is based on historical trends which are subject to an annual review. Following this year's review it is estimated that overall 55 per cent of the administered estate values and 65 per cent of now dissolved companies assets will ultimately be retained by the Crown (2011-12 estimates: 60 per cent for estates and 67 per cent for companies). Applying these changes to estates case administered from 2000 onwards, and companies cases from 2006, have increased the provision by £11.2 million and reduced income for 2012-13 by the same amount.

The provision is calculated by reference to the risk-adjusted net cash flows, discounted for the effect of the time value of money, using the Her Majesty's Treasury discount rate of minus 1.8 per cent in real terms up to five years from the date of the Statement of Financial Position, minus 1 per cent from five to ten years and positive 2.2 per cent for more than ten years. The discount factor applied at 31 March 2012 was positive 2.2 per cent for all years. The change in discount factor has increased the provision at 31 March 2013 by £3.4 million and reduced the income for 2012-13 by the same amount.

### 9.3 Sensitivity Analysis

There are three key factors that affect the estimate of future payments to kin and companies:

- the percentage of income retained by the Crown. The provision is based on payments to kin and companies over a number of years. With continued media and public interest, payments relating to old cases could change the assessment of the amount retained by the Crown. A one percent decrease in the estimate would increase the provision by £3.2m in the year that the decrease was applied with income reduced by the same amount. In each of the years that follow the change, income will be decreased by approximately £500,000.
- changes in discount factor. Each one per cent positive increase to the discount factors will decrease the provision by £1 million and increase income by the same amount in the year of the change. In each of the years that follow the change, income will be increased by approximately £180,000.
- the forecast of future payment flows. Analysis shows that majority of payments to kin and companies usually occur within three years of the case being recognised as bona vacantia, although the provision does recognise that claims can be met up to twelve years for estates and six years for companies. Due to the current low interest rates used to determine the discount factor, any changes to the forecast of future payments does not significantly affect the provision.

### 10. 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.

### 11. 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, charged on a full cost recovery basis to 31 March 2013 are £3.8 million (2011-12: £3.7 million). The Division has outstanding administration costs for the year of £65,839 with the Crown Solicitor's Office (2011-12: £68,500). Neither the Crown's Nominee, key managerial staff nor other related parties have undertaken any material transactions with the Crown's Nominee Account during the year.

### 12. Compensation Payments

There are two compensation payments totalling £2,117 included within the Statement of Net Income for the period ending 31 March 2013 (2011-12: £1,334). Compensation payments relate to reimbursement or compensation made to those who incurred a loss during the administration of bona vacantia.

### 13. 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's 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.

#### **14. Impending Application of Newly Issued Accounting Standards Not Yet Effective**

It has been determined that no newly issued accounting standards will have a significant impact on the Accounts.

#### **FReM Changes for 2012-13**

The Crown's Nominee has reviewed changes to FReM for 2012-13 and determined that none of the changes would have an impact on the Crown's Nominee financial statements.

#### **15. Events after the Reporting Period**

There were no events after the reporting date that would have a material impact on the 2012-13 financial statements. 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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