



YEARS

OF ENHANCING COMMUNITIES

Reclaim Fund makes it possible for money in dormant bank and building society accounts to be used to help good causes

OUR PURPOSE

We unlock the potential of dormant assets to enhance communities and enrich lives

OUR MISSION

We safeguard the rights of dormant asset holders while optimising the financial benefits for good causes

OUR VALUES



Integrity

Honesty in everything we do



Responsibility

Fulfilling our obligations, ensuring accountability



Collaboration

Supporting each other by being stronger together



Agile

Continually enhancing our knowledge and competence



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OUR STORY

Reclaim Fund Ltd ('RFL') commenced operations in 2011, following the enactment of the Dormant Bank and Building Society Accounts Act 2008 ('The Act') and its receipt of regulatory authorisation to act as a reclaim fund.

The Co-operative Group was approached by Her Majesty's Treasury ('HMT') in late 2009 to support the Government and industry efforts by establishing a reclaim fund to enable dormant account monies to be used for good causes.

The Company was established as a wholly owned subsidiary of the Co-operative Group Limited via its subsidiary Co-operative Financial Services Limited (now known as Angel Square Investments Limited ('ASIL')), following the introduction of the Act. Late in September 2019, the Office for National Statistics ('ONS') informed the Government of its decision to classify RFL as part of the Central Government Sector for statistical purposes, effective retrospectively to RFL's establishment.

As a result of the ONS classification, RFL was included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Amendment Order 2020 and became part of the budgetary regime, being consolidated in HMT's accounts and classified as a Non-Departmental Public Body ('NDPB'), effective from the date of our incorporation. The shares in the Company were subsequently transferred by ASIL to the Solicitor for the Affairs of Her Majesty's Treasury in its capacity as nominee for Her Majesty's Treasury on 30 March 2021.

A Framework Document, setting out the broad governance framework within which the Company, HMT, UK Government Investments (in its capacity as representative of HMT) and the Department of Digital, Culture, Media and Sport (in its joint policy role with HMT) will operate, is currently being finalised. This will, in due course, be available on our website.

10 YEAR ANNIVERSARY

2021 marks a celebratory year as RFL reaches its milestone 10 year anniversary

OUR PARTICIPANTS

Our participants continue to contribute significant transfers of dormant balances.

GROWTH STORY

£1.44bn

dormant accounts transferred

c2,500

good causes benefiting across 4 countries

£106m

reclaimed by account holders

134,000

accounts reclaimed

31

participating firms in the Main Scheme

2

participating Building Societies in the Alternative Scheme



VIRGIN MONEY

How do you feel about being part of the Dormant Assets Scheme and what has it meant to your organisation over the last 10 years?

It's great to know that we've been able to play our part in making funds available to good causes up and down the country, whilst ensuring we can fully meet all reclaims arising from our customers. It's a great example of what the industry can achieve by working together, rather than pursuing individual strategies.

How does being part of the Dormant Assets Scheme fit with your overall responsible business strategy?

As a bank we aim to keep in touch with our customers on a regular basis; however sometimes, through various circumstances, this connection can be broken. When we can't re-connect with our customers, and the funds move to a legally dormant status, it's a really important component of our Environmental, Social and Corporate Governance ("ESG") Strategy that these deposits are put to work for the benefit of society and working with the Reclaim Fund allows us to do this.

What are your thoughts on your future participation and what would you say to anyone considering joining?

We will continue to participate in the Scheme and encourage other financial institutions to do the same. The team at Reclaim Fund are great to work with and make everything as straightforward as they can to help you become a part of the Scheme. It's great to be part of something bigger than any individual provider can achieve on their own and, the more institutions that join, the greater the value of funds that can be given to good causes.



It's great to know that we've been able to play our part in making funds available to good causes up and down the country..."

Zack Hocking
Head of Personal Deposits - Virgin Money

KEY ACHIEVEMENTS

Total
£800m

Paid to The National
Lottery Community Fund
£656m

Approved for distribution
to The National Lottery
Community Fund during
2020-2021

£144m



OUR PURPOSE

We unlock the potential of dormant assets to enhance communities and enrich lives

10 YEARS COMMUNITIES
ENHANCING 10 YEARS

Agile

The team smoothly transitioned to working from home in light of the pandemic

Collaboration

We continue to develop excellent relationships with industry and Government in taking forward the expansion of the scheme

Responsibility

We take our responsibility for holding sufficient funds to pay reclaims seriously, with extensive development of reclaim modelling

Integrity

We support on-boarding of new participants and continue to encourage wider participation in the Alternative Scheme through facilitation of workshops for potential new joiners

CHAIR'S REVIEW



JANE HANSON
Chair



In a year like no other, RFL has remained resilient, making a strong contribution to the COVID-19 relief effort and positioning itself to help lead the development of the Scheme into the next phase of its evolution, working with the Government to expand the range of orphan, dormant and gone away assets to be made available to good causes.

Last year, I reported that RFL was facing into a year of change. No one could have imagined the scale of change brought about in 2020 and I am thus delighted to have led the Board through another year of growth, consolidation and development.

I am pleased and privileged to chair an organisation that continues to actively contribute to improve people's lives in such a unique way and am proud that RFL was able to release considerable funds specifically to help front-line charitable organisations to support many people across the UK in the face of the many challenges presented by COVID-19.

THE BOARD

The Board continues to be proud to oversee the achievements of RFL and continues to operate effectively. I would like to thank my fellow Board members for their continued constructive challenge, diligence and guidance during a year of considerable change, and particularly the hard work of the Board Committees.

As RFL moves into its second decade, it does so under new ownership and with the prospect of an expanded scheme. I would like to express my sincere thanks to The Co-operative Group Ltd, our founder and owner for the first 10 years, for ably supporting and stewarding us through the first decade.

I look forward to working with the team at HMT in the new era and to welcoming a new Board colleague from UK Government Investments who will represent HMT as our shareholder.

As a result of the sale of RFL to HMT, our two former shareholder appointed Non-Executive Directors, Dominic Kendall-Ward and Mark Summerfield, have left our Board. Mark, the Chief Executive of Co-op Insurance joined the Board in 2015 and has brought his considerable skills and experience in Financial Services to the Board over the last six years. Dominic joined us in 2019 and, with his professional background in corporate law, has been a great asset to the team. We are grateful to both Mark and Dominic for their unwavering support to RFL. We will miss them both.

In 2020, we also said a very fond farewell to our long-standing Non-Executive Director, Adrian Coles, who had been with us since 2011. Adrian held the role of Senior Independent Director and Chair of our Remuneration Committee. I will personally miss his wisdom and counsel, and the Board and I are incredibly grateful for his service, dedication and sound advice.

GOVERNANCE

RFL continues to maintain strong governance, systems and controls. Managing significant funds entrusted to us for distribution to good causes and making sufficient provision for reclaims comes with significant responsibility.

Last year I reported that we had undertaken a Board Effectiveness Review, and this concluded in early 2020. While this process provided reassuring external independent validation of our effectiveness, it has also provided a small number of opportunities to further enhance our governance framework and ensure it remains fit for purpose under new ownership and for operating an expanded scheme. I will be overseeing the transition to a simplified reporting framework that retains the rigour of our existing approach.

In 2020, RFL continued to support the development of dormant asset schemes internationally, working with Jersey, Japan and Guernsey. I was personally delighted to see the new Guernsey scheme commence operating in December 2020.

I am very proud that RFL is now seen as the blueprint for international best practice and that our Chief Executive, Adrian Smith, has worked collaboratively to help shape the international dormant assets landscape.

As Adrian describes in his statement, we continue to actively engage and work with Government and I have personally enjoyed positive working relationships with both Ministers & officials in the Department for Digital, Culture, Media & Sport ('DCMS') and HMT. I look forward to working even more closely with them as we expand the Scheme under new ownership.

OUR TEAM

I would like to personally thank Adrian for his continued leadership of the very capable and high performing team at RFL during this unprecedented year. I particularly want to recognise the commitment of the team during the extremely challenging conditions in the Spring of 2020.

At a time of significant change, the professionalism of Adrian and the team continues to support the delivery of our objectives as well as preparing to maximise the new opportunities that lie ahead.

It remains a pleasure both for me and my fellow Board members to work with the team and our stakeholders to help so many good causes access funds, that otherwise would remain dormant. RFL is well positioned and prepared for the expanded Dormant Assets Scheme, and we look forward to making an even greater difference to people's lives in the future.

JANE HANSON Chair

20 April 2021



As RFL moves into its second decade, it does so under new ownership and with the prospect of an expanded scheme.



CHIEF EXECUTIVE'S REVIEW



ADRIAN SMITH
Chief Executive



The end of our first decade was marked by a period of uncertainty driven by the national and global response to COVID-19. Despite this, we delivered what we set out to do – contributed to the funds made available to support the COVID-19 relief effort and worked positively with Government on scheme expansion and new ownership. The course is set for an ambitious second decade.

For virtually everyone in the world, the backdrop to 2020 was COVID-19. Like many others we entered 2020 with clear plans for the year ahead but by March we, along with the rest of the world, found we had new priorities.

Our team responded admirably to the challenges posed by the global pandemic and, despite an unpredictable March and April, the business achieved its annual plan with a solid performance and good levels of participation. In fact, we welcomed two new participants to the Main Dormant Assets Scheme: CIMB Berhad and R Raphael and Son, and one new participant, Cambridge Building Society, to the Alternative Scheme, taking total participants to 33, with many interested parties continuing discussions as they look to join.

Importantly, in May 2020, as part of a national response we were able to release substantial funds to support COVID-19 relief efforts. This was achieved faster than planned but with no compromise on the principles of consumer protection which underpin the Scheme. To date we have paid over £656m to The National Lottery Community Fund ("TNLCF"), and following Board approval, set aside a further £144m which is available for immediate draw down.

I would particularly like to thank our Participants for continuing to prioritise dormant assets as part of their operations while facing their own challenges during these unprecedented times and to my Board and team colleagues at RFL for their support to the business.

2020 IN REVIEW

Our 2019 investment in IT infrastructure paid immediate dividends in the rapid move to a home-working environment and I am extremely grateful to the team for facilitating that move and embracing new ways of working without hesitation. We have, of course, also found new, digital ways of working with Scheme Participants during the year, many of which we will retain moving forward.

2020 was also our 10th year of running the UK's only authorised Reclaim Fund and I do hope that it will be possible to celebrate in person with colleagues, Participants and other stakeholders towards the end of 2021.

I am immensely proud that, throughout the last decade, we have grown the scale of our operation from safeguarding £400m in assets in 2011 to £1.5bn in 2020. We have achieved all this while continually being in a position to return dormant assets to their original owners – giving back over £100m to date – whilst distributing £750m to good causes.

NEW OWNERSHIP

Late in September 2019, the ONS classified RFL as a NDPB for the purposes of statistical analysis. This reflects the fact that dormant asset policy is owned by the UK Government and RFL was enabled by a Government Act to independently manage the Scheme.

During 2020, we have been working with Government and our owner, The Co-operative Group Ltd, to agree the most appropriate course of action following the ONS classification.

All parties agreed that the sale of RFL to Government would be beneficial for the long-term future expansion of the Scheme. As a result, from 30 March 2021 RFL became a NDPB owned by HMT which will continue to operate independently as an Arm's Length Body.

I would like to sincerely thank The Co-operative Group for helping to establish RFL in 2011 and for its successful stewardship of the Company over the last 10 years, enabling three-fold growth in the value of the assets in our care and supporting us in preparing for Scheme expansion.

Work is well underway to ensure that our Board structure and corporate governance are well positioned to optimise the opportunities brought by new ownership and the expanded Scheme.

MODELLING AND INVESTMENTS

In parallel, we have been working with professional actuaries to develop a more sophisticated Reclaim Risk Model. The output of this work, which has still to be agreed with our regulator, the Financial Conduct Authority ('FCA'), will help us balance our obligation always to have funds available to meet customer reclaims in perpetuity with the ability to distribute the maximum funds to good causes. This work will also be helpful as we expand the Scheme to include new asset classes.

During 2020, we saw sustained turbulence in the investment market which contributed to low rates of return across our investment portfolio. We consciously choose a low risk investment strategy to reduce the likelihood of financial losses and we are pleased to report no counterparty failure in the year.

LOOKING TO THE FUTURE

Depending on how the UK's response to COVID-19 progresses, I hope to be able to celebrate our 10th anniversary in person with as many of our stakeholders as possible before the end of 2021. Coming together with Participants, supporters and representatives of some of the 2,500 good causes we have supported in changing the lives of 700,000 people across four nations from Land's End to John O'Groats will be a fitting end to what promises to be another eventful year.

I am very much looking forward to welcoming in the next 10 years.

ADRIAN SMITH
Chief Executive

20 April 2021

EXPANSION OF THE SCHEME

During 2020, the Government held a public consultation on expanding the dormant asset scheme. In January 2021, it published its response to the consultation. This confirmed the Government's intention to bring forward Primary Legislation to expand the Scheme into three new asset classes: Insurance and pensions; Investment and wealth management; and Securities.

The Government also announced its intent for RFL to operate as the UK's sole authorised Reclaim Fund in the future. We now look forward to working with HMT and DCMS, regulators and industry to understand how to collaborate in expanding the Scheme we operate on behalf of the Government.

In the meantime, RFL continues to operate the existing Scheme prudently against our very clear terms of reference. During 2020, I spoke at online events run by all three sectors to be included in Scheme expansion to help them understand how it may become operational. We will continue to work very closely with the three new sectors in 2021, including individual firms and their respective trade associations.



Find out more on page 13

FROM DORMANCY TO DISTRIBUTION

The principal activity of RFL is the receipt and management of dormant account monies.

ABOUT THE DORMANT ASSETS SCHEME

RFL is a not-for-profit reclaim fund and is authorised and regulated by the FCA as a dormant account fund operator.

The Dormant Bank and Building Society Accounts Act 2008 ('The Act') enables those banks and building societies, that choose to participate in the Scheme ('Participants'), to transfer to RFL money held in eligible bank and building society accounts which have remained dormant for 15 years or more with no customer-initiated transactions. The Act ensures that the right of account holders to reclaim their money, at any time, is protected in perpetuity by transferring the individual's claim against the bank or building society to RFL.

RFL manages the money that it receives prudently in accordance with the Act and relevant regulatory requirements, ensuring that it always has enough money available to be able to meet any customer reclaims that may arise and to satisfy its capital requirements and meet its reasonable expenses. If the Board of RFL determines that there is surplus money available, it can, under the Act, distribute this to TNLCF for the benefit of good causes across the UK.

Participation in the Scheme by banks and building societies is voluntary.

The Act establishes two types of Scheme:

- a Main Scheme; and
- an Alternative Scheme.

Under the Main Scheme, the whole of a dormant account balance must be transferred to RFL.

In contrast, under the Alternative Scheme, a participating bank or building society can choose to transfer an agreed proportion of a dormant account balance to RFL and the remaining portion to one or more eligible charities. The Alternative Scheme is only open to smaller banks and building societies with balance sheet asset values below £7bn which satisfy certain eligibility criteria.

The diagrams on page 9 show and display the organisations that support the Scheme and display the key activities that occur and the flows of dormant balances. All activities are underpinned by the Act and RFL's articles of association. A transfer and agency agreement is also in place between RFL and each participating bank or building society that establishes the contractual framework between each Participant and RFL.

Before transfer of any dormant account money to RFL, banks and building societies must make attempts to reunify dormant account holders with their funds. Where this proves unsuccessful, balances that meet the criteria set out in the Act may be eligible for transfer to RFL, provided they satisfy certain requirements specified in the contractual framework between RFL and participants.

If dormant account holders subsequently wish to reclaim their funds, the relevant bank or building society is appointed to act on behalf of RFL in reunifying them with their funds and remains responsible for managing all aspects of the customer relationship. RFL holds no customer information and customers therefore have no direct relationship with RFL.

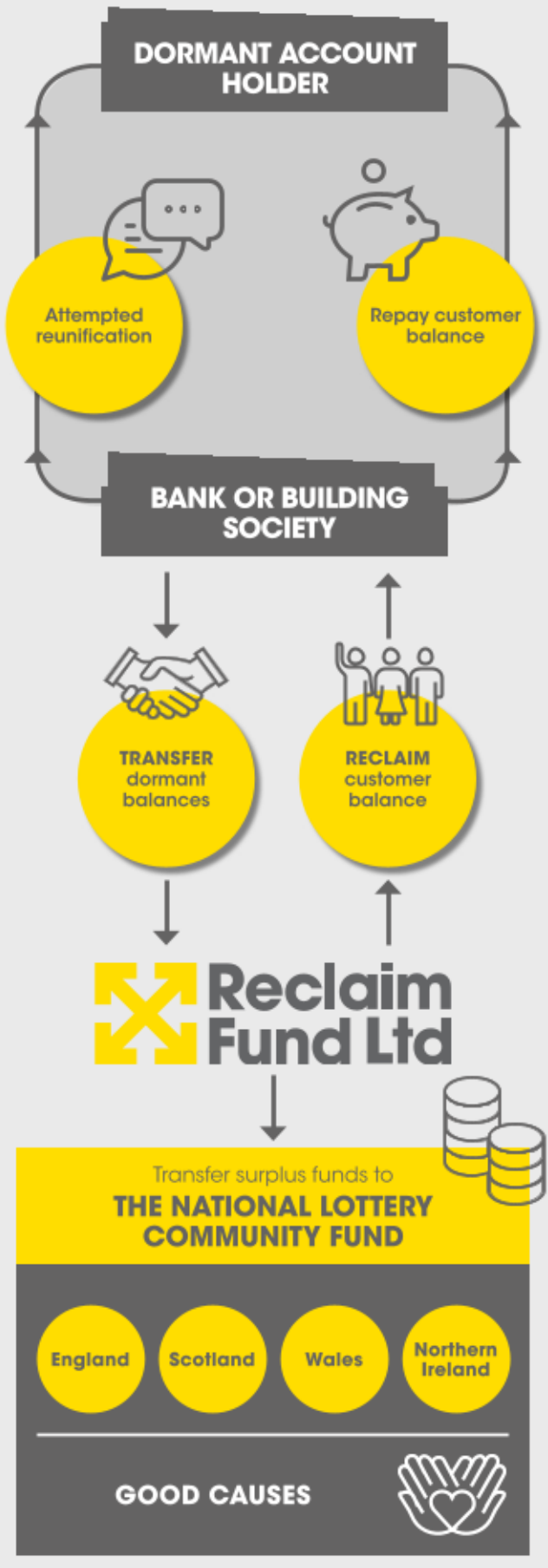
RFL participates in the Financial Services Compensation Scheme ('FSCS'), ensuring that the transfer to RFL of a dormant account balance will not adversely affect any entitlement a customer may have to compensation from the FSCS. RFL is also covered by the Financial Ombudsman Service.

If you think you have unclaimed monies in a bank or building society account

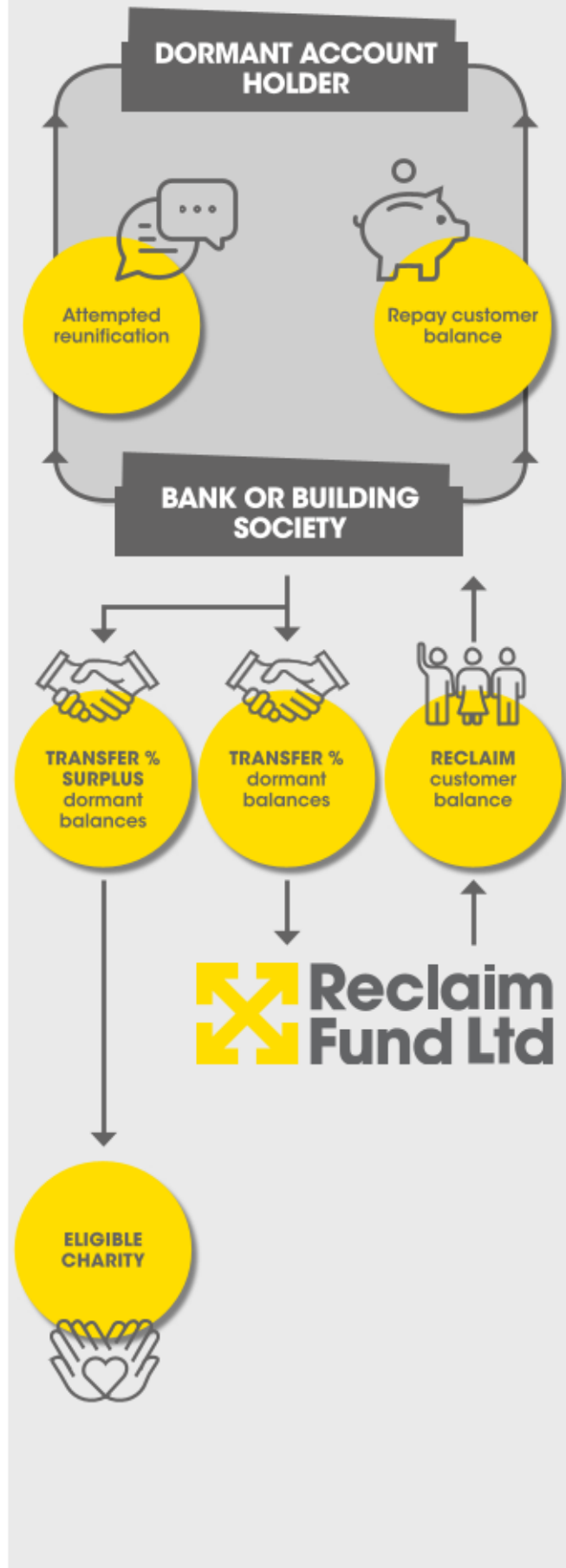
Please contact the bank or building society concerned or visit mylostaccount:

 mylostaccount.org.uk

MAIN SCHEME



ALTERNATIVE SCHEME



#ENHANCINGCOMMUNITIES

RFL is the pivot that links Government, industry and communities

As the regulated operator of the Scheme, RFL worked closely with Government to accelerate distributions following careful consideration by our Board to ensure that this was done prudently and in line with consumer protections.

COVID-19 FOCUS

As a result, in May 2020, Secretary of State for Culture, Media and Sport Oliver Dowden announced the release of £150m of dormant asset funding to be utilised to ease the impact of the Coronavirus pandemic on charities and social enterprises.

Big Society Capital, Fair4All Finance, Youth Futures Foundation and Access – the Foundation for Social Investment, repositioned previous funding and immediately started a number of programmes focused on emergency funding via various recovery and resilience schemes (see page 11).

As at today, over 250 front-line community organisations are due to benefit from this dormant asset funding at a time when it has never been more needed.

These four organisations continue to focus on the recovery phase by introducing a new blended flexible finance product and initiating programmes such as Inspiring Futures and expanding Affordable Credit Scale-up offerings.

OUR PURPOSE IN ACTION

We unlock the potential of dormant assets to enhance communities and enrich lives

fair4allfinance.org.uk 

OUR PURPOSE IN ACTION

FAIR4ALL FINANCE



 fair4all
finance

Fair4All Finance recognised that during the pandemic it was more important than ever that the financial system was supportive of the millions of people in vulnerable financial circumstances. They established a £5m Covid-19 Resilience Fund to help the community finance sector emerge from the pandemic in a resilient state.

The Fund was specifically designed to sustain capacity in the community finance sector and accelerate innovation to enable organisations to deliver better service to their customers, utilising technology where appropriate.

One example of this is Clockwise Credit Union who received a £215k grant for financial and technical support. This enabled Clockwise to introduce a Key Worker Loan with a lower interest rate than would normally be available. The loan could be accessed by NHS staff, supermarket staff and other key workers who needed additional support. Key workers used the loan to subsidise their overall household income due to partners losing or seeing reductions in their income, or to pay for costs of childcare to enable them to continue working. The grant enabled Clockwise to offer a lower interest rate with no negative impact to their business and the customer was able to access a more affordable loan.



For more information on how Fair4All Finance are working towards a fairer financial system, including their expanded Affordable Credit Scale Up Programme, please visit www.fair4allfinance.org.uk

 bigsocietycapital.com

Big Society Capital have invested over £125m since the first lockdown in a wide array of organisations, including utilising £25m to set up the Resilience and Recovery Loan Fund ('RRLF') which, as at January 2021, has approved loans of over £20m at social enterprises and charities.

One such example is the charity and close care housing provider, Belong, which creates village communities to enable older people to live the lives they choose and, in particular, to enable those living with dementia to retain choice and independence in as many areas of their lives as possible. The villages provide a range of support and housing options for older people, as well as extensive amenities at the village centre.

Many older people are unable to live completely independently and finding suitable care can be a challenge. Belong provides support through several options; 24-hour care including nursing and dementia support, which is provided in households for up to 12 people, while apartments are available for those looking to retain some independence with the reassurance of being part of a caring community.



OUR PURPOSE IN ACTION

BIG SOCIETY CAPITAL

**BIG
SOCIETY
CAPITAL**

Big Society Capital's £30m investment in The Rathbones Charity Bond Support Fund has enabled the further investment of £50m into the Belong charity bond. As a result of this investment, Belong has been able to expand its services and build new villages in Chester and Birkdale which are due to open in 2021/22.

Despite having to close villages to members of the public during lockdown in 2020, services continued where possible including outreach services offered to people in their own homes.

In 2020 Belong provided:

4,700

number of experience days

7,900

planned events and activities

63,400

number of hours of care

#ENHANCINGCOMMUNITIES

In response to the pandemic, Youth Futures Foundation partnered with BBC Children in Need to create the Inspiring Futures Fund – a £7m funding pot for youth and community organisations to support children and young people on their journey towards employment.

The funding prioritises reaching young people from marginalised backgrounds, including ethnic minorities, those with physical disabilities, young people with experience of care or the criminal justice systems, those with learning difficulties or mental health challenges, and young people from low-income families.

The Inspiring Futures Fund has made awards to 107 organisations across the UK. Friends, Families and Travellers (FFT) received a grant of £78k to support children and young people from the Gypsy and Traveller Community, many of whom face barriers to employment, including experience of homelessness, poor mental health related to displacement, harassment, and abuse. The funding has enabled FFT to provide digital skills training to support young people to fully participate in online education and social activities and improve access to future training and employment opportunities.

youthfuturesfoundation.org



OUR PURPOSE IN ACTION

YOUTH FUTURES FOUNDATION

£10m

Youth Futures Foundation brought forward to help organisations who support unemployed, disadvantaged young people across the country into jobs

OUR PURPOSE IN ACTION

NEWCASTLE BUILDING SOCIETY

The Alternative Scheme



Participating in the Dormant Accounts Scheme is a way to revitalise dormant funds, and helps us create a funding legacy in the name of our members for the benefit of people who need support right across our communities. By investing into our endowment fund at the Community Foundation, we're ensuring that support for our communities will continue for years to come."

ANDREW HAIGH

Chief Executive of Newcastle Building Society

newcastle.co.uk



In July 2020, Newcastle Building Society announced a new 6-year partnership with Newcastle United Foundation, which will see a £1.1m investment partly funded through the Dormant Account Scheme.

As well as supporting the Foundation's ambitious plans to develop a state-of-the-art community facility in the city, the Society is partnering with their NU: Futures programme, which supports thousands of children and young people across the North of Tyne region.

Newcastle United Foundation will use some of the money invested to develop a new community facility officially known as

'NUCASTLE powered by Newcastle Building Society'. Due to open early in 2022, and a five-minute walk from Newcastle United's home ground, the centre will be the new home of the Foundation and provide a city centre hub championing excellence in education, employment and physical and mental health and well-being.

#UKDORMANTASSETSScheme



UPDATE

NORTHERN IRELAND



In December 2020, Northern Ireland announced the launch of the Dormant Accounts Fund NI, utilising the £20m which has been allocated from the UK Dormant Assets Scheme.

The Fund is to be made available to benefit the third sector in Northern Ireland, through projects/work primarily delivered by Voluntary, Community and Social Enterprise organisations to increase capacity, grow resilience and encourage sustainability.

The programme will be delivered by The National Lottery Community Fund NI and the first phase opened for applications in January 2021, providing a flexible and responsive grant programme that will support organisations to adapt to future challenges and improve financial resilience.

The Expanded Scheme

In February 2020, Government launched a public consultation on the plans to expand the Dormant Assets Scheme to gather a wider set of views on the proposed approach. There were 89 responses to the consultation, representing more than 500 organisations and individuals. Respondents supported the proposals to expand the Scheme and offered recommendations on improving certain technical aspects.

The Government published its response to the public consultation in January 2021, setting out that expansion has the potential to bring £1.7bn of additional assets into the Scheme, making a potential £880m available, to a range of social and environmental initiatives.

The Government's response recognises that no other authorised reclaim funds have been established since 2008, when the original Act was passed, and notes that it intends to name RFL as the Scheme's only authorised reclaim fund in legislation. The response also sets out Government's position in relation to each respective sector and includes detail regarding the scope of assets, definitions of dormancy and reclaim values.

The Dormant Assets Scheme plays an important role in civil society, providing long-term, flexible funding and the Government has indicated its intention to legislate for Scheme expansion when Parliamentary time allows.

RFL, together with Industry Champions, sector working groups, Government, and the regulator, continue to work together on the technical and practical considerations required to ensure that the Expanded Scheme works effectively and efficiently for all sectors.

- Insurance and pensions
- Investment and wealth management
- Securities

www.gov.uk/government/publications/government-response-to-the-consultation-on-expanding-the-dormant-assets-scheme/government-response-to-the-consultation-on-expanding-the-dormant-assets-scheme

#ENHANCINGCOMMUNITIES

WHERE ARE THEY NOW?

Over the last 10 years, we have held 8 events to bring stakeholders together and demonstrate the impact of dormant asset funding. Beneficiary organisations from across the UK have attended over the years and we have taken the opportunity to see where they are now.

centrestagemt.org.uk 



OUR PURPOSE IN ACTION

CENTRESTAGE

CentreStage 

CentreStage uses the arts to connect communities, providing sustained access to inspire and engage people of all ages and backgrounds, addressing negative outcomes arising from deep rooted inequalities, isolation, and poor emotional wellbeing.

In 2013, CentreStage received funding originating from the Dormant Assets Scheme to deliver performing arts within Shortlees, Kilmarnock. This was one of CentreStage's earliest outreach projects and formed the foundation for their current model where, by providing creative opportunities to bring people together, positive relationships can be built. Social and geographic communities including schools, community hubs, prisons, and care homes, are able to provide wrap-around practical support and act as a conduit to wider services that can struggle to reach those in need.

Due to the funding received to date and the drive of the team at CentreStage, they have pushed forward and, in 2019, took ownership of Scotland's largest community-led asset transfer on the site of Kilmarnock Academy.

Since March 2020, the organisation has been focusing on food and wellbeing support for the most vulnerable across Ayrshire communities during the pandemic. Classes and production have been put on hold, while the team has focused on phone call check-ins, socially distanced visits and sharing some of their 'fun' activity online for everyone to enjoy at home.

CentreStage are now in the final stages of completing the £4.6m capital expenditure programme of transformation of the Academy. They will share the venue with wider organisations, collaborating to deliver their vision of a Scotland where everyone in society is able to realise their potential and achieve their hopes and aspirations, regardless of their circumstances and background.

1,500

Supported over 1500 adults and children to access healthy well-balanced meals

900

Over 900 people a week join various activities

80

Over 80 original productions created and performed

Renew Wales is a practitioner-led programme which helps communities in Wales reduce their carbon footprint, adapt to the impacts of climate change and live more sustainably. Renew Wales is funded via the Sustainable Steps programme which is run by The National Lottery Community Fund Wales originating from the Dormant Assets Scheme.

Established in 2001 in the Riverside area of Cardiff, Women Connect First ('WCF') is an independent resource centre for ethnic minority women, which provides a wide range of services and support.

Renew Wales were able to support WCF via a mentor providing building and energy audit reports as to how they might reduce energy costs and operate more sustainably. Through Dormant Asset funding, WCF has been able to replace the radiators in their building and employ a sessional worker to run interactive climate change workshops looking at various aspects of the topic that would help support women to come up with solutions to act together.



OUR PURPOSE IN ACTION
RENEW WALES

Participants included women who were originally from Italy, Pakistan, China, Bangladesh, Morocco, Turkey, Spain, Egypt, Jordan and Sudan, and with this input WCF are developing initiatives such as striving to be plastic-free, composting organic waste and encouraging meat-free days amongst staff and volunteers. They have also begun work towards achieving a Green Dragon award (an environmental standard awarded to organisations who are taking action and monitoring their environmental impact).

£1m

£1m into grass-roots organisations in Wales

512

Community groups supported to create Climate Change Action Plans

130

Over 130 community buildings helped to be more energy efficient

60+

60+ green spaces & community gardens created or enhanced

During 2014 and 2015, Beat received funding originating from the Dormant Assets Scheme which has been used to expand their key volunteering programme in Scotland - the Beat Ambassador programme.

This expansion became a springboard for a full transformation of the programme throughout the UK. The programme empowers people who have been affected by eating disorders to share their experiences and provides a vital message that aims to prevent others suffering as they have. As a result of the funding, Beat have recruited over 200 volunteers across the country and now reach thousands of people annually with the message that everyone who is affected by eating disorders deserves support and no-one should suffer alone.



OUR PURPOSE IN ACTION
BEAT



Beat has been the greatest thing I've ever done. It gets better and better every year. It has given me so much and kept me well. Beat has given me a voice that I have developed and gained the confidence to use properly."

Beat Ambassador

BUSINESS REVIEW

PRINCIPAL ACTIVITIES

The principal activity of RFL is the receipt and management of dormant account monies. The Company has been actively operating since 28 March 2011.

The Company was established as a wholly owned subsidiary of the Co-operative Group Limited via its subsidiary Co-operative Financial Services Limited (now known as ASIL), following the introduction of the Act. Late in September 2019, the ONS informed the Government of its decision to classify RFL to the Central Government Sector for statistical purposes, effective retrospectively to RFL's establishment. As a result of the ONS classification, RFL was included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Amendment Order 2020 and became part of the budgetary regime, being consolidated in HMT's accounts and classified as a NDPB. The shares in the Company were subsequently transferred by ASIL to the Solicitor for the Affairs of Her Majesty's Treasury in its capacity as nominee for HMT on 30 March 2021.

The Act enables those banks and building societies, that choose to participate, to transfer money from their dormant accounts to the Company and for surplus funds to be distributed to TNLCF and then onwards to good causes across the UK. This is known as the Main Scheme.

Also available for Participants to join is the Alternative Scheme, which enables banks and building societies with balance sheet asset values below £7bn, to utilise their qualifying dormant accounts to transfer an agreed proportion of a dormant account balance to the Company and the remaining portion to one or more eligible charities.

Both Schemes ensure that the right of account holders to reclaim their money, at any time, is protected in perpetuity by transferring the individual's claim against their bank or building society to RFL.

The strategy of the Company is aligned to the operational activities permitted under the Dormant Bank and Building Society Accounts Act 2008 and its articles of association. It is permitted under the Act and its articles of association to invest funds and to defray administrative costs and other reasonable expenses.

REVIEW OF THE YEAR

During the year, the Company accepted £89.0m (2019: £146.5m) of dormant account monies from 16 of the 31 Main Scheme participating UK banks and building societies (2019: 20 of 29). In total the Company accepted the liability for £1.5m (2019: £1.6m) of dormant account monies from Alternative Scheme Participants in the year, which under the terms of the agreement translated to £0.6m of dormant asset transfers in 2020 (2019: £0.6m).

A number of reclaims were paid to Main and Alternative Scheme Participants during the year, amounting to £12.9m (2019: £12.9m). Given the limited reclaim experience to date, provisioning for future reclaims remains in line with previous years, with an additional provision recorded in the year of £36.2m (2019: £59.2m).

The Company is run on a not-for-profit basis and, accordingly, profit after tax was £nil (2019: £nil). Net assets at the balance sheet date were £73.7m (2019: £73.7m). The only distributions the Company is permitted to make are to TNLCF in support of good causes.

Distributions paid for the year were £68.5m (2019: £71.8m). The Company has approved further amounts of £90.3m in 2020 and £54.0m in February 2021, which are available for immediate distribution to TNLCF.

2020 KEY HIGHLIGHTS

- Banks and building societies participating in the Scheme transferred a further £89.6m to RFL in 2020, bringing the total to over £1.44bn since inception.



- We have paid £68.5m and committed a further £144.3m to TNLCF in support of good causes.



- We welcomed Cambridge Building Society as our second participant to the Alternative Scheme, alongside R Raphael and Son PLC and CIMB Berhad who joined the Main Scheme.



KEY PERFORMANCE INDICATORS

During the year, the Board and its Committees have reviewed the Company's performance through key performance indicators ('KPIs'), the results of which provide an overview of its Participants, stakeholders, processes and financial strength.

NON-FINANCIAL KPIs

<p>Participants</p> <p>Level of participation in the Scheme by banks and building societies.</p> <p>↗</p>	→	<p>During the year, amounts were received in respect of dormant accounts from 16 of the 31 Main Scheme participants (2019: 20 of 29), with R Raphael and Son PLC and CIMB Berhad joining the Main Scheme. Additionally, Cambridge Building Society joined the Alternative Scheme.</p>
<p>Suppliers</p> <p>Agreements with outsourced service providers set service level standards on quality, cost and timeliness.</p> <p>↗</p>	→	<p>All outsourced services were provided to the Company at agreed costs and all services were delivered to standards set out in service level agreements.</p>
<p>Processes</p> <p>Compliance with regulations and contracts with external parties.</p> <p>↗</p>	→	<p>There were no breaches of any regulations or contracts with external parties during the year.</p>

FINANCIAL KPIs

AMOUNTS RECEIVED FROM PARTICIPANTS

£89.6m

(2019: £147.1m)

In 2020, Main Scheme transfers are in line with management's expectation, taking total transfers since inception to more than £1.44bn. We welcomed our second new member to the Alternative Scheme.

LIQUIDITY - CASH HELD

£342.1m

(2019: £329.9m)

We predominantly hold cash balances with the Bank of England, which provides a highly liquid, secure position, with some cash being held by our Investment Manager.

CAPITAL AND RESERVES

£73.7m

(2019: £73.7m)

The Board has determined that RFL holds sufficient capital to run the business in the long term.

OPERATING COSTS¹

£3.1m

(2019: £2.9m)

The increase in operating costs reflects the additional business activities undertaken in 2020. These include support for the uptake in the Alternative Scheme, legal support on reviewing our ownership model, necessary liaison with Government Departments and the Board Effectiveness Review. Annual budgets are reviewed and approved by the Board, with costs being regularly monitored.

INVESTMENT SECURITIES HELD

£350.4m

(2019: £353.7m)

We maintain a highly liquid, secure position, with maturing bonds and coupons generated from the investment portfolio being re-invested.

DISTRIBUTIONS PAID TO THE NATIONAL LOTTERY COMMUNITY FUND

£68.5m

(2019: £71.8m)

Distributions of £68.5m were paid in the year, taking cumulative distributions paid to date to £655.5m. An additional £90.3m was approved in 2020 together with a further £54.0m in February 2021. Both amounts are available for immediate distribution.

¹ Operating costs exclude investment management fees.

BUSINESS REVIEW

SECTION 172 STATEMENT

Directors' duty to RFL's wider stakeholder base

RFL's unique status as a reclaim fund is constituted in accordance with the Dormant Bank and Building Society Accounts Act 2008. The Directors of RFL have a duty to act in a manner that they consider in good faith will best achieve the Company's purpose.

The Board is acutely aware of its responsibilities to ensure the long-term success of the Company, and to demonstrate its alignment to the Section 172 statement required by the Companies Act 2006.

The Board has analysed the wider stakeholder base and has considered each stakeholder as detailed below:

DORMANT BANK AND BUILDING SOCIETY ACCOUNT HOLDERS

Sufficient funds must be available to meet reclaims of any dormant account balances in perpetuity. As a result, careful analysis, including extensive work on reclaim modelling, has been undertaken by the Board to ensure dormant balance transfers to RFL from Participants are reserved and invested prudently to meet all future obligations. The Company is aware of the impact of COVID-19 on businesses generally, and consideration was given to possible increases in reclaim rates due to the potential financial impacts of COVID-19, causing account holders to seek their lost funds. We communicated regularly with our Participants on this matter during 2020 and are satisfied that no trends were developing which might impact on the current reclaim provision and the modelling work being undertaken.

SUPPORTING GOOD CAUSES

Our purpose is to unlock the potential of dormant assets to enhance communities and enrich lives, which drives us to focus on seeking to distribute excess funds via TNLCF. The pandemic in 2020 prevented us from holding our Annual Event which showcases some of the good causes which have received funds from the Dormant Asset Scheme since our inception. Nevertheless, we continued to communicate the benefits of the Scheme through our quarterly newsletter to Participants and through the use of social media in promoting the beneficiaries of the Scheme.

OUR PARTICIPANTS

We have regular communication with our Participants, supporting them in their main operational activities of transfer and reclaims. This includes, but is not limited to, visits, the annual self-certification questionnaire, discussions regarding other potential dormant assets and knowledge sharing for Scheme expansion. We provide on-going support and assistance to any potential Participants and new joiners to both the Main and Alternative Schemes.

OUR PARENT

Throughout 2020 and into 2021, we have continued to be supported by our previous owner, Angel Square Investments Limited, and our ultimate parent, the Co-operative Group Ltd, and have valued their helpful, productive and progressive input into the change in ownership of RFL. We are grateful for their support since RFL's creation and its advice through their ten years of stewardship. Late in September 2019, the Office for National Statistics classified RFL as a NDPB for the purposes of statistical analysis. As a result, RFL became a NDPB owned by HMT which will continue to operate independently as an Arms-Length Body. We look forward to working closely with our new parent as we embark on Scheme expansion.

OUR EMPLOYEES

RFL has only a small team of staff, with several activities being outsourced to third parties. Staff engagement is strong, an open culture is encouraged, and the Board supports management's investment in its workforce, providing support for training and development. With the onset of COVID-19, the team were required to move to full-time working from home; this new way of working was embraced by all team members with the business continuing to achieve its plans in 2020. RFL was awarded Gold Investors in People status in 2019 which was re-accredited in 2020 and has also been accredited as a Living Wage employer.



GOVERNMENT

The recommendation of the Dormant Assets Commission to expand the Scheme to other dormant asset classes has allowed both the Board and management to engage with Government as a trusted advisor in the initial moves to propose new asset classes from other industry sectors in order to develop the Scheme. During 2020, the Government held a public consultation on expanding the Dormant Asset Scheme. In January 2021, it published its response to the consultation. This confirmed the Government's intention to bring forward Primary Legislation to expand the Scheme into three new asset classes: Insurance and pensions; Investment and wealth management; and Securities. We continue to engage with DCMS and HMT to support development of Scheme expansion.

OUR REGULATOR

The Company operates in a regulated financial services environment and is subject to legislative and regulatory requirements, with its sole regulator being the FCA. Our Chief Executive maintains regular contact with our FCA supervisor over regulatory matters. The Board and management have put robust systems and controls in place and regularly check that they are operating effectively to ensure that the Company continues to operate within its regulatory framework.

OUR SUPPLIERS

RFL's suppliers are categorised by our internal policies, which set out the relationship approach taken. RFL undertakes regular reviews with specified suppliers with particular emphasis on our key suppliers, with whom we meet twice yearly to ensure that both suppliers and RFL remain satisfied with the service arrangements. We maintain regular contact with our suppliers with due consideration being given to the Modern Slavery Act and General Data Protection Regulation. Whilst the onset of COVID-19 impacted the team's ability to work from our office, it did not change the interactions with our suppliers and the quality of service delivery.

ENVIRONMENT

We are committed to managing our use of resources and the resultant environmental impact. We continue to focus on areas that are most relevant to RFL, our people and our suppliers. We will continue to review climate change regulation and adapt our operations where necessary to ensure we align to our purpose, mission and values.

RISK MANAGEMENT PRINCIPAL RISKS AND UNCERTAINTIES

The Company operates in a regulated environment and is subject to legislative and regulatory requirements, with the sole regulator being the FCA. Within the constraints of the Dormant Bank and Building Society Accounts Act 2008, the Board is responsible for strategy and for overall corporate governance, which includes ensuring that there are adequate systems of risk management and that the level of capital held is consistent with the risk profile of the business.

The Board is responsible for setting the Company's risk appetite and ensuring that appropriate risk management systems are in place. The Board reviews the Company's principal risks throughout the year as part of its rolling agenda, adopting an integrated approach to risk management and regularly assessing the principal risks. Throughout the year, RFL has managed its risks to ensure that it complies with the Act.

Whilst the Board retains oversight of risk management, day-to-day responsibility is delegated to the Executive, including the identification, evaluation and monitoring of key risks facing the Company and the implementation of Company-wide risk management processes and controls.

The Executive is supported in this by the Executive Risk Committee, which keeps the effectiveness of the Company's risk management systems under review and reports to the Board regularly on the results of its review. The occurrence of any material control issues, serious accidents, major commercial, financial or reputational issues, or any new emerging risks is reported to the Board and Audit & Risk Committee ('AARC') as appropriate on a timely basis.

HOW THE COMPANY MANAGES RISK

The Company has three lines of defence through which it manages significant risks, overseen by the Board and AARC:

1st line: Risk ownership and control by the business is part of day-to-day operations under the direction of the Executive.

2nd line: The Company's Risk and Compliance function, under the direction of the Chief Risk Officer ('CRO'), monitors adherence to the procedures set out by the Executive, assesses risk across the business on a regular basis and provides guidance to the business on the application of best practice risk management. It reports on a regular basis to the Board and AARC and the CRO has direct access to the Chair of the AARC at any time.

3rd line: Independent assurance over the Company's risk management, control and governance processes is provided by the Company's internal audit service provider, which has a direct reporting line to AARC.

ENTERPRISE RISK MANAGEMENT

The Company's Enterprise Risk Management framework facilitates a common, Company-wide approach to the identification, analysis, and assessment of risks and the way in which they are managed, controlled and monitored.

The principal risks facing the Company are:

1. RECLAIM RISK

Reclaim risk is the risk that the Company does not retain sufficient funds to meet future reclaims in perpetuity. The Company's policy is to maintain prudent provisions for future reclaims to reflect the longevity of the risk of reclaim. The level of reclaims is rigorously monitored on an ongoing basis.

BUSINESS REVIEW

2. STRATEGIC AND BUSINESS RISK

Strategic and business risk arises from changes to the Company's business, specifically the risk of not being able to carry out the business plan and desired strategy. In a broader sense, strategic risk is the Company's exposure to a wide range of macro-economic, geo-political, banking, regulatory and other external risks, particularly relating to dormant accounts. The overall risk level increases when a number of risks combine together at a single point in time. In a narrow sense, business risk is the risk that the Company suffers losses because income falls or is volatile relative to the fixed cost base. The Board and Executive continually consider the impact on RFL's Strategic Objectives from any Brexit transition period outcomes following its recent completion.

3. REGULATORY RISK

The Company operates in a regulated environment and is subject to significant legislative and regulatory requirements, having a unique classification of 'Dormant Account Fund Operator'. It is regulated by the FCA.

The Company also monitors the following risks:

4. OPERATIONAL RISK

Operational risk is defined within the Company as the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. This encompasses the effectiveness of risk management techniques and controls to minimise these losses. Examples include internal and external fraud, loss of key personnel, IT system or software failures and external events over which the Company has limited control such as terrorist attacks and floods. These considerations include the risk of cyber-crime, although exposure is limited as RFL retains no customer data.

5. LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company's policy is to ensure it has sufficient funds to fulfil liabilities as they fall due. Liquidity and funding risk is mitigated through effective cash management. The Company operates within a strict investment mandate, which ensures that, at all times, a substantial proportion of the Company's assets are held in a highly liquid form.

6. CREDIT RISK

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from cash deposits, and from the Company's investments. Investment decisions are made in line with a strict investment mandate in order to manage the Company's exposure to credit risk. Investments comprise fixed income investments, with initial purchases being restricted to investments graded no lower than A-.

7. MARKET RISK

Market risk is the risk that the Company takes through exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest income may decrease as a result of such changes. The Company has limited exposure to market risk as its fixed income investments are held until they mature.

The Strategic report on pages 4 to 20 is approved by the Directors.

ADRIAN SMITH
Chief Executive

20 April 2021



Governance

INTRODUCING OUR BOARD

A DILIGENT, KNOWLEDGEABLE AND RESPONSIBLE BOARD OF DIRECTORS



OUR COMMITTEES AND COMMITTEE CHAIRS

The Board has delegated certain responsibilities to the four Committees below, each of which has written terms of reference covering the authority delegated to it by the Board. Each of these Committees has a role in ensuring the effectiveness of the Company.

The Audit and Risk Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, systems of internal control, risk management, the internal capital adequacy process, and internal and external audit. Its remit also includes matters relating to whistleblowing and compliance with applicable regulations and legislation, including the Dormant Bank and Building Society Accounts Act 2008.

The Investment Committee supports the Board and the Chief Executive in the development and implementation of the RFL Investment Strategy. It also monitors the ongoing performance and compliance of the nominated Investment Manager and Custodian and ensures adherence to the Board agreed investment mandate.

The Nomination Committee leads the process for Board appointments, ensuring a rigorous search and selection process based on its evaluation of the balance of skills, knowledge and experience required on the Board.

The Remuneration Committee considers and approves the remuneration arrangements for the Chair, the Executive Director and Senior Management. In line with the UK Corporate Governance Code, Non-Executive Director remuneration is a matter which is agreed by the whole Board, following recommendation from RFL's Nomination Committee.



Find out more on page 24

GOVERNANCE FRAMEWORK BOARD OF DIRECTORS

Audit and Risk Committee

The Audit and Risk Committee is chaired by Glyn Smith.

Investment Committee

The Investment Committee is chaired by James Hardie.

Nomination Committee

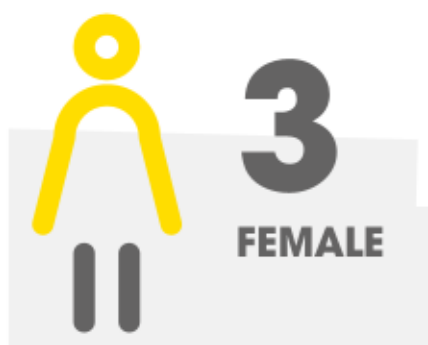
The Nomination Committee is chaired by Jane Hanson.

Remuneration Committee

The Remuneration Committee is chaired by Jenny Watson.

THE BOARD

BOARD COMPOSITION



COMMITTEE MEMBERSHIP KEY

- Committee chair
- A Audit and risk committee
- I Investment committee
- N Nomination committee
- R Remuneration committee

1 JANE HANSON JP, BA (Hons), FCA Chair

Appointed: 7 October 2011

Experience: Jane joined the Board in 2011 and served as Chair of the Audit and Risk Committee prior to being appointed as Board Chair on 18 August 2014. A Fellow of the Institute of Chartered Accountants with over 25 years' experience in financial services. Jane is also a Non-Executive Director and Chair of the Board Risk Committee at Direct Line Insurance Group plc, Non-Executive Director of William Hill plc, Welsh Water plc and Rothery Life plc. Jane is also the Honorary Treasurer at the Disasters Emergency Committee. Her previous executive roles include Risk and Governance Director at Aviva plc. Jane is also a Magistrate.

Committees: N R

2 ADRIAN SMITH MBA Chief Executive

Appointed: 16 November 2010

Experience: Adrian joined the Board in 2010. He was previously a senior leader at Britannia Building Society, Bank of Ireland and Bristol & West Building Society and a former Non-Executive Director of Mutual Plus Ltd. Adrian was responsible for leading the project to establish Reclaim Fund Ltd during 2009/10 and was subsequently appointed as Chief Executive. Adrian is also a member of the Dormant Assets Advisory Board.

Committees: I

3 KATHERINE GARNER BSC (HONS), FIA Non-Executive Director

Appointed: 19 December 2018

Experience: Katherine joined the Board in 2018. A Fellow of the Institute of Actuaries since 1997, she is currently the Chief Executive Officer of Sun Life Financial of Canada in the UK and a member of its Board of Directors. Katherine started her employment with Sun Life Financial of Canada in 2008 and held various positions before taking the role of Chief Executive Officer in 2013. Prior to this Katherine was employed by HSBC, where her roles included, Head of Operations, Head of Life Insurance and also Finance Director of the Dublin life company and Deputy Head of Investments in the UK.

Committees: A I

4 JAMES HARDIE MA (HONS), MBA Non-Executive Director

Appointed: 2 July 2015

Experience: James joined the Board in July 2015 as an independent Non-Executive Director and is Chair of the Investment Committee. James is Director of Investment Management and Treasury at Direct Line Insurance Group plc.

Committees: I A

5 GLYN SMITH MA, FCA Senior Independent Director

Appointed: 4 February 2015

Experience: Glyn joined the Board in February 2015 and was appointed Senior Independent Director in 2020. He is also Chair of the Audit and Risk Committee. A chartered accountant with over 40 years' experience in financial services. Glyn held a number of senior executive positions at Barclays Bank and was Group Finance Director of Partman Building Society. He is currently also a Non-Executive Director and Chair of the Audit Committee of The Co-operative Bank plc and Chair of the West Bromwich Building Society Pension Trustees. He has held a number of public and private sector Non-Executive Directorships, including Domestic & General Group, Coventry Building Society, Stroud & Swindon Building Society, FCO Services and Covent Garden Market Authority.

Committees: A N R

6 JENNY WATSON CBE, BA, MA Non-Executive Director

Appointed: 3 January 2019

Experience: Jenny joined the Board in 2019. She is Chair of the House of St. Barnabas, a social purpose business in London's Soho and of GAMSTOP. A previous Chair of the Electoral Commission and Equal Opportunities Commission, she started her early career in the not for profit sector. She is currently a Non-Executive Director on the Board of the Financial Reporting Council.

Committees: A N R



JANE HANSON
Chair



ADRIAN SMITH
Chief Executive



KATHERINE GARNER
Non-Executive Director



JAMES HARDIE
Non-Executive Director



GLYN SMITH
Senior Independent Director



JENNY WATSON
Non-Executive Director

CORPORATE GOVERNANCE REPORT

The Company voluntarily follows the spirit of the UK Corporate Governance Code ('the Code') as a way of providing assurance to stakeholders around our operations and control framework. Although, technically, the Code only applies to premium listed companies, the RFL Board continues to firmly believe in the benefits of good governance practices.

In 2019 an independent review highlighted that the RFL Board operated effectively with a highly skilled board of Directors, ably led by the Chair. The review also emphasised that the Committees were well run, with experienced Chairs and that staff were capable, led by a committed Chief Executive. Some minor improvements were recommended and in 2020 the Company's Chief Risk Officer commenced a review of the Company's governance arrangements, which was presented to the Board in early 2021. The purpose of the review is to enhance, improve and streamline current governance arrangements without jeopardising the strong governance that is currently in place. Further refinements to our governance arrangements will be made as part of the transition to our new owners.

ROLES AND RESPONSIBILITIES OF THE BOARD

To ensure the successful delivery of the Company's strategy, the Board and its Committees have been established with an appropriate balance of relevant skills, sector knowledge, experience, independence and diversity to enable the Directors to exercise their duties and responsibilities effectively. The Board currently includes three female Directors (50%), and remains committed to furthering its skills and diversity.

The Directors are committed to leading and controlling the Company effectively. The Board is responsible for the success of the Company within a framework of controls, which enables risks to be assessed and managed. It is responsible for setting strategy, maintaining the policy and decision-making framework in which this strategy is implemented, ensuring that the necessary financial and human resources are in place to meet strategic aims, monitoring performance against key financial and non-financial indicators, overseeing the system of risk management and setting values and standards in governance matters.

The Board is accountable for the careful direction of the Company's affairs, in particular the safe stewardship of funds held to meet future reclaims by dormant account holders and the optimisation of payments to The National Lottery Community Fund for good causes.

Under the Company's governance arrangements, certain key decisions can only be made by the Board and may not be delegated to management. The matters reserved to the Board are set out in a formal Schedule of Matters Reserved to the Board.

The Board manages these matters at its regular Board meetings. It met seven times during 2020.

The assignment of responsibilities between the Chair and the Chief Executive is documented to ensure a clear division between running the Board and the Executive responsibility for running the Company's business.

This year saw the retirement of Adrian Coles from the Board. He served as Senior Independent Director, a post he had held since December 2014. We are grateful to Adrian for his valuable contribution over the past ten years. Glyn Smith was subsequently appointed as the Senior Independent Director in October 2020 and is available to employees and stakeholders if they have concerns that are unresolved after contact through the normal channels or where such contact would not be appropriate.

Mark Summerfield also left the Board in 2020. Mark joined the Board in April 2015 as a shareholder appointed Non-Executive Director. We are grateful to have benefited from his considerable skills and experience over the last five years. Following the sale of RFL to HMT in March 2021, Dominic Kendal-Ward, a shareholder appointed Non-Executive Director also left the Board. We were also grateful to have benefited from his knowledge and expertise as we transitioned to our new owner.

The aggregate emoluments of the Directors of Reclaim Fund Ltd for the year were £445k (2019: £512k). The reduction follows a period of overlap of retiring and joining Non-Executive Directors in 2019.

BOARD MEETINGS

The agenda for each Board meeting is set by the Chair in consultation with the Chief Executive and Company Secretary and is informed by a two-year rolling agenda. This sets the framework for Board meetings and seeks to ensure that each meeting covers an appropriate range of topics and that, over the two-year period, the Board covers its whole remit. The rolling agenda is reviewed at each Board meeting so that all Directors are aware of agenda items for forthcoming meetings.

Board and Committee papers are distributed at least one week in advance of meetings. This provides the opportunity for Directors to prepare fully for meetings. The minutes of all meetings are available to all Directors. Tablets have been provided to Directors to provide all Board papers, including additional supporting material, solely in electronic format. This is more efficient for Directors, more environmentally sound and more secure than providing Board documentation in paper format.

There is regular communication between the Directors, the Chair, the Chief Executive and the Company Secretary between meetings. In light of the move to remote working and the restrictions on travel due to the COVID-19 pandemic during 2020, the majority of the Board and Committee meetings were held remotely, via video conference, which has proved to be successful.

When a Director is unable to attend Board or Committee meetings, issues can be raised with the Chair. Communication between Non-Executive Directors and management is encouraged between meetings.

REGULAR BOARD BUSINESS

At every quarterly meeting, the Board receives reports from the Chief Executive and the Chief Risk Officer, as well as key performance indicators and an update from the Company Secretary. The Chairs of the four Board Committees (Audit and Risk, Investment, Nomination and Remuneration) also present a summary of issues raised, decisions made, and recommendations proposed at recent Committee meetings. These are noted and discussed further by the Board as required.

SPECIFIC AREAS OF FOCUS

In addition to covering the regular business discussed above, Board meeting agendas are developed in line with the Company's strategic priorities, regulatory trends and other external factors. A rolling agenda of items for Board consideration and approval is maintained and regularly updated. During 2020, the COVID-19 pandemic was a key focus for the Board, together with the related impact on not only the Company's investments but also the Company's employees and other stakeholders, including the wellbeing of the workforce following the move to remote-working. A direct consequence of the COVID-19 pandemic was the decision to accelerate the approval of the 2020 distribution to the National Lottery Community Fund. This decision was made as the Board thought it important to provide what support it could to the national effort to provide urgently needed funding to the voluntary sector in response to the COVID-19 pandemic.

During the year, there has been considerable focus on the development of the Company's communications strategy which has seen a re-launch of our website and an increase in our social media presence. The Company provided its own response to the public consultation on the proposed expansion of the Dormant Assets Scheme to which the Government published its response in early 2021. The Board is proud to be named as the Scheme's only intended authorised reclaim fund.

In addition, the Board discussed, *inter alia*, new investment opportunities, the new ownership model, the Company's reclaim provisioning policy, risk management and governance matters, a post-implementation review of the new IT system, policies and procedures, appropriate performance measures and corporate governance. As the Board is committed to environmental considerations, it is also monitoring any climate-related disclosures it may consider appropriate or desirable to make, although it is currently excluded from any obligations to do so either under the Code or FCA requirements.

BOARD COMMITTEES

The Board has delegated certain specified responsibilities to the four Committees listed below, each of which has written terms of reference covering the authority delegated to it by the Board. Each of these Committees has a role in ensuring the effectiveness of the Company.

AUDIT AND RISK COMMITTEE ('AARC')

The AARC receives reports from the Company's internal and external auditors, the Chief Risk Officer and the Risk and Compliance functions. Its remit includes matters relating to compliance with applicable regulations and legislation, including the Dormant Bank and Building Society Accounts Act 2008, the effectiveness of systems of internal control, risk management, the internal capital adequacy assessment process, oversight of internal and external audit, whistleblowing and the Annual Report and Accounts.

During the year the AARC comprised:

- Glyn Smith (Chair)
- Katherine Garner
- James Hardie
- Jenny Watson

The AARC met five times during 2020.

At each meeting, the AARC received reports from the Chief Risk Officer and the internal auditors, including reports on individual audits undertaken. These reports informed the Committee's views when considering the annual assessment of the adequacy of the Company's systems of internal control. As in previous years, the AARC reviewed the Annual Report and Accounts in detail, together with the external auditor's report thereon. The AARC paid particular attention to process and control issues and considered key areas of accounting judgement, with particular emphasis on the provision for reclaims of dormant account balances. The Committee also considered the Going Concern and Viability Statement assessment and reviewed the impact of the new accounting standard for leases. The AARC also considered the impact of the COVID-19 pandemic and the possible longevity of risks associated with it.

CORPORATE GOVERNANCE REPORT continued

AUDIT AND RISK COMMITTEE ('AARC')

continued

The Committee satisfied itself that the Annual Report and Accounts, taken as a whole, were fair, balanced and understandable and provided the information necessary for stakeholders to assess the performance, strategy and business model of the Company.

The AARC also reviewed the annual plans of the external auditors, the internal auditors and the Risk function and undertook its biennial review of the effectiveness of internal audit.

In addition to the regular reports referred to above, the AARC considered current and projected risk and capital positions and reports on key risk areas both from management and external experts. It also conducted an annual review of Participant agency agreements and considered the accounting and regulatory implications of a revised reclaim model. The Committee also received reports on RFL's whistleblowing arrangements. The Committee met twice with each of the internal and external auditors, without the presence of management.

The Board is satisfied that at least one member of the AARC has recent and relevant financial experience with competence in accounting and auditing, and that the Committee as a whole has competence relevant to the sector in which it operates.

INVESTMENT COMMITTEE

The Investment Committee supports the Board and the Chief Executive in the development and implementation of the RFL Investment Strategy and provides assurance to the Board with regard to the ongoing performance and compliance of the nominated Investment Manager and Custodian with the Board agreed investment mandates and requirements.

During the year the Committee comprised:

- James Hardie (Chair)
- Adrian Coles (until 30 September 2020)
- Katherine Garner
- Adrian Smith (from 6 April 2020)

The Committee met nine times during 2020. This was more frequent than in 2019, as the Committee deemed it necessary in order to closely monitor the evolving economic situation arising due to the COVID-19 pandemic.

During the year, the Investment Committee's activities also included consideration of the potential impact of Brexit, the possibility of negative interest rates, and credit ratings. It also regularly reviewed the performance and reporting of the Investment Manager. Early in the year the Board approved the Committee's recommendation for a further £50m investment with the Investment Manager although, in light of the economic uncertainties following the emergence of the COVID-19 pandemic, only a small portion of this sum was invested, with the remainder being held in cash until there was less economic uncertainty.

NOMINATION COMMITTEE

The Nomination Committee leads the process for Board appointments, ensuring a rigorous search and selection process based on its evaluation of the balance of skills, knowledge and experience required on the Board.

During the year the Committee comprised:

- Jane Hanson (Chair)
- Adrian Coles (until 30 September 2020)
- Glyn Smith
- Jenny Watson (from 19 February 2020)

The Committee did not meet in 2020. It was considered important for the whole Board to consider changes to Committee membership and the extension of Board tenure, and these were duly addressed by the whole Board this year.

REMUNERATION COMMITTEE

The Remuneration Committee considers and approves the remuneration arrangements for the Chair, the Executive Director and senior management. In line with the UK Corporate Governance Code, Non-Executive Director remuneration is a matter which is agreed by the whole Board, following recommendation from RFL's Nomination Committee.

During the year the Committee comprised:

- Adrian Coles (Chair) (until 23 April 2020)
- Jane Hanson
- Glyn Smith
- Jenny Watson (Chair) (from 23 April 2020)

The Committee met four times during 2020.

During the year, the Remuneration Committee reviewed the 2020 performance and bonus awards for the Chief Executive, senior management and employees and continued its work on reviewing the framework for the employee bonus scheme, taking into consideration the COVID-19 pandemic and the anticipated impact on the Company's business.

ATTENDANCE

The following table sets out the number of Board and Board Committee meetings each Director was eligible to attend (number in brackets) along with the actual meetings attended during 2020.

Directors	Full Board	AARC	Investment Committee	Nomination Committee	Remuneration Committee
Adrian Coles	5 (5)	-	8 (8)	-	3 (3)
Katherine Garner	7 (7)	5 (5)	9 (9)	-	-
Jane Hanson	7 (7)	-	-	-	4 (4)
James Hardie	7 (7)	5 (5)	8 (9)	-	-
Dominic Kendal-Ward	5 (7)	-	-	-	-
Adrian Smith	7 (7)	-	7 (7)	-	-
Glyn Smith	7 (7)	5 (5)	-	-	4 (4)
Mark Summerfield	7 (7)	-	-	-	-
Jenny Watson	7 (7)	5 (5)	-	-	4 (4)

PROVISION OF ADVICE TO DIRECTORS

There is an agreed procedure by which Directors may take independent professional advice at the Company's expense in furtherance of their duties.

TRAINING AND PROFESSIONAL DEVELOPMENT

The Chair and the Board actively encourage the ongoing professional development of the Directors. Training sessions had also been built into the Board and Committee agendas for 2020 but, given that the first planned training day coincided with the start of the COVID-19 pandemic in the UK, it was decided to postpone this session. A training session on cyber security was held in November. Further training sessions (including on the development of expanded dormant assets) are planned for 2021.

BOARD AND BOARD COMMITTEE EVALUATION

The Board has agreed to undertake a review of its effectiveness and that of its Committees on a two-year cycle, alternating between a high level review and a full independent review, both of which are completed every four years.

An independent review was carried out in 2019 and, in early 2020, Independent Audit formally presented its findings to the Board, concluding that the RFL Board operated effectively with a highly skilled Board, ably led by the Chair.

The Board continues to review and monitor its effectiveness and to consider the minor areas the report suggested for improvement, such as simplification of our governance arrangements. The Board intends to run a self-evaluation review in 2021.

THE SECRETARY TO THE BOARD

The Secretary is professionally qualified and is responsible for advising the Board through the Chair on all governance matters. The Directors have access to the advice and services of the Secretary.

The Articles of Association and the schedule of Matters Reserved to the Board for decision provide that the appointment and removal of the Secretary is a matter for the full Board. Vistra Company Secretaries Ltd was Secretary throughout the year.

OWNERSHIP

RFL is ultimately owned by the Treasury Solicitor as nominee for HM Treasury, following the acquisition from the Co-operative Group Ltd, via its subsidiary Angel Square Investments Limited, on 30 March 2021.

EXTERNAL AUDIT

The performance of the external auditors is regularly monitored by the AARC to ensure it meets the needs of the Company.

RFL has a non-audit work policy that establishes the principles by which it is able to appoint the external and internal auditors for non-audit services. The policy also establishes a framework governing the process by which non-audit services are approved. The AARC reviews this policy on a triennial basis and it is due for review in 2021. No non-audit services were provided by the external auditors during 2020.

INTERNAL AUDIT

The internal audit function is an independent function, which reports to the AARC. Its primary role is to provide assurance over the adequacy and effectiveness of the internal control framework including risk management practices.

Internal audit seeks to discharge the responsibilities set down in its charter by completing a risk based internal audit plan, that is approved by the AARC on an annual basis. The plan sets out a framework for the review of business processes and ensures that key business risks are effectively managed by key controls.

Deloitte LLP provided internal audit services to the Company throughout the year and prepared a report on the governance arrangements under the new remote working regime.

CORPORATE GOVERNANCE REPORT continued

INTERNAL AUDIT continued

The AARC carries out a formal review of the effectiveness of the outsourced internal audit function every two years. The next formal review of the internal audit function will be conducted in 2021 and, as such, no formal review was carried out in 2020. Internal audit also acts as a source of constructive advice and best practice, assisting senior management with its responsibility to improve the processes by which business risks are identified and managed.

Internal audit reports are submitted to, and significant issues arising are considered at, the AARC.

THE LEADERSHIP TEAM

It is the responsibility of the leadership team to implement the strategic objectives agreed by the Board. The leadership team, led by the Chief Executive, is responsible for the day-to-day management of the Company.

INTERNAL CONTROLS AND RISK MANAGEMENT FRAMEWORK

The Board and Executive management have the primary responsibility for identifying the key business risks facing the organisation.

Internal controls are the activities undertaken by management, the Board and other parties to enhance risk management and increase the probability that established objectives and goals will be achieved. The Board has overall responsibility for the Company's system of internal controls which aims to ensure effective and efficient operations, quality of internal and external reporting, safeguarding of the Company's assets and compliance with laws and regulations. The Board recognises that any system can only be designed to manage rather than eliminate risks and can only provide reasonable and not absolute assurance against material misstatement or loss.

The risk management framework includes an ongoing process for identifying, evaluating and managing significant risks and has been in place for the whole of the year under review and up to the date of the approval of the Annual Report and Accounts.

A Conflicts of Interest Policy is in place to ensure the independence of Directors and the management of potential conflicts.

VIABILITY STATEMENT

The Directors' confirmation that they have adopted the going concern basis in preparing the Annual Report and Accounts is set out on page 31.

In addition to performing a review of the going concern status of the Company, the Directors have also, in the spirit of the Corporate Governance Code, assessed its prospects over the period to 31 December 2023.

The Company was originally established as an authorised reclaim fund under the Financial Services Authority ('FSA', now 'FCA') Regulating Reclaim Funds Policy Statement (PS09/12) and is required to produce liquidity and capital forecasts that are considered by the AARC and approved by the Board annually.

Liquidity and capital management forecasting are a key part of the risk management framework of RFL and incorporate stress and scenario tests designed to produce a comprehensive assessment of current and projected liquidity and capital positions. The process assists RFL in evaluating, over the period to 31 December 2023, the key known risks to which it is exposed and the levels of capital and other financial resources that should be maintained to safeguard the liquidity and capital positions of the business at all times, including during a stress scenario. Realistic scenarios are developed with actuarial support whereby plausible economic, regulatory, and technological developments are modelled to reflect a substantial fall in transfers into the Scheme and an increase in reclaim rates. As part of the stress testing the scenarios take into consideration amounts already committed for distribution by RFL, and consider the

additional costs of administering such large reclaims. Additionally, noting the impact of COVID-19 on businesses generally, consideration was given to a possible increase in reclaim rates due to the potential financial impacts of COVID-19 causing account holders to seek their lost funds. A reverse stress test exercise was also performed. This test involved an assessment of the extent to which reclaim rates would need to increase before the Company would be unable to meet liabilities as they fall due. The Directors concluded that the likelihood of such a scenario occurring was extremely remote.

The Board has a number of mitigating actions that it could use to address any liquidity shortfalls, the most significant being amending the timing and amount of assumed distributions which is in line with the Articles of the Company which determines that the Board has total discretion over such matters.

The Board has also considered the legal form of the Company over the assessment period in light of the change in ownership. Late in September 2019, the ONS classified RFL as a NDPB for the purposes of statistical analysis, with ownership of RFL passing to HMT on 30 March 2021. The Board has received correspondence from the Economic Secretary to the Treasury of HMT's intention for RFL to remain operationally independent under its new status. The Board is therefore confident that its discretion as regards the timing and amount of distributions will remain unchanged.

Based on the 2020 results of the liquidity and capital management forecasting, and the assessment of the Company's legal form, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023.

On behalf of the Board of Directors

JANE HANSON
Chair

20 April 2021

DIRECTORS' REPORT

To ensure the successful delivery of the Company's strategy, our Board consists of Directors with a wide range of relevant skills, knowledge and experience.

The composition of the Board during the year is set out in the Corporate governance report on pages 24 and 25.

EMPLOYEES

The average number of employees during 2020 was ten (2019: ten).

The Company is responsible for recruitment of its own staff. It welcomes diversity and actively promotes a policy and practice of equality of opportunity for all staff regardless of age, disability, ethnicity, gender, religion or belief, or sexual orientation.

FINANCIAL INSTRUMENTS

Financial risk management objectives can be found in the Risk Management note to the Financial Statements on page 55.

ANNUAL REPORT AND ACCOUNTS

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all requisite steps to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A statement by the Directors as to their responsibilities for preparing the Annual Report and Accounts is included in the statement of Directors' responsibilities on page 32.

The Directors of the Company during the year were:

NON-EXECUTIVE DIRECTORS

Jane Hanson (Chair)
 Adrian Coles (Senior Independent Director, resigned 30 September 2020)
 Katherine Garner
 James Hardie
 Dominic Kendal-Ward (resigned 30 March 2021)
 Glyn Smith (appointed Senior Independent Director 23 April 2020)
 Mark Summerfield (resigned 2 December 2020)
 Jenny Watson

EXECUTIVE DIRECTOR

Adrian Smith (Chief Executive)

DISTRIBUTIONS

Under the Dormant Bank and Building Society Accounts Act 2008, the only distributions the Company is permitted to make are to TNLCF. £68.5m of distributions were paid to The National Lottery Community Fund during the year (2019: £71.8m).

No dividend distributions were made to the current parent, the Treasury Solicitor for the Affairs of Her Majesty's Treasury in its capacity as nominee for HMT, nor our previous parent, ASIL, as this is not permitted by the Act.

GOING CONCERN AND VIABILITY STATEMENT

In accordance with the provisions within the Corporate Governance code, the Directors have made a voluntary assessment of the viability of the Company. The Viability Statement, which supports the Going Concern basis, is included in the risk management section of the Corporate Governance Report.

The Directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance.

In particular, the Directors have given careful consideration to:

- The expected cash outflows compared to the available cash and liquid assets in a normal and stressed scenario; this includes consideration of realistic scenarios whereby plausible economic, regulatory, and technological developments are modelled to reflect a dramatic fall in transfers into the Scheme and an increase in reclaim rates.
- The impact of COVID-19 on businesses generally; consideration was given to a possible increase in reclaim rates due to the potential financial impacts of COVID-19 causing account holders to seek their lost funds.
- The legal form of the Company in light of the change in ownership.

Based on the above and noting the considerable cash headroom even under a reasonable stress, the Directors believe that the Company will be able to meet liabilities as they fall due for a period of one year from the date of approval of the Financial Statements and therefore consider it appropriate to prepare the Financial Statements on a going concern basis.

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations were made during the year (2019: £nil).

MATTERS COVERED IN THE STRATEGIC REPORT

All mandatory disclosures which the Directors consider to be of strategic importance are disclosed in the Strategic report.

AUDITORS

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board

ADRIAN SMITH
 Chief Executive

20 April 2021

Reclaim Fund Ltd
 Registered number: 07344884

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic report, the Directors' report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Annual Report and Accounts for each financial year. Under that law, the Directors have elected to prepare the Annual Report and Accounts in accordance with International Accounting Standards in conformity with the Companies Act 2006.

Under company law, the Directors must not approve the Annual Report and Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Annual Report and Accounts, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the Annual Report and Accounts, state whether International Accounting Standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the Annual Report and Accounts; and
- prepare the Annual Report and Accounts on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable United Kingdom law and regulations, the Directors are also responsible for preparing a Strategic report and Directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD

OPINION

We have audited the Financial Statements of Reclaim Fund Ltd for the year ended 31 December 2020 which comprise the Income statement, Statement of comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its result for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

OTHER INFORMATION

The other information comprises the information included in the Annual Report and Accounts, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements

themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD *continued*

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 32, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Dormant Bank and Building Society Accounts Act 2008, Companies Act 2006 and the capital requirements imposed by the Financial Conduct Authority (FCA).
- We understood how the Company is complying with those frameworks through discussion with management and understanding the Board and Committee structure of the Company. We reviewed Board approved policies and understood the manner in which they are actioned by employees.
- We reviewed the minutes of key Committees in order to understand the nature of the internal reporting and evaluated whether the structures in place provided a robust framework for the Directors to monitor compliance.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by consideration of both the risks inherent in the business and the processes and associated controls over financial reporting and cash payments. We designed a suite of tests to address these risks, including testing of a sample of journal entries. This assessment was supplemented via discussion with management and those charged with governance.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included the following:
 - tested a sample of invoices relating to the Company's legal advisors to supporting documentation;
 - reviewed Board and Board Committee minutes;
 - reviewed regulatory correspondence; and
 - made enquiries of those charged with governance.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

GILES WATSON

(Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP
Statutory Auditor
Leeds

20 April 2021



Financials

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Amounts received in respect of dormant accounts	4	89,586	147,146
Interest income	5	4,563	6,416
Interest expense	5	(159)	(162)
Net income		93,990	153,400
Administrative expenses	3	(3,596)	(3,281)
Provision for reclaims of dormant account balances	12	(36,199)	(59,236)
Operating result before distributions		54,195	90,883
Provision for future distributions to TNLCF	13	(53,990)	(90,318)
Profit before taxation		205	565
Taxation	6	(205)	(565)
Retained profit	2	-	-

The notes on pages 41 to 56 form part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Retained profit for the financial year	2	-	-
Other comprehensive income for the year, net of taxation		-	-
Total comprehensive income for the financial year		-	-

Total comprehensive income is attributable to the equity holders of the Company. The Dormant Bank and Building Society Accounts Act 2008 prohibits the capital reserve being distributed to the parent Company.

The notes on pages 41 to 56 form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Assets			
Intangible assets	7	9	15
Right-of-use assets	9	276	306
Plant and equipment	8	101	186
Investment securities	10	350,391	353,663
Cash and cash equivalents	11	342,079	329,888
Trade and other receivables		189	109
Deferred tax asset	6	18	10
Current income tax asset		23	-
Total assets		693,086	684,177
Liabilities			
Provision for reclaims of dormant account balances	12	473,712	450,431
Provision for future distributions	13	53,990	90,318
Trade and other payables	14	91,374	69,156
Lease liabilities	21	297	312
Current income tax liability		-	247
Total liabilities		619,373	610,464
Capital and reserves			
Share capital	16	-	-
Capital reserve		73,713	73,713
Total equity		73,713	73,713
Total liabilities and equity		693,086	684,177

The notes on pages 41 to 56 form part of the Financial Statements.

Approved by the Board of Directors on 20 April 2021 and signed on its behalf by:

ADRIAN SMITH
Chief Executive

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit before tax		205	565
Adjustments:			
Amortisation of intangibles	7	6	1
Depreciation of plant and equipment	8	108	112
Depreciation of right-of-use asset	9	31	31
Increase in trade and other receivables		(80)	(28)
Increase/(decrease) in accrued expenses		381	(29)
Decrease in lease liability		(15)	-
Additional provision for reclaims of dormant account balances	12	36,199	59,236
Additional provision for future distributions	13	53,990	90,318
Interest amortisation		4,230	4,120
Interest received		(8,793)	(10,536)
		86,262	143,790
Cash flows from operating activities			
Payments made in respect of participant reclaims	12	(12,918)	(12,859)
Distribution payments	13	(68,481)	(71,801)
Income tax paid		(483)	(660)
Net cash flows from operating activities		4,380	58,470
Cash flows from investing activities			
Purchase of investment securities		(199,875)	(163,233)
Proceeds from maturity of investment securities		198,031	80,473
Proceeds from sale of investment securities		-	4,506
Interest received		9,678	11,040
Purchase of plant and equipment	8	(23)	(59)
Purchase of intangibles		-	(15)
Net cash flows from investing activities		7,811	(67,288)
Net increase/(decrease) in cash and cash equivalents			
		12,191	(8,818)
Cash and cash equivalents at the beginning of the financial year		329,888	338,706
Cash and cash equivalents at the end of the financial year	11	342,079	329,888

The notes on pages 41 to 56 form part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Capital reserve £'000	Total £'000
2020			
Balance at the beginning of the financial year	-	73,713	73,713
Total comprehensive income for the financial year	-	-	-
Balance at the end of the financial year	-	73,713	73,713
2019			
Balance at the beginning of the financial year	-	73,713	73,713
Total comprehensive income for the financial year	-	-	-
Balance at the end of the financial year	-	73,713	73,713

The notes on pages 41 to 56 form part of the Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

Reclaim Fund Ltd is a limited liability company, incorporated and domiciled in the United Kingdom and registered in England and Wales.

The Financial Statements have been prepared under the historic cost convention. The Company's Financial Statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. All amounts presented are stated in thousands of GBP (£'000), unless otherwise stated. The Statement of financial position is ordered according to illiquidity and gives prominence to principal balances.

STANDARDS AND ACCOUNTING POLICIES ADOPTED BY THE COMPANY

The accounting policies applied in preparing these Financial Statements are consistent with those described in the 2019 Annual Report and Accounts.

EXISTING POLICIES

Use of estimates and judgements

The preparation of the Annual Report and Accounts requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Significant areas of estimation uncertainty that have the most effect on the amounts recognised in the Annual Report and Accounts relate to the provisions, in particular provisions for reclaims of dormant account balances of £473.7m (2019: £450.4m) and the provision for future distributions of £54.0m (2019: £90.3m). These are discussed below.

Provision for reclaims of dormant account balances

Upon transfer of dormant account monies from UK financial institutions to the Company, the obligation to repay dormant account holders who subsequently reclaim their money is also transferred to the Company.

The Company therefore records a provision for future repayments of dormant account balances. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current estimate, taking into account actual reclaim experience. The Directors regard the provision as a key accounting estimate.

To the extent that actual reclaims are different from those provided, additional charges or income are reflected in future years.

The calculation of the provision for future repayments of dormant account balances is inherently complex, with significant amounts of uncertainty in the quantum of reclaims expected and time period for which reclaims will continue. In performing the calculation, the Directors have applied a level of stress which they believe reasonably accounts for the long-term nature of the provision.

In addition, Management continues to monitor actual reclaim rates to assess whether the provisioning methodology remains appropriate.

For every 1% increase in the initial proportion of amounts received from participants since inception set aside for the provision for reclaims of dormant account balances, the impact on the operating result before distributions would be a reduction of £14.5m (2019: £13.5m). There would be a subsequent equal and opposite decrease in the provision for distributions.

Provision for future distributions

The Dormant Bank and Building Society Accounts Act 2008 dictates that the Company is obliged to pay over the excess of dormant account monies received, after deduction of running costs, to TNLFC for ongoing distribution to the benefit of the community.

Upon receipt of monies from participants, the Company also records a provision for future distributions. This represents amounts that the Company will expect to pay over to TNLFC in future years. The Directors regard this provision as a key accounting estimate.

Not all the surplus funds are paid over to TNLFC immediately, and the exact timings of these future payments are uncertain and depend on the value and timing of reclaims made. Amounts are reclassified from the provision to trade creditors following both Board approval of a distribution payment and once clarity is received as to the timing of a request for payment.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

Going concern

In determining whether it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts, the Directors have considered the Company's business activities and have assessed the impact of a number of severe economic, regulatory and technological stress scenarios, including a possible increase in reclaim rates due to the potential financial impacts of COVID-19 causing account holders to seek their lost funds. The Directors have also assessed the legal form of the Company in light of the change in ownership, and reviewed correspondence from the Economic Secretary to the Treasury of the new owner's intention for RFL to remain operationally independent under its new status. The Board has a number of mitigating actions that it could use to address any liquidity shortfalls, the most significant being amending the timing and amount of assumed distributions which is in line with the Articles of the Company which determines that the Board has total discretion over such matters.

Having carefully considered the outputs of this analysis the Directors are satisfied that the Company has sufficient resources to meet liabilities as they fall due for a period of one year from the date of approval of the Financial Statements and have therefore continued to adopt the going concern basis in preparing the Annual Report and Accounts.

Amounts received in respect of dormant accounts

Amounts received in respect of dormant accounts represent receipts, from participants, of dormant account monies and are recognised where there is a probability that future economic benefits will flow to the Company and these benefits can be measured reliably.

Interest income

Interest income is recognised on an effective interest rate ('EIR') basis, inclusive of directly attributable incremental transaction costs and fees, and discounts and premiums where appropriate. The EIR spreads the interest income over the expected life of the instrument. The EIR is the rate that, at inception, exactly discounts expected future cash payments and receipts through the expected life of the instrument to the initial carrying amount. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the instrument (for example, prepayment options), but does not consider future credit losses.

Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Taxation

The Company is subject to corporation tax. In accordance with tax legislation, any profits arising from the Company's continuing activity of receiving dormant account monies and making distributions to TNLCF are exempt from tax. Any profits remaining from net investment income, after deduction of operating expenses, are taxable.

Corporation tax can consist of both current tax and deferred tax. Corporation tax is recognised in the Income statement except to the extent it relates to items recognised directly as other comprehensive income, in which case it is recognised in the Statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be released or realised.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and balances with a maturity of three months or less from the acquisition date, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

Financial assets

i) Recognition and initial measurement

Investment securities are initially recognised when they are purchased. Investment securities are initially measured at fair value plus directly attributable transaction costs.

ii) Classification and measurement of financial assets

Investment securities are subsequently classified at amortised cost. Management intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. In assessing this, Management performs the following assessment:

a) *Business model assessment*

The overall business model is to hold assets to maturity, investing in a mix of UK Government securities, high quality agency securities and corporate bonds. Management makes an assessment of this objective as part of the annual investment strategy review to establish if this is still appropriate.

b) *Assessment whether contractual cash flows are solely payments of principal and interest*

In assessing whether the contractual cash flows are solely payments of principal and interest, Management considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows, such that it would not meet this condition. In making this assessment, Management considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features.

iii) Impairment of investment securities

At each reporting date, Management considers evidence of impairment for financial assets measured at amortised cost, assessing whether there is objective evidence that a specific financial asset, measured at amortised cost, is impaired.

At each reporting period, Management calculates the 'expected credit loss' ('ECL') on the investment securities held. RFL has a credit downgrade and variation policy that defines a significant downgrade, making clear the circumstances in which a lifetime credit loss requires calculation. Management considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', namely Baa3 or higher per Moody's or BBB- or higher per Standard and Poor's. If an investment security experiences a significant downgrade, then the lifetime credit loss is calculated.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

iv) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the EIR of the financial asset.

Capital reserve

The capital reserve represents surplus funds after costs, retained by the Company in order to maintain the necessary capital base to ensure the long-term viability of the organisation.

Under the Dormant Bank and Building Society Accounts Act 2008, the capital reserve is not distributable to the parent undertaking.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

Intangible assets

Intangible assets comprise computer software recorded at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, being three years.

These assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

The carrying values of computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired. If any such condition exists, the recoverable amount of the asset is estimated, in order to determine the extent of impairment, and the difference is charged to the Income statement.

Plant and equipment

All plant and equipment is recorded at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

Fixtures and fittings – five years
Computer hardware – two to three years

These assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment and the difference is charged to the income statement.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable.

2. RETAINED PROFIT

	2020 £'000	2019 £'000
Retained profit for the year is stated after charging:		
Auditor's remuneration		
- audit of these Financial Statements	51	44

3. ADMINISTRATIVE EXPENSES

The average number of employees during 2020 was ten (2019: ten). A breakdown of the administrative expenses for 2020 and 2019 is shown in the table below:

	2020 £'000	2019 £'000
Staff costs		
- Wages and salaries	945	979
- Social security costs	119	111
- Pension costs	50	43
	1,114	1,133
Professional services	1,307	1,049
FCA fees and FSCS levies	28	24
IT and communication costs	212	169
Premises costs	47	63
Miscellaneous expenses	200	266
Depreciation and amortisation	144	144
Total operating costs	3,051	2,848
Investment management fees	545	433
Total administrative expenses	3,596	3,281

FINANCIAL SERVICES COMPENSATION SCHEME ('FSCS') LEVIES

The FSCS has, amongst other things, provided compensation to customers of financial institutions following the collapse of certain deposit takers in 2008, with the compensation paid out to consumers being funded through loans from HMT. The Company was previously included within the Deposit Taking class and was liable to pay a proportion of the interest on the outstanding amounts that the FSCS borrowed from HMT.

The Company is obliged to pay its share of management expenses and compensation based upon the Company's proportion of the total market protected deposits in the Dormant Assets Scheme class at 31 December of each year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

3. ADMINISTRATIVE EXPENSES *continued*

DIRECTORS' EMOLUMENTS

Details of the aggregate Directors' emoluments for the years ended 31 December 2020 and 31 December 2019 are shown below. The fees for Non-Executive Directors include only those for whom the Company incurs the cost.

Year ended 31 December 2020	Salary/fees £'000	Performance related pay ¹ £'000	Pension contributions ³ £'000	Cash in lieu of pension ⁴ £'000	Benefits in kind ⁵ £'000	Total emoluments £'000
Non-Executive Directors	197	-	-	-	5	202
Executive Director ²	183	34	6	11	9	243
	380	34	6	11	14	445

Year ended 31 December 2019	Salary/fees £'000	Performance related pay ¹ £'000	Pension contributions ³ £'000	Cash in lieu of pension ⁴ £'000	Benefits in kind ⁵ £'000	Total emoluments £'000
Non-Executive Directors	235	-	-	-	20	255
Executive Director ²	179	55	1	14	8	257
	414	55	1	14	28	512

1 Performance related pay is based on financial and non-financial performance targets.

2 This represents emoluments of the highest paid Director of £243k (2019: £257k).

3 During the year one Director (2019: one) was a member of a money purchase pension scheme.

4 This represents cash taken in lieu of pension for the Executive Director.

5 Benefits in kind are in respect of car allowances for the Executive Director, and travel, accommodation and subsistence for Non-Executive Directors for which Pay As You Earn and National Insurance Contributions due are included.

4. AMOUNTS RECEIVED IN RESPECT OF DORMANT ACCOUNTS

During the year, £89.6m (2019: £147.1m) was received in respect of dormant accounts funds. A detailed analysis of receipts by participant is provided below:

	2020 £'000	2019 £'000
Main Scheme Participant		
Bank Leumi UK plc	-	114
Barclays Bank UK PLC	14,839	34,808
Butterfield Bank (UK) Limited	-	70
CIMB Berhad	14	-
The Co-operative Bank plc	2,887	1,274
Credit Agricole Corporate & Investment Bank – London Branch	-	26
Danske Bank	223	188
HSBC Bank plc	8,631	7,456
Intesa Sanpaolo S.p.A. – London Branch	-	115
Lloyds Banking Group		
Lloyds Bank plc	6,577	12,740
Bank of Scotland plc	9,557	30,176
Nationwide Building Society	3,644	3,645
R Raphael and Son PLC	17	-
Riyad Bank – London Branch	-	4
NatWest Group		
Adam & Company plc	1	1
Couffts & Co	11	4
National Westminster Bank plc	12,655	6,352
The Royal Bank of Scotland plc	3,850	1,991
Ulster Bank Limited	763	738
Santander UK plc	22,020	43,768
Virgin Money plc	3,289	3,047
Amounts received in respect of the Main Scheme	88,978	146,517
Alternative Scheme Participant	2020 £'000	2019 £'000
Cambridge Building Society	317	-
Newcastle Building Society	291	629
Amounts received in respect of the Alternative Scheme	608	629
Total amounts received in respect of dormant accounts	89,586	147,146

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

5. INTEREST INCOME AND EXPENSE

	2020 £'000	2019 £'000
Interest income:		
On investment securities	3,909	3,923
On cash deposits	654	2,493
	4,563	6,416
Interest expense:		
On participant reclaims	142	144
On lease liabilities	17	18
	159	162

6. TAXATION

The Company is subject to UK corporation tax. In accordance with tax legislation, any profit arising from the Company's continuing activity of receiving dormant account monies and making distributions to TNLCF is non-taxable. Any profit remaining from net investment income, after deduction of operating expenses is taxable.

In accordance with IAS 12 'Income Taxes', a reconciliation between accounting profit and tax charge for the year is provided below:

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits at 19% (2019: 19%)	200	579
Adjustments in respect of previous years	13	(2)
	213	577
Deferred tax		
Origination and reversal of timing differences	(12)	(11)
Adjustments in respect of previous years	5	(1)
Change in deferred tax rate	(1)	-
	(8)	(12)
Total tax charge for the financial year	205	565

6. TAXATION *continued*

	2020 £'000	2019 £'000
Reconciliation of effective tax rate		
Profit before tax	205	565
UK corporation tax at 19% (2019: 19%)	39	107
Non-taxable income	(17,021)	(27,930)
Disallowable provision for reclaim repayments	6,878	11,255
Disallowable payments and provision for future distributions to TNLFC	10,256	17,134
Expenses not deductible for tax purposes	36	2
Prior year adjustment – current tax	18	(3)
Change in deferred tax rate	(1)	-
Total tax charge for the financial year	205	565

Following the 2020 Budget, on 11 March 2020, the Chancellor revoked the enacted corporation tax rate reduction from 19% to 17%, thereby leaving it at 19%. Accordingly, each deferred tax balance has been re-measured individually based on the 19% enacted tax rate, (2019: 17.0%). Following the 2021 Budget, on 3 March 2021, the Chancellor announced that with effect from 1 April 2023 the corporation tax rate will increase by 6% to 25%. Deferred tax is calculated using the rate expected to apply when the relevant timing differences are forecast to unwind.

DEFERRED TAX

The movement on deferred tax is as follows:

	2020 £'000	2019 £'000
Asset/(liability) at the beginning of the financial year	10	(2)
Adjustments in respect of deferred tax of previous year	12	1
Income statement (charge)/release in the year	(5)	11
Change in deferred tax rate	1	-
Asset at the end of the financial year	18	10

The balances at the beginning and end of the financial year represent taxable temporary differences on fixed assets.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

7. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2020 £'000
Cost	
Opening balance at 1 January 2020	64
Additions	-
Closing balance at 31 December 2020	64
Amortisation	
Opening balance at 1 January 2020	49
Amortisation charge	6
Closing balance at 31 December 2020	55
Carrying amount	
Opening balance at 1 January 2020	15
Closing balance at 31 December 2020	9

8. PLANT AND EQUIPMENT

	Fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost			
Opening balance at 1 January 2020	114	301	415
Additions	5	18	23
Closing balance at 31 December 2020	119	319	438
Depreciation			
Opening balance at 1 January 2020	103	126	229
Depreciation charge	10	98	108
Closing balance at 31 December 2020	113	224	337
Carrying amount			
Opening balance at 1 January 2020	11	175	186
Closing balance at 31 December 2020	6	95	101

9. RIGHT-OF-USE ASSETS

	2020 £'000
Cost	
Opening balance at 1 January 2020	337
Additions	-
Closing balance at 31 December 2020	337
Depreciation	
Opening balance at 1 January 2020	31
Depreciation charge	31
Closing balance at 31 December 2020	62
Carrying amount	
Opening balance at 1 January 2020	306
Closing balance at 31 December 2020	275

10. INVESTMENT SECURITIES

	2020 £'000	2019 £'000
Central governments or central banks	38,471	77,546
Supranationals	101,223	101,410
Corporates	207,418	171,097
Accrued interest	3,279	3,610
	350,391	353,663

The carrying value of financial instruments measured at amortised cost is determined in compliance with the accounting policies on page 43.

The table below sets out a summary of the carrying and fair values of financial assets classified as held to maturity:

	Carrying value £'000	Fair value £'000
2020		
Investment securities	350,391	353,007
2019		
Investment securities	353,663	355,338

The fair value of the investment securities is driven by interest rate movements; no impairment triggers have been met in the year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

10. INVESTMENT SECURITIES *continued*

VALUATION HIERARCHY

RFL classifies debt securities in Level 1 only if it can be demonstrated on an individual security by security basis that these are quoted in an active market; i.e. that the price quotes obtained are representative of actual trades in the market (through obtaining binding quotes or through corroboration to published market prices). Pricing providers cannot guarantee that the prices that they provide are based on actual trades in the market. Therefore, all bonds are classified as Level 2.

Of the total investment securities held, £149.8m is due to mature in less than 12 months from the reporting date.

EXPECTED CREDIT LOSSES

Management calculated the ECL on the investment securities at 31 December 2020 and concluded that the amount was not material, and no adjustment was required.

11. CASH AND CASH EQUIVALENTS

	2020 £'000	2019 £'000
Cash and cash equivalents	342,079	329,888

Cash and cash equivalents comprise £272.4m (2019: £318.2m) held with the Bank of England, £4.5m (2019: £3.7m) with HSBC Bank plc and £65.2m (2019: £8.0m) held with the investment manager. The carrying value of cash and cash equivalents equates to fair value.

12. PROVISION FOR RECLAIMS OF DORMANT ACCOUNT BALANCES

	2020 £'000	2019 £'000
At the beginning of the year	450,431	404,054
Additional provision created in the year – Main Scheme	35,591	58,607
Additional provision created in the year – Alternative Scheme	608	629
Utilised in the year	(12,918)	(12,859)
At the end of the year	473,712	450,431

12. PROVISION FOR RECLAIMS OF DORMANT ACCOUNT BALANCES *continued*

During the year, £12.9m (2019: £12.9m) of the provision for reclaims of dormant account balances was utilised. The table below shows the total value of reclaims, categorised by the participants at which the individual's account was previously held:

	2020 £'000	2019 £'000
Main Scheme Participant		
Australia & New Zealand Bank – London Branch	-	13
Barclays Bank UK PLC	810	2,065
The Co-operative Bank plc	275	278
Danske Bank	49	31
HSBC Bank plc	1,434	1,020
Lloyds Banking Group		
Lloyds Bank plc	1,249	743
Bank of Scotland plc	4,098	3,827
Nationwide Building Society	1,264	766
NatWest Group		
National Westminster Bank plc	361	496
The Royal Bank of Scotland plc	88	91
Ulster Bank Limited	33	24
Santander UK plc	2,309	2,369
TSB Bank plc	35	101
Virgin Money UK PLC		
Clydesdale Bank plc	44	54
Virgin Money plc	855	981
Amounts paid in respect of the Main Scheme	12,904	12,859
Alternative Scheme Participant	2020 £'000	2019 £'000
Newcastle Building Society	14	-
Amounts paid in respect of the Alternative Scheme	14	-
Total amounts paid in respect of dormant accounts	12,918	12,859

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

13. PROVISION FOR FUTURE DISTRIBUTIONS TO TNLCF

	2020 £'000	2019 £'000
At the beginning of the year	90,318	68,481
Additional provision created in the year	53,990	90,318
Approved for distribution to TNLCF in 2021/2020 (see Note 14)	(90,318)	(68,481)
At the end of the year	53,990	90,318

£68.5m of funds were distributed to TNLCF during the year (2019: £71.8m). See note 14 below. The closing 2020 balance of £54.0m was approved for distribution to TNLCF on 9 February 2021.

14. TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Amounts owed to TNLCF	90,318	68,481
Accrued expenses	1,056	675
	91,374	69,156

£90.3m was approved for distribution to TNLCF during 2020 and is available for immediate distribution. Additionally, on 9 February 2021 a further £54.0m was approved for distribution to TNLCF. £68.5m of funds were distributed to TNLCF during the year (2019: £71.8m).

15. PARENT UNDERTAKING

Effective from the change in ownership on 30 March 2021, the shares in the Company are owned by the Treasury Solicitor for the Affairs of Her Majesty's Treasury in its capacity as nominee for HM Treasury, and the Company considers the UK Government to be its ultimate parent and controlling party. As a Non Departmental Government Body, RFL will be consolidated into the 2020-21 HM Treasury Group Accounts, which are available at www.gov.uk/official-documents.

Prior to the sale, the Company was a wholly owned subsidiary of Angel Square Investments Limited which is incorporated in Great Britain. Its Annual Report and Accounts is available from 1 Angel Square, Manchester, M60 0AG. The ultimate parent undertaking was the Co-operative Group Ltd, which is incorporated in Great Britain and registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014. Its Annual Report and Accounts are available from 1 Angel Square, Manchester, M60 0AG.

16. SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

The new shareholder, the Treasury Solicitor for the Affairs of Her Majesty's Treasury in its capacity as nominee for HM Treasury, has full voting rights, which was effective from 30 March 2021. Prior to this date, Angel Square Investments Limited had full voting rights.

17. RELATED PARTIES

The Company has not entered into any transactions with Directors of the Company or their immediate relatives.

UK GOVERNMENT

As described in note 15 to the Financial Statements, the Company considers the UK Government to be its ultimate controlling party. Following the ONS reclassification of RFL to a central government body and thereby becoming a Non Departmental Government Body, RFL will be consolidated into the 2020-21 HMT Group Accounts, thereby giving rise to the relationship with government departments and central government bodies.

18. RISK MANAGEMENT

LIQUIDITY AND FUNDING RISK

Liquidity and funding risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Operationally, this is the risk that unexpectedly high levels of reclaims are received and the Company does not have sufficient liquid assets to meet this obligation.

The Company's policy is to ensure that it has sufficient funds to meet its liabilities as they fall due. Liquidity and funding risk is mitigated through effective cash management. The Company operates to a strict investment mandate, which ensures that, at all times, a substantial proportion of the Company's assets are held in a highly liquid form.

CREDIT RISK

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business from the Company's cash deposits and investments.

Cash deposits are currently held with the Bank of England (£272.4m, 2019: £318.2m), HSBC Bank plc (£4.5m, 2019: £3.7m) and the investment manager (£65.2m, 2019: £8.0m). The Company considers its credit risk on cash deposits to be minimal.

Investment decisions are made in line with a strict and cautious investment mandate in order to manage the Company's exposure to credit risk. Investments comprise fixed income investments, with initial purchases being restricted to investments graded no lower than A-.

The maximum exposure to credit risk at the balance sheet date is £692.5m (2019: £683.6m), being £342.1m cash deposits and £350.4m investments (2019: £329.9m cash deposits and £353.7m investments).

MARKET RISK

Market risk is the risk that the Company takes through exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest income may decrease as a result of such changes. The Company has limited exposure to market risk, as its fixed income investments are all held to maturity and accounted for as such.

19. CAPITAL MANAGEMENT

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and, in the future, to support the risks in the business. The Directors are responsible for ensuring capital is managed appropriately on an ongoing basis to meet this objective.

The Company is required by the FCA to hold regulatory capital in respect of its activities as a banking firm and capital consists of the excess of assets over liabilities. The Company has, at all times during the year, held sufficient capital to meet its regulatory capital requirement.

The Company's capital resources are its capital and reserves of £73.7m (2019: £73.7m).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

20. CONTINGENT LIABILITIES

In accordance with the terms of the Act, RFL has inherited the liability for all dormant balances transferred from participants. The table below highlights the total remaining exposure that RFL may be required to settle above and beyond the amounts already set aside as follows:

	2020 £'000	2019 £'000
Remaining exposure		
Main Scheme	866,857	813,470
Alternative Scheme	1,856	944
	868,713	814,414

21. LEASES

The lease commitment is in respect of the office premises in Crewe. A 15-year lease was entered into with effect from 4 November 2014. Rentals are fixed, with a break clause exercisable by RFL every five years.

Maturity analysis of lease liabilities is as follows:

	2020 £'000
Within 1 year	27
Later than 1 year and not later than 5 years	123
Later than 5 years	147
	297

The movement in the lease liability is as follows:

	2020 £'000
As at 1 January 2020	312
Lease payments	(32)
Interest expense	17
As at 31 December 2020	297

22. NON-ADJUSTING POST BALANCE SHEET EVENT

Effective from the change in ownership on 30 March 2021, the shares in the Company are owned by the Treasury Solicitor for the Affairs of Her Majesty's Treasury in its capacity as nominee for HM Treasury, and the Company considers the UK Government to be its ultimate parent and controlling party.

A distribution to TNLFC of £54.0m was approved by the Board on 9 February 2021.

PARTICIPATING BANKS AND BUILDING SOCIETIES

Main Scheme Participant	Dormant account monies received from participants		Reclaims paid to participants	
	2020 £'000	Since inception £'000	2020 £'000	Since inception £'000
Allied Irish Bank (UK) plc	-	9,873	-	124
Australia & New Zealand Bank - London Branch	-	3,063	-	14
Bank Hapoalim - London Branch	-	1,889	-	-
Bank Leumi UK plc	-	2,610	-	165
Barclays Bank UK PLC	14,839	260,510	810	15,086
Butterfield Bank (UK) Limited	-	78	-	-
CIMB Berhad	14	14	-	-
Commonwealth Bank of Australia - London Branch	-	4	-	-
Consolidated Credit Bank Limited	-	53	-	-
The Co-operative Bank plc	2,887	18,640	275	1,897
Credit Agricole Corporate & Investment Bank - London Branch	-	652	-	-
Danske Bank	223	6,171	49	336
Duncan Lawrie Limited	-	17	-	-
Emirates NBD PJSC - London Branch	-	107	-	1
HSBC Bank plc	8,631	85,603	1,434	6,492
Intesa Sanpaolo S.p.A. - London Branch	-	115	-	-
Lloyds Banking Group				
Lloyds Bank plc	6,577	196,539	1,249	8,626
Bank of Scotland plc	9,557	222,755	4,098	27,108
Nationwide Building Society	3,644	76,932	1,264	2,877
N. M. Rothschild & Sons Limited	-	90	-	-
R Raphael and Son PLC	17	17	-	-
Riyad Bank - London Branch	-	4	-	-
NatWest Group				
Adam & Company plc	1	19	-	1
Coutts & Co	11	1,608	-	-
National Westminster Bank plc	12,655	142,562	361	3,172
The Royal Bank of Scotland plc	3,850	55,355	88	466
Ulster Bank Limited	763	9,153	33	247
Santander UK plc	22,020	281,256	2,309	28,446
TSB Bank plc	-	12,354	35	4,093
Virgin Money UK PLC				
Clydesdale Bank plc	-	22,239	44	300
Virgin Money plc	3,289	34,479	855	5,906
	88,978	1,444,761	12,904	105,357

PARTICIPATING BANKS AND BUILDING SOCIETIES

continued

Alternative Scheme Participant	Dormant account monies received from participants		Reclaims paid to participants	
	2020 £'000	Since inception £'000	2020 £'000	Since inception £'000
Cambridge Building Society	317	317	-	-
Newcastle Building Society	291	920	14	14
	608	1,237	14	14
Total	89,586	1,445,998	12,918	105,371

COMPANY INFORMATION AND ADVISORS

COMPANY INFORMATION

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Reclaim Fund Ltd is authorised and regulated
by the Financial Conduct Authority (No. 536551)