



**ENHANCING
COMMUNITIES
ENRICHING
LIVES**

**Annual Report and
Accounts 2021/2022**



Reclaim Fund makes it possible for money in dormant financial products to be used to benefit social and environmental initiatives across the UK.

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AT A GLANCE

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.




OUR PURPOSE

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

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OUR MISSION

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

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GROWTH STORY

£1.60bn

Dormant Account balances transferred since inception

£120.8m

Cumulatively reclaimed by account holders

34

Participating firms in the Main Scheme

£800m

Total amounts paid to The National Lottery Community Fund ('TNLCF') since inception

150,000

Accounts reclaimed

3

Participating Building Societies in the Alternative Scheme

£92m

Approved for further distribution to TNLCF

➤ **Banks and building societies** participating in the Scheme transferred a further £154m to RFL in 2021/22, bringing the total to £1.6bn since inception.



➤ We have paid £144.3m and committed a further £91.8m to **TNLCF** in support of good causes during the period under review.



➤ We welcomed **Leek Building Society** as our third participant to the Alternative Scheme, alongside National Bank of Egypt (UK), DZ Bank and Standard Chartered Bank who all joined the Main Scheme.



OUR VALUES

➤ Agile

Post COVID-19 we recognised the change in attitudes, behaviours, and practices in relation to effective working locations. We have adopted a hybrid working model, providing a collaborative working hub via our office and offering the opportunity for the team to work from their home environments.

➤ Collaboration

We have continued to progress plans to expand the Scheme. Underpinned by the strong relationships held with Government, regulators, trade bodies and industry champions, we have successfully reached the milestone of enabling legislation, in the form of the Dormant Assets Act 2022.

➤ Responsibility

We were delighted to be awarded a Gold 'We Invest in Wellbeing' accreditation demonstrating our responsibility to our team in ensuring their physical and mental wellbeing.

➤ Integrity

We are committed to delivering quarterly news from across the Dormant Assets' ecosystem. The participant newsletter aims to provide stakeholders with a clearer view of the impact of the Scheme, with updates from the organisations who receive funding, beneficiary case studies and insights into our plans and operations.

CHAIR'S REVIEW

I am delighted to present the first annual report of RFL's second decade. I am not alone amongst Chairs in writing that this has been yet another extraordinary period. I am however, very fortunate to be reflecting how well our organisation has fared in such an unsettled time.

JANE HANSON
Chair



That I can do so is testament to the diligence and hard work of the RFL team and the passion and energy shown by all those in the Dormant Asset ecosystem getting to a point where, following the passing of the Dormant Asset Bill 2022, we are now expanding the already successful Scheme into the broader financial sector.

The task ahead is to continue to build on the solid foundations and excellent relationships established in the banking and building societies sector, while delivering expansion plans that have long been in the pipeline and are now on the edge of reality.

During the year ahead, I will be supporting and celebrating every forward step from a different vantage point, as I will shortly retire from the RFL Board. I will do so with great pride, not only in everything RFL has achieved to date and is set to achieve in the years ahead, but also in having played a part in the development of a unique and well respected Reclaim Fund, enabling the private and public sectors to work together towards making in many cases, a life-changing difference to so many of the charity beneficiaries.

I know my successor will inherit a stable and robust organisation, overseen by a passionate, values and shared ethos-driven Board and staffed by a team who care deeply about their responsibilities as custodians of dormant assets and the significant difference they make to communities across the UK.

MILESTONES AND MOMENTUM

In the 2020 Annual report, I remarked on the unprecedented impact of the COVID-19 pandemic on daily life. It is a testament to RFL's operational resilience that, against the backdrop of ongoing restrictions, we passed the milestone of £800m of funds allocated through the established scheme and made a further £92m available to distribute.



This period has been one of significant progress towards the expansion of the Dormant Assets Scheme, whilst continuing to effectively administer the original Scheme which is now over 10 years old.



We also received a long-awaited boost to scheme expansion when the Dormant Assets Bill 2022 was granted Royal Assent. This would be a momentous occasion in any year, but it feels particularly significant that, ahead of her Platinum Jubilee, Her Majesty the Queen signed off on legislation which will enhance an initiative which has become woven into the nation's political and social fabric.

The royal seal of approval was a testament to the hard work of industry and Government in the five years since the Dormant Assets Commission first highlighted the potential of scheme expansion. Thanks to their efforts, there is a clear path marked out for the years ahead.

While there is much work to do, it is rewarding and motivating to think back to past milestones achieved and think ahead to the new milestones: the first participant in each new sector, the first funds received, the first distributions to good causes from new dormant asset classes.

Scheme expansion will offer more organisations across the UK economy a chance to join a unique partnership between public, private and third sectors. While breaking new ground is galvanising for everyone at RFL, we now have over ten years of experience to draw on and a track record of responsible Dormant Assets custodianship.

In another milestone, RFL itself has now completed the transition to Government ownership and is proud to be an Arm's Length Body. We continue to drive a significant change programme to deliver its expanding role, while keeping the wheels turning like clockwork on the established Scheme.

SUSTAINABLE FOUNDATIONS

I have every confidence that the continued success of the existing Scheme and the expansion plans are in safe hands and built on sustainable principles.

I am proud to have seen the RFL team leverage the extensive skills and expertise developed through the administration of the banking and building societies' Scheme, and to now see them grow and develop in readiness for Scheme expansion. It remains a carefully selected, well-organised and close-knit group committed to shared values of integrity, collaboration, agility and responsibility.

RFL's success is truly a collective effort, but I must also pay tribute to our CEO Adrian Smith who has made such a significant contribution to the organisation. We were immensely proud to see his richly deserved OBE in the Queen's New Year's Honours for services to the financial sector.

I also want to thank two out-going Directors for their contributions to RFL. Jim Hardie has served for seven years as a Non-Executive Director and Chair of our Investment Committee – a role he has performed with skill, care and diligence during times of considerable market turbulence.

Jonathan Gorrie has been with us for a briefer period as Shareholder Appointed Non-Executive Director, but it is a testament to his expertise that he has now been seconded from UK Government Investments to Ofgem to assist in its response to energy market pressures. We wish both Jim and Jonathan all the best and thank them both for their significant contribution.

Holger Vieten was proposed by UKGI to be the Shareholder Appointed Non-Executive Director at RFL to replace Jonathan Gorrie, and we are delighted to welcome him to our Board. To maintain the skills and experience to operate an effective Board, a recruitment process is underway for new Non-Executive Directors and we look forward to welcoming new colleagues in the near future.

EMBODYING OUR VALUES

Supporting communities is central to the Dormant Assets Scheme, and it is hugely important that RFL embodies its values in the way we interact with everyone around us. I am particularly delighted by the recognition achieved over the last year for the strength of our relationships with our people and our suppliers.

Building on our Gold Investors in People Award, we are proud to have been awarded a gold standard "We Invest In Wellbeing Award", alongside a Fast Payer Award for consistently excellent payment practices to our suppliers over the last 12 months.

The behaviours these awards represent, rather than the accolades themselves, exemplify RFL's character and culture, which have made it such an honour to serve as the organisation's Chair and work with our team and partners to make a difference to so many deserving causes.

I have every confidence that, in ten years' time, the RFL Chair will be able to look back on another fulfilling and impactful decade with the same sense of gratitude and pride.

JANE HANSON CBE Chair

15 July 2022

CHIEF EXECUTIVE'S REVIEW

It is impossible to look back on the second year of the pandemic, in a climate of uncertainty at home and abroad, without pausing to evaluate the rapidly changing world around us and our role within it.

ADRIAN SMITH
Chief Executive



RFL finds itself in a position of renewed clarity and certainty as we look to build on the last 15 months. Among many things, the year will be remembered as a watershed moment which has formalised our responsibilities at the heart of a scheme which now stands poised for significant expansion.

PURPOSEFUL DELIVERY

Expansion would of course be the last thing on our minds without the continuing success of the original scheme among banks and building societies.

Despite the impact of COVID-19, work has continued uninterrupted to make new funds available to good causes as we move steadily towards £2bn of dormant assets contributed to date.

We are grateful to our existing participants for maintaining their commitment in challenging conditions. We were also delighted to welcome DZ Bank, National Bank of Egypt (UK), and Standard Chartered Bank to the Main Scheme last summer, boosting overall participation to 34.

Leek United Building Society has also joined the Alternative Scheme and made its first transfer. The experience of welcoming each new participant reminds us of our collective progress and the enduring motives for taking part.

This report also reflects on new beginnings in RFL's first year as a publicly owned body, operating as an effective and compliant Arm's Length Body of HM Treasury.

Notwithstanding our new surroundings, we remain subject to stringent regulatory oversight and continue to work effectively with colleagues from HM Treasury and other partners. We are grateful to all involved for supporting a smooth transition.

EXPANSION EFFORTS

Beyond these internal changes, the external need to support vital social causes remains as pressing as ever. It has been satisfying to make further funds available to tackle youth unemployment, expand investment in charities and social enterprises and improve access to affordable loans for vulnerable people.

With over £800m distributed to date – every penny of which can be returned to its original owner, with any interest due, should reunification efforts bear fruit – what the Dormant Assets Scheme has already achieved goes far beyond a proof of concept.

The Scheme today is firmly embedded in the bank and building societies sector, with plenty more activity still to come, and holds significant untapped potential beyond the established Main and Alternative Schemes.

Expansion efforts have been long anticipated and, having been confirmed by an Act of Parliament, will now progress through a carefully considered plan which has been years in the making.

The task of accepting new assets from the insurance and pensions, investment and wealth management and securities sectors is necessarily complex, but eminently achievable. It will benefit from the rigorous thought and attention it has received so far from experts across these sectors, including 'industry champions' present and past, firms in each sector and industry trade bodies.

I am hugely grateful for the time and expertise they have committed. I can also say with certainty that expansion will continue to be driven by people with a deep appreciation for the economic and social importance of the Dormant Assets Scheme.

Beyond the promise of additional funds for good causes, Scheme expansion will also galvanise efforts around customer tracing and reunification.

Reuniting dormant assets with their original owners is the principal concern of all involved. It also remains the guiding factor in RFL's approach to providing funds for distribution while reserving sufficient capital to ensure full restitution in perpetuity.

The year ahead will involve a significant expansion programme and sustained industry engagement. The groundwork to date puts us in the best possible position to proceed and means that the RFL team and our partners can look forward to the task with relish.

OUTLOOK

Royal Assent completed one step of the expansion process and kick-started another, which we anticipate will see new funds arrive within the 12 months, followed by the first distributions thereafter.

As I referenced earlier, we are living through uncertain times where local and global events can be upsetting and unsettling. While some things will always remain beyond our control, we can provide comfort and reassurance to all involved in the Dormant Assets ecosystem by maintaining a clear head and careful approach to managing Dormant Asset funds.

What we can control are the decisions we take with the funds entrusted to us. On this note, I speak for all at RFL when I express our deep pride at the achievements of the organisation and Scheme so far, and the social good they enable.

I would like to thank every one of our team and particularly Jane for her wise counsel and enduring support to me throughout her time as RFL Chair. She has left an enviable legacy for her successor to continue, including an organisation that has grown more mature and robust in challenging times.

It is entirely fitting therefore that we were delighted to receive the recent news that Jane has been awarded a CBE in the Queen's Birthday Honours in this important jubilee year for her services to charity, an award that she richly deserves.

Looking ahead, I remain hugely excited and motivated to work with our new Chair, once appointed, and the RFL team to fulfil our role, as a responsible public body, to support good causes through a unique model that continues to provide its value while having so much still to offer society.

ADRIAN SMITH OBE
Chief Executive

15 July 2022



I would like to thank every one of our team and particularly Jane for her wise counsel and enduring support to me throughout her time as RFL Chair.



EXPANSION OF THE SCHEME

Following extensive collaboration between Government, industry, regulators and Reclaim Fund Ltd, the Dormant Assets Scheme is now being expanded to new sectors.

During 2022, insurance and pensions providers, investment and wealth managers, and publicly listed companies will be able to transfer eligible Dormant Assets into the Scheme. Bringing new assets and participants to the Scheme has the potential to direct an estimated further £880m to vital social and community initiatives, building on the proven success of the existing Scheme.

Consumer protection and voluntary participation remain at the heart of the expanded Scheme. This means that new participants who choose to join must actively try and reunite policies and assets with their owners before transferring assets into the Scheme. Policyholders and asset owners have the right to reclaim the value of assets transferred to RFL at any time in the future, for which RFL holds sufficient funds.

Scheme expansion is overseen by the Dormant Assets Expansion Board ('DAEB') which brings together Industry Champions, Government, regulators, industry associations and working groups, and RFL. These stakeholders are now working together to progress and finalise their technical readiness plans to enable RFL to accept the transfer of new assets during 2022.

While Scheme expansion offers a unique opportunity to reunite assets with their owners, and fund vital charitable and community activities across the UK, its success will be based entirely on companies' decisions to participate and transfer newly eligible assets.

➤ We would be delighted to provide more information on Dormant Assets and Scheme participation. Contact us at dormantassets@reclaimfund.co.uk

Sectors covered by the Expansion Scheme:

- **Banking and Building Societies**
- **Insurance and Pensions**
- **Investment and wealth management**
- **Securities**



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



NIGEL HUDDLESTON MP | Minister for Sport, Tourism, Heritage and Civil Society

The Dormant Assets Scheme is an excellent example of responsible collaboration between industry, Government and civil society. I'm pleased that participating banks and building societies have transferred over £1.6bn into the Scheme to date, with over £800m released to help level up communities in the most deprived parts of the UK.



In 2018 the first Industry Champions were asked to represent and provide expertise on their respective sectors, and advocate for Scheme participation. Since then, new champions have been selected via the Dormant Assets Industry Expansion Board to continue these important roles.



Tom Riley
Director of Banking & Savings,
Nationwide Building Society

Tom Riley has been Industry Champion for Banks and Building Societies since 2019. Nationwide Building Society was an early participant in the main Scheme, joining in 2011.

"Banks and building societies have been pioneers of the Dormant Assets Scheme and have demonstrated the positive impact that Dormant Assets can have on social and community causes. The expansion of the Scheme amplifies this impact further, bringing both new participants and the ability for existing participants to transfer a wider range of assets into the Scheme."



Kirsty Cooper
Group General Counsel
and Company Secretary,
Aviva plc

Kirsty Cooper served as a member of the Dormant Assets Commission in 2017, and has been the Industry Champion for Insurance & Pensions since 2018, including co-authoring the 'The Dormant Assets Scheme: A Blueprint for Expansion'.

"I am delighted that the legislation has now passed. An expanded Dormant Assets Scheme with new asset classes and greater industry participation should prove to be a powerful force for good – both in enhancing the number of customers who are reunited with their assets and in supporting good causes."



Jasveer Singh
General Counsel, Jupiter
Asset Management Limited

Jas Singh became Industry Champion for Investment and Wealth Management in early 2022.

"It is rare that new opportunities emerge for our industry to demonstrate both good stewardship towards our clients whilst making a direct and tangible contribution to financially and socially disadvantaged communities. The expansion of the Dormant Assets Scheme is one such opportunity, and the earlier that companies choose to participate, the quicker that funds can be used to enrich lives and enhance communities."



Steve Allen
Group Company Secretary,
Rio Tinto

Steve Allen has been Industry Champion for Securities (i.e. shares in publicly listed companies) since early 2022.

"Many companies are looking for tangible and measurable ways to deliver positive social impact. This was the driver behind my decision to accept the Government's invitation to become the Dormant Asset Scheme's Industry Champion for UK publicly listed securities companies and help plan the implementation of the new Dormant Assets Act 2022."



JANE HANSON | Chair of Dormant Assets Expansion Board

I am delighted that the expanded Scheme is now a reality. By welcoming new participants and asset types, we are unlocking new money for charitable and social enterprises across the UK.



FROM DORMANCY TO DISTRIBUTION

The principal activity of RFL is the receipt and management of Dormant Account monies.

ABOUT THE CURRENT DORMANT ASSETS SCHEME IN PLACE FOR BANKS AND BUILDING SOCIETIES

RFL is authorised and regulated by the Financial Conduct Authority ('FCA') as a Dormant Account fund operator.

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.

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. With the introduction of the new Dormant Assets Act 2022, and following formal changes being made by the Prudential Regulatory Authority ('PRA') in late 2022, RFL will cease its membership of the scheme. FSCS. For further information on this change refer to Note 3 on page 74.

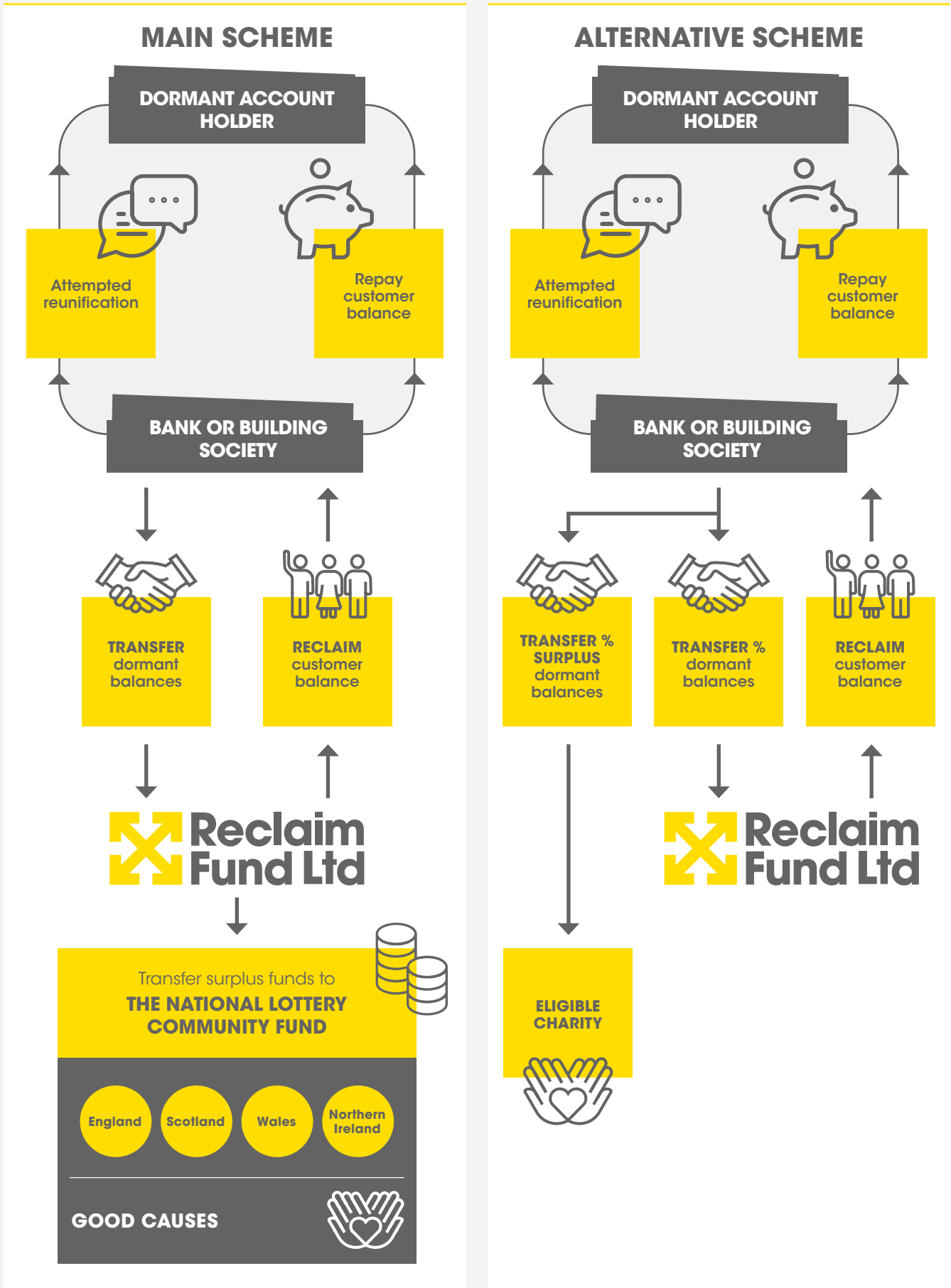
IF YOU THINK YOU HAVE UNCLAIMED MONIES IN A BANK OR BUILDING SOCIETY ACCOUNT

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

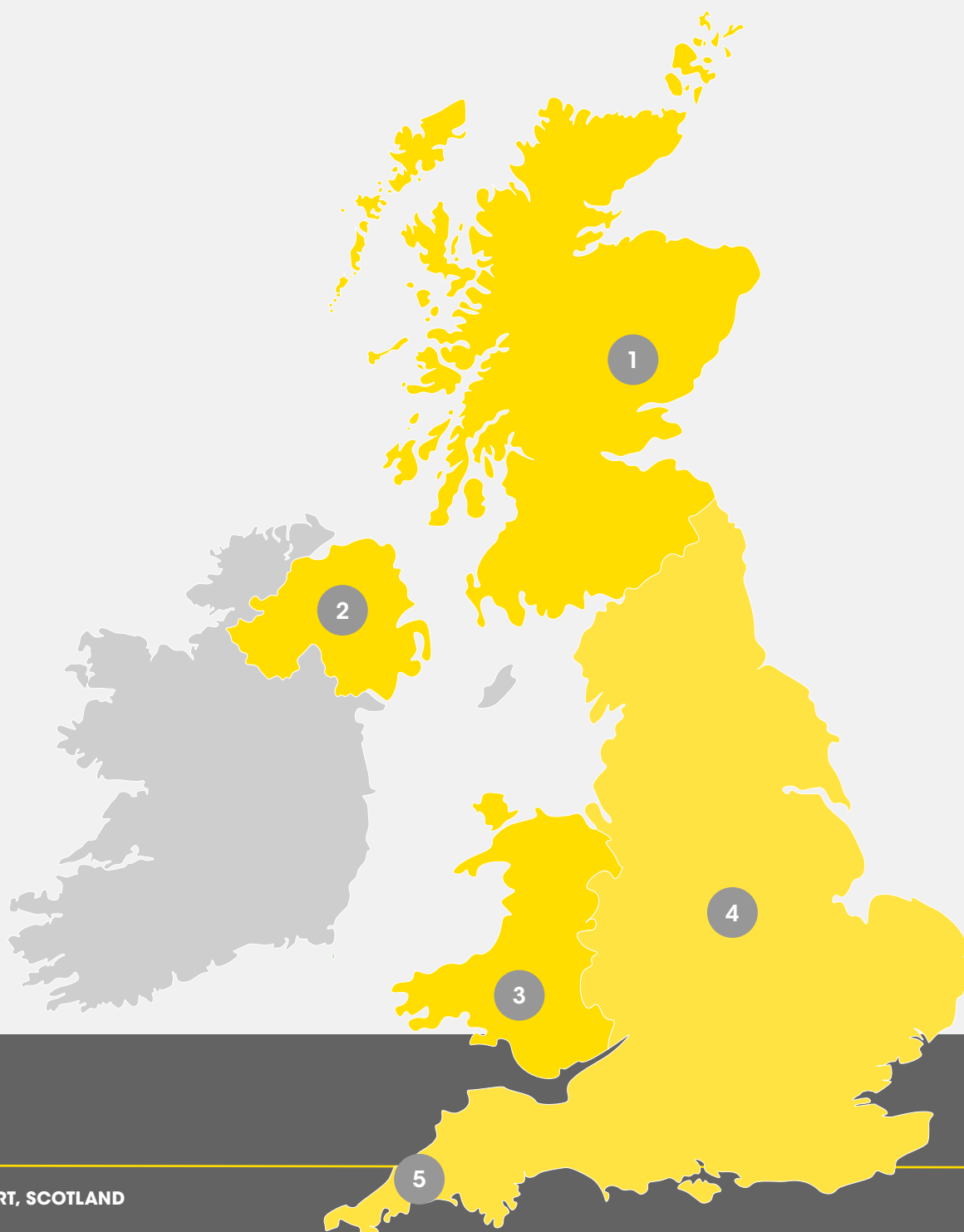


mylostaccount.org.uk

BANK AND BUILDING SOCIETY SCHEME



#ENHANCINGCOMMUNITIES



- ① **YOUNG START, SCOTLAND**
- ② **DORMANT ACCOUNTS, NORTHERN IRELAND**
- ③ **THE NATIONAL LOTTERY COMMUNITY FUND, WALES**
- ④ **FAIR4ALL FINANCE, ENGLAND**
- ⑤ **YOUTH FUTURES FOUNDATION, ENGLAND**

OUR PURPOSE IN ACTION

AIRPLAY YOUTH PROGRAMME

1 YOUNG START, SCOTLAND



Airplay, the RAF Benevolent Fund’s flagship youth programme in Moray, has received £91,246 funding support through the Young Start Programme which utilises funds made available via the Dormant Assets Scheme to help good causes.

The project is aimed towards children and young people whose parent(s) are serving at RAF Lossiemouth, a remote and isolated base in the north of Scotland. It provides a safe space where the children can come together and have fun, learn new skills and receive much needed support as they cope with the complex challenges of growing up as part of a military family. The project seeks to engage with children and young people through fun activities such as arts and crafts, cooking and sports. They can also participate in skills-based learning sessions and the Duke of Edinburgh’s Award programme.



When ‘Jess’ first joined Airplay Lossie she was very shy and reserved, wouldn’t participate in activities and lacked self-confidence. She struggled to make friends with those in the group as she felt different from her peers. Our staff team recognised there was an issue and ran sessions addressing topics such as unrealistic appearance ideas, the impact of social media, celebrity culture and advertising, and body activism and positive behaviour. During these sessions, ‘Jess’ started to open up and identified similarities with other members of the group. We were able to work with her and help change negative perspectives to positives as we looked at shared interests and passions. This brought the young people closer together and helped build connections for ‘Jess’ and the wider group. ‘Jess’ now feels she has new friends who she can chat to and is now one of the first to welcome new members.”

OUR PURPOSE IN ACTION

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

#ENHANCINGCOMMUNITIES continued

OUR PURPOSE IN ACTION

ARTS & BUSINESS NI BLUEPRINT PROGRAMME

2 DORMANT ACCOUNTS, NORTHERN IRELAND



A £500,000 grant from the Dormant Accounts Fund NI has been awarded to support Arts & Business NI's Blueprint Programme. Blueprint is a pioneering 5-year financial growth programme enabling small to medium-sized cultural organisations in Northern Ireland to take a more long-term approach to income generation. **Blueprint is about investment in long-term growth and finding the route to greater financial security and artistic freedom.**

Blueprint is informed by five years of research and development led by the team at Arts & Business NI, in partnership with a cohort of public and private funders.

Phase 1 of Blueprint was launched in January 2022 and is currently underway within 30 organisations.



This phase will run until June 2022 and involves training, mentoring and support on topics including creative resilience, leading change, building financial sustainability and purpose-driven governance. In phase 2 a final cohort of 15 organisations will move through to the remainder of the programme. In addition to training and mentoring, the participants will have access to a range of investment grants. These grants will help free up capacity, test new income generation ideas and support and incentivise organisations to build a strong balance sheet for the longer term, enabling the growth of capital for future innovation.



Arts & Business NI is really delighted to secure the first major strategic initiatives grant from the Dormant Accounts Fund NI. Our ambition to create transformational change and build long-term financial strength in the NI cultural sector, mirrors the aims of the Dormant Accounts Fund NI. After four years of research and development, Arts & Business NI is excited that, as a result of this multi-annual investment, Blueprint is now being delivered."

MARTIN BRADLEY MBE
Chair of Arts & Business NI

OUR PURPOSE IN ACTION

CREATE YOUR SPACE - SUSTAINABLE TRANSFORMATIONS IN COMMUNITIES

3 THE NATIONAL LOTTERY COMMUNITY FUND, WALES



Create Your Space enables communities to make decisions on how to conserve and/or improve their local natural environment in a way that makes a real difference for them and meets the needs of future generations. It is run by the National Lottery Community Fund Wales with funds originating from the Dormant Assets Scheme.

As part of this programme, the Menter Môn's Cwlwm Seiriol Project aims to enable residents in the Seiriol area of Anglesey in North Wales, to improve their natural environment and health by undertaking conservation work.

During the Pandemic, the project offered monthly online talks hosted both independently and in collaboration with Plantlife - the Wild Plant charity working to establish an Anglesey Meadows Group. Talks included meadow management, recording wildlife, and equipment for managing meadows. A renewed interest in walking, cycling and growing food, which emerged during lockdown, resulted in Menter Môn organising a series of outdoor events during summer 2021 including a Magnificent Meadows event at Llandonna, a youth climate action event, a bat walk and volunteer activities through the autumn to engage people in working outdoors.



I've definitely noticed an improvement in my health and wellbeing from keeping active, being outdoors and connecting with others."

Green Prescribing participant

Green Prescribing is another scheme set up under this project with the support of Canolfan Beaumaris and the Beaumaris Health with the aim of providing health and wellbeing benefits through woodland-based activities. Participants are introduced to all kinds of green woodworking skills and reserve management work while socialising with others and learning about nature.

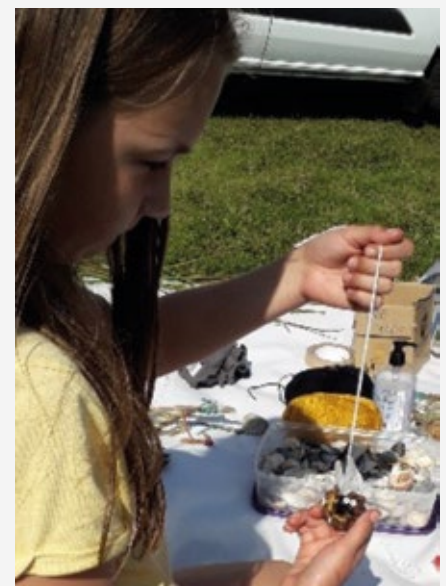
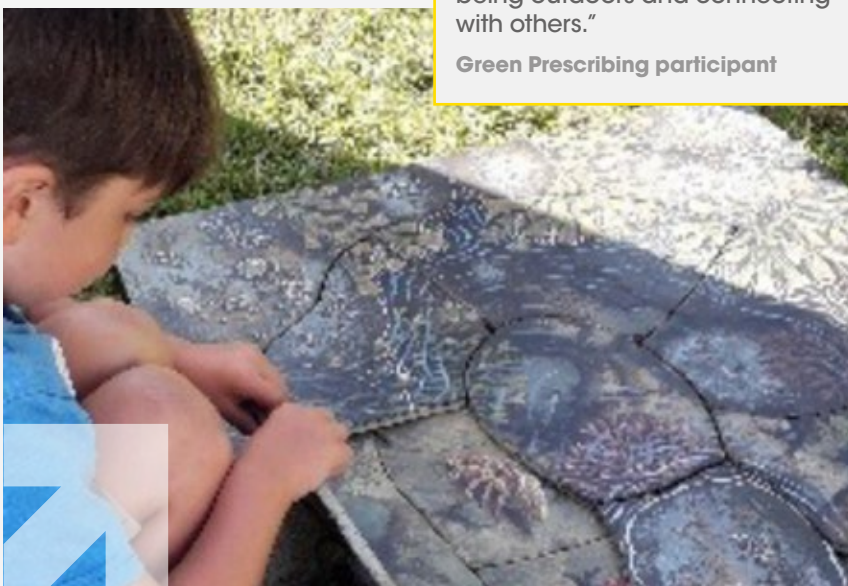


£7.8m funding for Create Your Space from the Dormant Assets Scheme

£1,098,000 grant for the Menter Môn' project



www.websitename.org.uk



#ENHANCINGCOMMUNITIES continued

OUR PURPOSE IN ACTION

FAIR4ALL FINANCE AND SALAD

4 FAIR4ALL FINANCE, ENGLAND

SALAD
MONEY

Fair4All Finance invested £5m in the award-winning affordable lender, Salad, in 2021. This was the third significant investment from their Affordable Credit Scale Up Programme, designed to increase the supply of fair and affordable credit to people in financially vulnerable circumstances.



Salad are an innovative social impact fintech who offer short-term loans of up to £1,000 alongside their free online financial education tool 'Money Mind'. They use Open Banking data, rather than traditional credit scores, to lend responsibly to low-income public sector workers who cannot access mainstream finance and might otherwise be reliant on unaffordable payday loans.

Currently, three quarters of their customers are public sector workers in the lowest 40% of incomes and half of their borrowers have dependent children. Many struggle to access loans elsewhere to cover essential and unexpected costs and value the 'real time' use of Open Banking to assess their eligibility.

The £5m investment over five years will be used alongside Salad's commercial funding to expand their offering and further reduce the cost of credit for customers. It is projected that this will add over £100m of additional affordable credit capacity to underserved customers by 2025.

OUR PURPOSE IN ACTION

WELCOME TO THE LEEK UNITED BUILDING SOCIETY

Q/A WITH THE LEEK UNITED BUILDING SOCIETY - ALTERNATIVE SCHEME



WHAT PROMPTED YOU TO JOIN THE DORMANT ASSETS SCHEME?

We have recently established a charitable foundation to provide focus for our charitable activities within our heartland counties. Like many banks and building societies, we hold dormant customer balances. The Dormant Assets Scheme provides the opportunity to leverage these for charitable purposes, whilst also ensuring that funds will be available to Dormant Account holders should they require them.

DESCRIBE YOUR JOURNEY TO BECOMING A PARTICIPANT OF THE SCHEME

Joining the Scheme has been easy with a clear and simple process for us to follow. Nadine Sinkins, the Operations Analyst at RFL has provided clarity where needed and has been supportive of the Society throughout the application process. Once we had decided that launching a charitable foundation was the best way to fulfil our purpose, joining the Dormant Assets Scheme was a natural next step. The building society community is very collaborative and we were quickly able to identify other societies that had been on this journey and to benefit from their experience.

WHAT IMPACT DO YOU HOPE TO MAKE WITHIN YOUR LOCAL COMMUNITY?

Our charitable foundation has established a grant making policy that describes the support we will look to provide to our heartland communities. This support includes:

- providing training and skills to improve disadvantaged people's employment opportunities;

- supporting projects that improve the social and health outcomes of disadvantaged people through sport or community activities; and
- improving local community spaces such as green space and community venues.



A key component of our mission and purpose is that we'll be socially responsible and will make a positive difference to the lives of customers, employees and the local community. The Dormant Assets Scheme enables us to leverage our dormant account deposits to generate funding that will support our purpose."

ROB BROADBENT
Finance Director,
Leek United Building Society

OUR PURPOSE IN ACTION

PENTREATH, CORNWALL

5 YOUTH FUTURES FOUNDATION, ENGLAND



Re-Ignite is a mental health and emotional well-being project delivered through Pentreath, an award-winning charity, based in Cornwall, founded in 1990. The Re-Ignite project is funded by a £299,623 development grant via Youth Futures Foundation utilising monies from the Dormant Assets Scheme. It supports recovery from mental ill-health and develops opportunities for young people aged 14 – 24 to meet their full potential for happy and productive lives.

The Re-Ignite project supports young people to identify the areas in their lives where they would like to make positive changes. This may include improving their emotional and mental well-being, applying to college or searching and applying for a job. Advisers help young people to translate personal goals into an achievable, manageable, timely and realistic action plans and support them to sustain a vocational outcome using post progression support.



The funding that we are receiving from Youth Futures is enabling us to deliver a bespoke one-to-one service to young people who are experiencing complex mental health challenges. We always strive to offer a service to everyone no matter what their background and current life situation. This funding is supporting our client group to positively progress into meaningful outcomes, from social inclusion to employment and training.”

JONATHAN MUTTON
Deputy CEO of Re-Ignite



When I was first referred into Pentreath, I felt stuck and unsure about my future. I was happy that we focused on what I wanted at the time rather than pushing me to go straight back into education.

Now, I have a better understanding of what employment or training I want to go into and what my ideal career would be. I liked that we’ve been outside and meeting in places not just my home; getting out of the house was really important to me.”

RE-IGNITE AMBASSADOR

#ENHANCINGCOMMUNITIES continued

OUR PURPOSE IN ACTION

ACCESS – THE FOUNDATION FOR SOCIAL INVESTMENT

6 ACCESS, ENGLAND



Access’ programmes support charities and social enterprises most in need of patient and flexible investment, particularly smaller organisations based in disadvantaged places.

Social Enterprise UK research suggests that the average social enterprise’s need for finance is around £50k. Without the subsidy provided through Access’ programmes, this type of finance has not been readily available either because there was too much risk, or the size of investment was too small.

One example is Homebaked, a co-operative bakery and community land trust based opposite Liverpool FC’s Anfield stadium. Now the subject of a musical at Liverpool’s prestigious Royal Court theatre, they successfully applied for a grant of £15,500 and a loan of £45,500 from Livv Investment via the Growth Fund. The Growth Fund is a £50m partnership which uses a combination of grant funding and loan finance from Big Society Capital



(utilising funding from the Dormant Assets Scheme) and other co-investors, to address specific gaps in the social investment market. This has been spent on a dedicated catering unit and specialised equipment which enabled Homebaked to ramp up production to meet demand, create new positions and free up space in the kitchens for more educational courses, including classes for local school children.

In 2022, Access launched its refreshed strategy looking at how it can deliver long-lasting, tangible change within the social investment eco-system – focusing its resources on those most in need of investment and advocating for an investment eco-system that works for all charities and social enterprises. They will continue to build on progress made on measuring the impact of their programmes in minoritised communities.



£60m directly allocated from Dormant Assets, of which

£10m for Local Access (place based blended finance programme)

£30m for COVID-19 recovery

£20m for smaller scale unsecured loans



www.websitename.org.uk

OUR PURPOSE IN ACTION

POWER 2 – TAPPING INTO UNFULFILLED POTENTIAL

7 BIG SOCIETY CAPITAL, ENGLAND



Many young people aged 11-18 experience challenging home situations and mental health issues. This, combined with exam stress, can lead to low self-esteem, low academic performance and behavioural issues at school.

The Charity Power 2, started in London and has since expanded across the UK – to Greater Manchester and the West Midlands. Its flagship Teens and Toddlers programme refers young people who are struggling at school to a 16-week programme where they are allocated a toddler to mentor. 91% of the programme’s participants report an improvement in their self-confidence.

During the pandemic, challenges facing young people were exacerbated, with many falling behind at school due to not having the right technology or support at home. But just as Power 2 was needed most, its traditional source of income ended. Much of its funding comes from the schools and local authorities that commission its programmes – but social distancing made it impossible for them to continue running.

In response, Power 2 took on £150,000 in the form of both a loan and a grant from the Resilience and Recovery Loan fund (RRLF) – which was managed by Social Investment Business and supported by Big Society Capital with funding from the Dormant Assets Scheme. The RRLF provided emergency funding to charities and social enterprises during the onset of the pandemic.



From a relatively small amount of money we’ve made a huge amount of difference.”

JULIE RANGLES
CEO, Power 2

This supported Power 2 in recommending delivery of its existing services – as well as in launching Power2 Rediscover, a new programme offering young people ten 1:1 sessions with a trained facilitator to support them in areas including mental health, loneliness and school engagement.



£150,000 funding received by Power 2 as a loan and grant from the Resilience and Recovery Loan fund



Since 2001, **over 25,000** young people have participated in Power 2’s programmes

Power2 Rediscover served over **400** teenagers – and **87%** of participants whose wellbeing had been affected by COVID-19 reported an improvement.

BUSINESS REVIEW

OUR STORY

Reclaim Fund Ltd ('RFL') commenced operations in 2011, following the enactment of the Dormant Bank and Building Society Accounts Act 2008 ('the '2008 Act') and its receipt of regulatory authorisation to act as an authorised reclaim fund. RFL is currently the sole authorised operator of the UK Dormant Assets Scheme (the 'Dormant Assets Scheme').

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

RFL was established originally as a wholly owned subsidiary within the Co-operative Group Limited via its subsidiary Co-operative Financial Services Limited (now known as Angel Square Investments Limited ('ASIL')). In late 2019, the Office for National Statistics ('ONS') conducted a review of RFL and 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 HM Treasury's financial statements and classified as an executive Non-Departmental Public Body ('NDPB'), sponsored by HM Treasury. 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 HM Treasury on 30 March 2021.

As a NDPB, RFL is a body which has a role in the processes of national Government but is not a Government department or part of one, and accordingly operates at arm's length from Ministers.

A Framework Document, setting out the broad governance framework within which RFL, HM Treasury, UK Government Investments (in its capacity as representative of HM Treasury) and the Department of Digital, Culture, Media and Sport ('DCMS') (in its joint policy role with HM Treasury) operate, has been

agreed between HM Treasury and RFL and has been approved by HM Treasury in accordance with HM Treasury's handbook Managing Public Money. The Framework Document does not, however, convey any legal powers or responsibilities.

The Dormant Assets Act 2022 (the '2022 Act') received Royal Assent on 24 February 2022 with certain key operative provisions of the 2022 Act commencing on 6 June 2022. The 2022 Act supplements and amends the 2008 Act, and, amongst other things, enables an authorised reclaim fund to accept, alongside dormant bank and building society accounts, a wider range of dormant assets, including certain assets in the insurance, pensions, investment, wealth management and securities sectors. To the extent applicable, the 2008 Act and 2022 Act are to be construed as one when considering the legislation in place for the 2021/2022 Annual Report and Accounts and are referred to as 'The Act'.

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

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 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 Act 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 PERIOD

Following the change in ownership, the Company changed its accounting reporting date to 31 March to align with Government entities, resulting in a 15-month accounting period to 31 March 2022.

During the 15-month period to 31 March 2022, the Company accepted £153.8m (2020: £89.0m) of Dormant Account monies from 20 of the 34 Main Scheme participating UK banks and building societies (2020: 16 of 31). In total the Company accepted the liability for £0.3m (2020: £1.5m) of Dormant Account monies from Alternative Scheme Participants in the 15-month period to 31 March 2022 which, under the terms of the agreement amounted to £0.1m of Dormant Asset transfers in 2021/22 (2020: £0.6m).

Administrative expenses of £3.9m have been incurred during the period for staff costs, Directors' fees and other operating costs incurred in the normal course of business. The RFL business model is built around a combination of in-house operations and outsourced suppliers. Set up costs of £0.6m have been incurred for Scheme expansion including fees for project management, business consultancy and legal advice.

Investment securities have increased from £350.4m as at 31 December 2020 to £435.4m at 31 March 2022 reflecting the Board's decision to invest a further £50m in February 2022 and the reduction in cash balances held by the Investment Manager following re-investment. In the context of the short duration portfolio held with our investment manager, the Board has confirmed that there is no direct exposure to Russia or Ukraine in the portfolio, following confirmation from our investment manager. Management continues to monitor the portfolio in light of the conflict. Additionally, management continues to assess our key suppliers and engages with them to understand their business resilience and financial stability in light of the conflict.

CHANGE TO ACCOUNTING FOR THE RECLAIM PROVISION

RFL commenced operations and received formal Financial Services Authority ('FSA') authorisation on 28 March 2011. At the time, with no track record and only anecdotal reclaim data available from Participants, an initial provision for expected reclaims was established based on the issuance of Individual Capital Guidance ('ICG') by the then FSA (now FCA), that sets a strict capital requirement which has remained in place ever since. A key principle on the Scheme's establishment was for the Participants to maintain the customer relationship and, as such, RFL only holds aggregated data. With no comparator company to work from, and a lack of data on reclaim experience, a naturally prudent approach was taken by the Board.

Since RFL's establishment, the Board has considered on a regular basis whether there was sufficient historical data to enable a more sophisticated approach to assessing expected reclaim experience. Actuarial advice was sought, which recommended the use of a Generalised Linear Model ('GLM') that projected into the future using predictive factors in the underlying data. As RFL's historic data is limited and cannot definitively predict future reclaim rates, the Board has also explored the possible circumstances in which RFL could experience a change in reclaim rates and this has been factored into the best estimate model as an additional margin. To support this view, RFL has held workshops comprising experts from within the financial services and Government sectors, who considered possible scenarios that could lead to a material change in reclaim rates over the lifetime of RFL.

Over time, this best estimate model has been iterated and refined as more data has been gathered. However, the Directors continue to be aware of the sensitive assumptions and judgements required and the wide range of possible reclaim rates that could occur.

BUSINESS REVIEW continued

During 2021/2022, RFL formalised plans to use the revised model to determine a best estimate reclaim provision. A critical element to this work was an independent review of the model by the Government Actuarial Department, including recommendations for further revisions to the GLM and additional margin to allow for the limited historical experience.

With the assurance gained from the independent validation, the Board, having considered the requirements of the UK adopted International Accounting Standards ('IAS'), has adopted a best estimate at 31 March 2022 that reflects the data within the best estimate model. The Directors have also considered the requirements of IAS and determined that it is necessary to restate the previous year's best estimate, this providing a better indication of the likely position in those years.

The restatement of the prior period's Statement of Financial Position does not impact the amounts set aside for expected reclaims over the lifetime of RFL with total liabilities and equity remaining unchanged at £684.2m as at 1 January 2020 and £693.1m at 31 December 2020. There is a total of £176.0m held within the best estimate reclaim provision and £417.7m held within capital and reserves as at 31 March 2022 available to meet the regulatory requirements (ICG), which have also recently been reaffirmed by the FCA. Amounts held within capital can be used to support the key activities of RFL, namely the payment of reclaims and distributions to TNLCF and to defray administrative costs and other reasonable expenses. The Act requires RFL to hold sufficient reserves to meet reclaims that it is prudent to anticipate.

Further detail on the considerations made by Directors on the significant accounting policies and the inherent estimates and judgements can be seen in note 1 on pages 67 to 70. The key assumptions and sensitivities can be seen within note 1 on page 70.

The prior period has been restated to reflect the change in accounting treatment for the provision for reclaims of dormant account balances that is disclosed in Note 1 on pages 67 to 70.

A number of reclaims were paid to Main and Alternative Scheme Participants during the 15-month period to 31 March 2022, amounting to £15.4m (2020: £12.9m).

DISTRIBUTIONS TO GOOD CAUSES

Distributions paid to TNLCF for the 15-month period were £144.3m (2020: £68.5m), consisting of £90.3m paid in November 2021 and £54.0m paid in February 2022. A distribution of £91.8m was approved by the Board on 16 June 2022.

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 Level of participation in the Scheme by banks and building societies.</p>	→	<p>During the 15 months to 31 March 2022, amounts were received in respect of dormant accounts from 20 of the 34 Main Scheme participants (2020: 16 of 31), with National Bank of Egypt, (UK), DZ Bank and Standard Chartered Bank joining the Main Scheme. Additionally, Leek United Building Society joined the Alternative Scheme.</p>
<p>Suppliers Agreements with outsourced service providers set service level standards on quality, cost and timeliness.</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 Compliance with regulations and contracts with external parties.</p>	→	<p>There were no breaches of any regulations or contracts with external parties during the year.</p>

FINANCIAL KPIs¹

AMOUNTS RECEIVED FROM PARTICIPANTS

£154.0m

(2020: £89.6m)

In 2021/22, Main Scheme transfers are in line with management's expectation, taking total transfers since inception to more than £1.60bn. We welcomed our third new member to the Alternative Scheme.

LIQUIDITY - CASH HELD

£250.3m

(2020: £342.1m)

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.

AMOUNTS SET ASIDE TO SUPPORT THE LONG-TERM BUSINESS

£593.7m

(2020: £547.4m)

The total amount reflects both the reclaim provision and the Companies capital and reserves that are available to support the long-term viability of the business. The Board has determined that RFL holds sufficient capital to run the business in the long term and to meet its regulatory requirements.

ONGOING OPERATING COSTS²

£3.3m

(2020: £3.1m)

Ongoing operating costs for the 15-month period reflect the business activities undertaken in 2021/22. These include staff costs, consultancy fees, professional services costs for legal and actuarial advice, necessary liaison with Government Departments following the change in ownership and the Governance Project reports for completing the transition to being an Arm's Length Body. Annual budgets are reviewed and approved by the Board, with costs being regularly monitored.

INVESTMENT SECURITIES HELD

£435.4m

(2020: £350.4m)

We maintain a highly liquid, secure position, with maturing bonds and coupons generated from the investment portfolio being re-invested. The increase reflects the Board decision to invest a further £50m in February 2022 and the reduction in cash balances held by the Investment Manager following re-investment.

DISTRIBUTIONS PAID TO THE NATIONAL LOTTERY COMMUNITY FUND

£144.3m

(2020: £68.5m)

Distributions of £144.3m were paid in the 15 month period, taking cumulative distributions paid to date to £800.2m.

1 KPIs for 2021/2022 represent the 15-month financial period and for 2020 represent the 12-month financial year.

2 Ongoing operating costs exclude investment management fees and setup costs for expansion of the Dormant Asset Scheme.

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 Act. 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 2021 and are satisfied that no trends were developing which might impact on the current reclaim provision.

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 prevented us from holding our Annual Event in 2021 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. The Board agreed at the June 2022 meeting to release a further £91.8m to TNLCF to benefit good causes, aligning with our purpose to enhance communities and enrich lives.

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

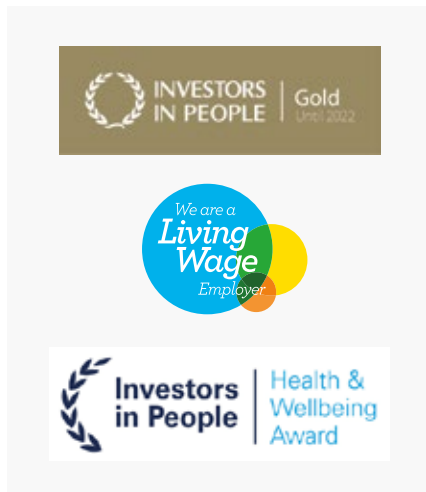
potential Participants and new joiners to both the Main and Alternative Schemes. Management understands the benefits of the Building Societies Association annual conference and continues to showcase at the event to interact with potential and existing Participants and share with them the impact of Dormant Assets funding.

SHAREHOLDER

UKGI act as representative of RFL's sole shareholder, HM Treasury, as outlined in the Framework Document. HM Treasury views are considered through UKGI appointed Non-Executive Directors attending Board and Committee meetings and through close working relationships between representatives of UKGI and RFL.

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. During the COVID-19 pandemic, the team was required to move to full-time working from home; this new way of working was embraced by all team members and a hybrid way of working established, with the business continuing to achieve its plans in 2021/2022. During the year, RFL has been awarded a gold standard 'We Invest in Wellbeing' Award. RFL currently holds Investors in People Gold status and has been accredited as a Living Wage employer.



GOVERNMENT

Following extensive collaboration between Government, industry, regulators and RFL, the Dormant Assets Scheme is now being expanded to new sectors. During 2022, insurance and pensions providers, investment and wealth managers, and publicly listed companies will be able to transfer eligible Dormant Assets into the Scheme. Bringing new assets and participants to the Scheme has the potential to direct a further estimated £880m over time to vital social and community initiatives, building on the proven success of the existing Scheme. We continue to engage with industry, regulators, industry bodies, DCMS and HM Treasury 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 and Chief Risk Officer maintain 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, General Data Protection Regulation and any impacts on suppliers of the conflict in the Ukraine. In early 2022, RFL was awarded the Good Business Pays 'Fast Payer Award', which recognises companies that have demonstrated excellent payment practice to their suppliers consistently over the last 12 months.

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, the impact from our investment portfolio, 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. This year the Board has defined its sustainability risk and risk appetite statement in RFL's Sustainability Framework, this being aligned to UK Government's Net Zero by 2050 target. More information can be found in our Sustainability Report on pages 47 to 48.

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, risk and 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.

Consideration has also been given to the potential implications and risks to RFL of the new Dormant Assets Act 2022.

OUR RISK MANAGEMENT FRAMEWORK

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. This 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. 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 Accounting Officer supported by the Executive team, 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 incidents, 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 WE MANAGE 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, 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, Deloitte LLP, which has a direct reporting line to AARC.

HOW OUR RISK PROFILE HAS CHANGED

Over the last year there have been a number of risks, detailed on the next page, which have impacted on our risk exposure and required significant management focus:









1. A pandemic, in this instance the continued COVID-19 pandemic, which impacts us from both a strategic and operational perspective through:
 - a. Strategic
 - i. Presenting challenges to existing reserving policy;
 - ii. Increased sickness/absence levels;
 - iii. Loss of focus on strategic activities – e.g. Scheme Expansion;

- iv. Pressure to distribute funds outside of current risk appetite;
 - v. Potential for increased reclaims.
- b. Operational
 - i. Unavailability of senior personnel at a time of significant change;
 - ii. Reduced operational capability.
 - iii. Resistance to return to office working policy.
2. Our change to becoming an Arm's Length Body and moving from the private to the public sector, both of which have had an impact on our governance and internal operations
 3. The expansion of the dormant assets ecosystem with enabling legislation receiving Royal Assent on 24 February 2022, which presented risks in relation to capacity, capability, culture at RFL and the ability to keep operations focused on business as usual.
 4. For a small organisation the current change portfolio poses a significant risk to the capacity and capability of the team to deliver successful outcomes.

As these risks have evolved over 2021 and 2022, they have combined to have an impact on our strategy and business operations and have been a core focus for our Board and Executive to ensure that the appropriate mitigations are in place either to avoid the risks crystallising or to have sufficient mitigating actions in place should the risks crystallise. RFL's approach to managing risk has included access to highly regarded specialist firms to compensate for any internal knowledge gaps. The impact of management actions to mitigate these risks means that the overall risk exposure remains within the Board's approved risk appetite and the Board remain confident in the ability of RFL to manage risks effectively.

PRINCIPAL RISKS

The table below sets out the principal risks that have an impact on our strategy and objectives.

PRINCIPAL RISKS	DETAIL	TREND	MITIGATIONS
Reclaim Risk	Reclaim risk is the risk that the Company does not retain sufficient funds to meet future reclaims in perpetuity.		<ul style="list-style-type: none"> The Company's policy is to maintain prudent reclaim provisions and capital for future reclaims to reflect the longevity of the risk of reclaim. The level of reclaims is rigorously monitored on an ongoing basis.
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 Assets. 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.		<ul style="list-style-type: none"> The Board and Executive continually consider the impact on RFL's Strategic Objectives from any macroeconomic risks and legislative developments. Recruitment of highly skilled project Staff for the Expanded Dormant Assets Scheme.
Regulatory Risk	The Company operates in a regulated environment and is subject to significant legislative and regulatory requirements, having the unique classification of 'Dormant Account Fund Operator'. It is regulated by the FCA. The overall risk level is increasing as the company engages with the FCA on the regulatory impact of Dormant Assets Scheme expansion.		<ul style="list-style-type: none"> Communication with the regulator on any proposed internal or external material changes.
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.		<ul style="list-style-type: none"> Twice yearly Risk Control Self Assessment completed and approved by AARC. Regular review of preventative and detective controls. Second line review of RFL operations and any proposed changes. Close collaboration between first and second line in all initiatives. Use of external specialists to address specific risks and provide third line internal audit reviews.
Change Risk	Change risk is defined as the ability of a small core RFL team to deliver and absorb the level of change created by the strategic initiatives.		<ul style="list-style-type: none"> Use of senior interim change specialists. Redesign of target operating model. New permanent roles defined and being recruited for, taking into account RFL's operations for the Expanded Dormant Assets Scheme.
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.		<ul style="list-style-type: none"> 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 Board approved 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, principally from cash deposits, and from the Company's investments.		<ul style="list-style-type: none"> 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 with credit ratings graded no lower than BBB+.
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. Reinvestment risk refers to the possibility that an investor will be unable to reinvest cash flows received from an investment at a rate comparable to their current rate of return.		<ul style="list-style-type: none"> The Company has limited exposure to market risk, as its fixed income investments are held until they mature. The Company actively reviews its investment mandate, working closely with the outsourced investment manager to minimise its reinvestment risk.

The Strategic report on pages 4 to 27 is approved by the Directors.

ADRIAN SMITH OBE
Chief Executive

15 July 2022



Governance

GOVERNANCE

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INTRODUCING OUR BOARD

OUR COMMITTEES AND COMMITTEE CHAIRS

The Board has delegated certain responsibilities to the four Committees, 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 Act.

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 outsourced

Investment Manager and Custodian and ensures adherence to the Board agreed investment mandate.

The Nomination Committee supports 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. Treasury Ministers appoint the Chair of the Board (subject to reasonable prior consultation with the Company's Nomination Committee and Board) and approve final appointments of all Non-Executive Directors.

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.

GOVERNANCE FRAMEWORK BOARD OF DIRECTORS

Audit and Risk Committee

The Audit and Risk Committee is chaired by Glyn Smith.

Investment Committee

A new Chair of the Investment Committee has been appointed, subject to the completion of regulatory processes, which are expected to be completed during the third quarter of 2022.

Nomination Committee

The Nomination Committee is chaired by Jane Hanson.

Remuneration Committee

The Remuneration Committee is chaired by Jenny Watson.

Find out more on pages 30 to 40.

THE BOARD

A diligent,
knowledgeable
and responsible
Board of Directors



JANE HANSON
Chair



ADRIAN SMITH
Chief Executive



KATHERINE GARNER
Non-Executive Director



GLYN SMITH
Senior Independent Director



JENNY WATSON
Non-Executive Director

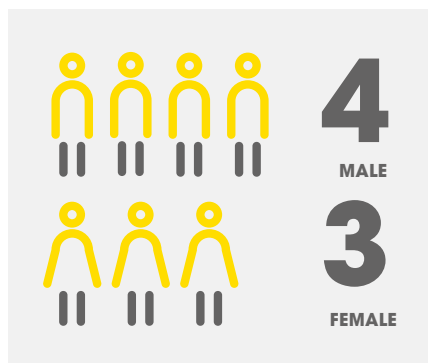


JONATHAN GORRIE
Shareholder, Non-Executive Director



HOLGER VIETEN
Shareholder, Non-Executive Director

BOARD COMPOSITION



1 JANE HANSON CBE, 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 30 years' experience in financial services. Jane's current roles include Chair of Audit Committee and Non-Executive Director of Welsh Water plc and Audit Committee Chair at the Civil Aviation Authority. Jane has also served as a Non-Executive Director and Chair of the Board Risk Committee at Direct Line Insurance Group plc, Old Mutual plc and William Hill plc. She 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. Jane was awarded a CBE in 2022 for services to charity.

Committees: **H** **R**

2 ADRIAN SMITH OBE, 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. Awarded an OBE for services to the Financial Sector in 2022. Adrian is currently a member of the Dormant Assets Expansion Board. Adrian is also a Trustee of the Plunkett Foundation.

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 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 Portman 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**

5 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. She is also trustee of the Norfolk Community Foundation. Jenny started her early career in the not for profit sector and has sat on the Boards of a number of public bodies, serving as a past Chair of both the Electoral Commission and Equal Opportunities Commission.

Committees: **A** **N** **R**

6 JONATHAN GORRIE MA (OXON), MPHIL, MFIN Shareholder, Non-Executive Director

Appointed: 1 June 2021, resigned 6 July 2022
Experience: Jonathan joined the Board in June 2021 as a Shareholder Non-Executive Director, acting as Shareholder representative for RFL's owner, HM Treasury. He is an Executive Director at UK Government Investments, HMG's centre of excellence for governance and corporate finance, which he rejoined in 2021 having also worked at the organisation between 2015-2019. Prior to UKGI, Jonathan worked in investment management. His previous roles were as a portfolio manager at the BT Pension Scheme, running secure income and infrastructure equity portfolios, and at BlackRock, where he helped establish its infrastructure debt business. He began his career at ING Barings in its Energy, Transport, and Infrastructure group.

Committees: **A** **N** **R**

7 HOLGER VIETEN BSC (HONS), MSC, PHD Shareholder, Non-Executive Director

Appointed: 21 April 2022
Experience: Holger joined the Board in 2022 as a Shareholder Non-Executive Director. He is Director of the Financial Institutions Group at UK Government Investments. He is also a Non-Executive Director of UK Asset Resolution. Before joining UKGI in 2018, Holger spent over twenty years advising financial institutions at investments banks including Morgan Stanley, Moelis & Co and Credit Suisse..

Committees: **A** **N** **R**

COMMITTEE MEMBERSHIP KEY

- Committee Chair
- A** Audit and Risk Committee
- I** Investment Committee
- N** Nomination Committee
- R** Remuneration Committee

CORPORATE GOVERNANCE REPORT

Following on from the Company's change in ownership on 30 March 2021 – RFL is required by its new shareholder to comply with the principles and provisions of the UK Corporate Governance Code ('the Code'). This was not a significant departure for the Company, as it had previously already followed the spirit of the Code on a voluntary basis. The Company therefore continues to embrace the requirements of good governance practices applying the 'comply or explain' approach.

GOVERNANCE STRUCTURE

Our governance structure is set out in our Framework Document, which has been agreed between HM Treasury and RFL.

The Framework Document provides that RFL shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of the Framework Document or as otherwise may be mutually agreed, accord with good corporate governance practice and applicable regulatory requirements and expectations. In particular (but without limitation), the Company should seek to:

- a) comply with the principles and provisions of the Financial Reporting Council's UK Corporate Governance Code (as amended and updated from time to time) to the extent appropriate to the Company or specify and explain any non-compliance in its annual report;
- b) comply with the principles and provisions of the Corporate Governance in Central Government Departments Code of Good Practice to the extent appropriate to the Company;
- c)) comply with Managing Public Money ('MPM'); and
- d) take into account, as far as practicable, the codes of good practice and guidance set out in Appendix 6 of the Framework Document, as they apply to Arms' Length Bodies.

Purpose

The Framework Document sets out the broad governance framework within which the Company, the Shareholder, UKGI and DCMS, in its joint policy role with the Shareholder, operate. It does not convey any legal powers or responsibilities.

Common Objectives

HM Treasury and RFL share the common objective of delivering the operational activities related to the receipt and management of Dormant Assets, in line with the policy aims of Her Majesty's Government, as permitted by legislation and the Articles. To achieve this, RFL and HM Treasury work together and with

UKGI and DCMS (recognising each other's roles and areas of expertise), to provide an effective environment for RFL to achieve these objectives through the promotion of partnership and trust.

The Role of the Shareholder Ministerial Responsibility

The Economic Secretary to the Treasury has ministerial responsibility for RFL and will account for RFL on all matters concerning RFL in Parliament, although they may delegate this responsibility to a chosen Minister. Relationships between the Shareholder, the Shareholder representative and the Company are founded on professionalism, efficiency, and mutual trust.

Board Appointments

The Shareholder has the following appointment and approval rights in relation to the Company's Board, any such appointments to be subject to applicable regulatory requirements and approvals:

- the Shareholder will appoint the Chair, subject to reasonable prior consultation with the Company's Nomination Committee and the Board. It is intended that this appointment will be made in accordance with the principles of the Governance Code for Public Appointments;
- the Shareholder will nominate a senior employee of the Shareholder representative as a Non-Executive Director on the Company's Board (the 'Shareholder Director'). The Shareholder Director will make provision for the appointment of an alternate for such Shareholder Director (the 'Alternate Shareholder Director') as required;
- the Shareholder will approve the appointment of the Chief Executive Officer on approval by the Board and on the advice of the Nominations Committee. The selection process must be fair and open and the request to the Shareholder for approval of the final appointment should be accompanied by an explanation in writing as to why such appointment is recommended by the Board. This process also applies to proposals to appoint an interim CEO; and

- the Shareholder will approve the appointment of other Non-Executive Directors on approval by the Board and on the advice of the Nominations Committee. The selection process must be fair and open and the request to the Shareholder for approval of the final appointment should be accompanied by an explanation in writing as to why such appointment is recommended by the Board. This process also applies to proposals to re-appoint existing NEDs.

Delegated Authorities

RFL's delegated authorities are set out in the Delegation Letter from the Shareholder, RFL shall obtain, where appropriate, HM Treasury's prior written approval before:

- Entering into any undertaking to incur any expenditure that falls outside the delegations;
- Incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- Making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Shareholder;
- Making any change of policy or practice which has wider financial implications that might prove repercussive, or which might significantly affect the future level of resources required;
- Carrying out policies that go against the principles, rules, guidance and advice in managing public money.

Other Shareholder Reserved Matters:

The Shareholder is answerable to Parliament for all matters concerning RFL. In addition, the Shareholder will review and, if in agreement, give prior written approval to the following 'Shareholder Reserved Matters':

- the Operating Plan (following development and updating by the Board, the Shareholder will review and approve this annually);
- any changes to the approved capital structure and to the financial framework, including to the remuneration policy;

- the appointment of any external auditor; and
- acquisitions, disposals and joint ventures of a value greater than 15% of the Company's net assets at the relevant time.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board and its Committees continue to ensure an appropriate balance of relevant skills, sector knowledge, experience, independence and gender diversity to enable the Directors to exercise their duties and responsibilities effectively. The Board currently includes three female Directors, including the Chair, and remains committed to furthering its skills and diversity, with diversity and inclusivity training scheduled for the Board in the course of 2022. The Board recognises and welcomes the views of all members, and Directors and management are encouraged to contribute their views in an open manner.

The Directors are committed to leading and controlling the Company effectively, using a framework of controls and policies, setting strategy and maintaining a rigorous decision-making process, and 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. This has been an area of key focus in the last financial year, as the Board prepares for the expansion of the Dormant Assets Scheme to include other financial assets.

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 14 times during the 15-month period to 31 March 2022.

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.

The Chair is responsible for leading the Board, its effective functioning and promoting the highest standards of corporate governance; she encourages all Directors to actively contribute to Board meetings and promotes constructive relations between the Executive and Non-Executive Directors. The Chair represents RFL and works with the Chief Executive to develop collaborative relationships with the Non-Executive Directors, HM Treasury, DCMS and other stakeholders. The Chair annually reviews the performance of the Chief Executive and Non-Executive Directors. As RFL has transitioned to public ownership and is engaged in work to on-board new asset classes, HMT agreed to extend the tenure of the current Chair to 10 years to ensure stability of RFL through this period of change, this being an exception to the current Code.

Adrian Smith continues to be the Chief Executive Officer and Accounting Officer. As well as leading the Company's strategy, his responsibilities include closely liaising with the Chair and shareholder, communicating key decisions from the Board to the employees and Shareholder, setting objectives and ensuring that the Company acts in accordance with the Framework Document. The CEO is responsible for the overall success of the business, including the vision, mission, direction and overall strategy, including compliance with company law and applicable regulation.

CORPORATE GOVERNANCE REPORT continued

Glyn Smith has been the Senior Independent Director since October 2020. The Senior Independent Director is available to employees and stakeholders if they have concerns which remain unresolved following escalation through the normal channels or where contact through these channels is not appropriate in the circumstances.

Jonathan Gorrie was appointed as Shareholder Director on 1 June 2021. Under the terms of the Framework Document an Alternate Director is required to be appointed, and, following amendment of the Company's Articles of Association to enable this to happen, Timothy Martin was subsequently appointed as Alternate Shareholder Director on 9 February 2022. Timothy Martin will attend Board meetings when the Shareholder Director is unable to do so himself. Timothy has not attended any Board meetings since his appointment. On 21 April 2022, Holger Vieten was appointed as a Shareholder Director, with Jonathan subsequently leaving the Board on 6 July 2022.

Dominic Kendal-Ward stepped down from the Board at the effective date of change in ownership on 30 March 2021, having joined the Board in December 2019 as a shareholder appointed Non-Executive Director for Co-op Group. We are grateful to have benefited from his considerable skills and experience as we transitioned to our new owner. Our thanks also go out to Jim Hardie, who retired after serving for seven years as a Non-Executive Director and Chair of our Investment Committee – a role he has performed with outstanding skill, care and diligence during times of considerable market turbulence. The tenure of Jenny Watson and Katherine Garner as Non-Executive Directors was extended by a further three years to 3 January 2025 and 19 December 2024 respectively.

The aggregate emoluments of the Directors of Reclaim Fund Ltd for the 15-month period were £555k (2020: £445k).

The Code requirement to explain the actions the Board intends to take to consult with shareholders following a 20% vote against a Board recommendation for

a resolution does not apply to RFL in the 2021/2022 financial year, as there have been no resolutions on which the Shareholder has voted against a resolution proposed by the Board.

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 continued remote working and the restrictions on travel due to the COVID-19 pandemic during early 2021, the majority of the Board and Committee meetings during the first half of the 15 month financial period were held remotely, via video conference, which has proved to be successful. In the latter part of 2021, and into 2022, the Board was able to meet in person again, running hybrid meetings, with those unable or unwilling due to personal circumstances and COVID-19 concerns to attend in person, being able to continue to participate fully in meetings.

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

During the early part of 2021, the Board convened on a monthly basis (rather than quarterly), to discuss the matters related to new ownership. Additional meetings were also convened towards the end of the year, in preparation for asset expansion in anticipation of the passing of the Dormant Assets Bill 2022.

Ahead of meetings, 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 2021, the COVID-19 pandemic remained 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 given the strong focus on remote-working. As restrictions began to be lifted, the Board kept closely in touch with senior management to ensure that the wellbeing of staff in the return to the physical office was paramount.

The early part of 2021 saw the Company focusing on the change of ownership, and the consequent governance, regulatory and fiduciary changes accompanying the move to becoming a public body. Additional meetings were held during this period, to keep the Board fully engaged with the conditions within the Framework Document, which was signed at the time of change of ownership. As the Company is the Scheme's only intended authorised

reclaim fund, a key area of focus was the upcoming expansion of the Dormant Assets Scheme. Engagement with participants, the shareholder and the Government has been vital, and ongoing workstreams continue to prioritise this, as the Company embarks on this next phase of its journey.

Whilst the key area of focus was dominated by change of ownership and Scheme expansion, the Board also kept under regular review and discussion its investment opportunities and portfolio, the Company's reclaim risk model, risk management and governance matters, policies and procedures, appropriate performance measures and corporate governance. The Board also continues to keep under review its own structure, skills and areas of expertise. As the Board is committed to environmental concerns as part of its Environmental, Social and Governance ('ESG') 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. The Board has committed to moving towards net zero by 2050 as detailed within the Sustainability report.

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.

As defined within the Framework Document, the membership and terms of reference of each Committee shall be determined by the Board and reviewed and updated as necessary by the Board, on at least an annual basis. The Shareholder Director must always be a member of the Audit and Risk, Nomination and Remuneration Committees. Shareholder membership of the Audit and Risk and Remuneration Committees represent a departure from the Corporate Governance Code.

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. The AARC will also be ensuring compliance with the new Dormant Assets Bill 2022.

During the 15 month period to 31 March 2022 the AARC comprised:

Glyn Smith (Chair)

Katherine Garner

James Hardie (until 21 April 2021)

Jonathan Gorrie (from 1 June 2021 to 6 July 2022)

Holger Vieten (from 21 April 2022)

Jenny Watson

Although the Code requires the members of the AARC to be independent, a Shareholder Representative Director, is required to be appointed to the AARC, Remuneration Committee and Nomination Committee, pursuant to the Framework Document.

The AARC met five times during the 15-month period to 31 March 2022. 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, that included confirmation of the external auditor's independence. The AARC paid particular attention to process and control issues and considered key areas of accounting judgement, with particular emphasis on the measurement and key assumptions including the underlying methodology for calculating the best estimate in the provision for reclaims of Dormant Account balances and the restatement of prior periods. The Committee also considered the expected credit losses on the investment portfolio and the new reporting requirements resulting from the adoption of the Corporate Governance Code and the associated Government reporting requirements. The Committee reviewed management's Going Concern and Viability Statement assessment and the continuing impact of the COVID-19 pandemic on potential reclaim rates.

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.

During the 15-month period, the AARC 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. The Committee reviewed the findings from the second line's six monthly Risk and Control Self Assessment ('RCSA'), this being a process through which operational risks and the effectiveness of risk management and controls are assessed and examined. No significant failings or weaknesses were identified as part of the reviews.

CORPORATE GOVERNANCE REPORT continued

AARC continued

The Committee also reviewed the annual conclusion on the Governance, Risk and Control Framework report from internal audit that included consideration of financial, operational and compliance controls and supported the view that RFL has operated with an appropriate risk, governance and control framework throughout the period.

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 regularly reviewed governance project reports for completing the transition to becoming an Arm’s Length Body and also received reports on RFL’s whistleblowing arrangements. The Committee satisfied itself that the whistleblowing arrangements in place were proportionate to the size of the business RFL operates. The Committee met twice with each of the internal and external auditors, and once with the CRO 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 outsourced Investment Manager and Custodian within the Board agreed investment mandates and requirements

During the 15 month period to 31 March 2022 the Committee comprised:

- James Hardie (Chair)
(until 2 July 2022)
- Katherine Garner
- Adrian Smith

The Committee met five times during the 15-month period to 31 March 2022. The Company’s investments remained relatively stable despite the COVID-19 pandemic and regular investment advice and monitoring were provided by Goldman Sachs Asset Management. As such it was not felt necessary or appropriate to meet more frequently during this period.

During the period, the Investment Committee reviewed its investment policy and continued to monitor the amount of cash being invested. The Investment Committee regularly reviewed reports from management on the internal processes and controls for the investment portfolio. The Company’s investment portfolio was noted by its advisers as scoring highly in terms of sustainable investments. Following a review of the liquidity forecasts produced by management, the Board approved the Committee’s recommendation for an additional £50m investment with the Investment Manager.

NOMINATION COMMITTEE

The Nomination Committee supports 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 15 month period to 31 March 2022 the Committee comprised:

Jane Hanson (Chair)

Glyn Smith

Jonathan Gorrie
(from 1 June 2021 to 6 July 2022)

Holger Vieten
(from 21 April 2022)

Jenny Watson

The Committee met five times during the 15-month period to 31 March 2022, the frequency of meetings reflecting the need to ensure that the terms of the Framework Document are complied with as regards the Non-Executive Directors recruitment process in particular. Under the Framework Document, new Non-Executive Director appointments are subject to approval by the Shareholder, on the recommendation of the Nomination Committee. Following such approval, the appointment can be formally made by the Board. Director appointments and re-appointments are overseen by the Nomination Committee, which meets to consider the engagement of appropriate external search firms (where applicable), reviews longlists of candidates (with close involvement of the Shareholder, through its representative on the Committee), before a panel interview of final candidates. Proposals are then made to the Board for formal appointment. All Non-Executive Director appointments are subject to final approval by the Economic Secretary to The Treasury. Directors disclose any

connections with external search firms used for any search as part of their declarations of interests made prior to each Committee or Board meeting. Recommendations regarding remuneration are made by the Committee.

In the course of 2021, the tenure of James Hardie as a Non-Executive Director and Chair of the Investment Committee was extended by a further year, up to July 2022. The process set out in the Framework Document was carefully followed and the extension was duly approved by HM Treasury. Additionally, the tenure of Katherine Garner and Jenny Watson as Non-Executive Directors was extended by a further three years to 19 December 2024 and 3 January 2025 respectively.

The Committee is very conscious of the benefits of having diverse representation at Board level. Female Directors account for half of the Board and the Nomination Committee, and refresher Board training in diversity and inclusivity is scheduled for later in 2022, as the Board is aware of the need for even greater diversity of representation and the benefits of seeking a variety of different opinions and viewpoints. The Committee also regularly considers succession planning, with input from the Chief Risk Officer.

As part of the recruitment process, the Committee actively considers the benefits of a diverse and inclusive Board. In addition, during the Director appointment process, candidates are made aware of the likely time commitment expected of Directors and are asked to discuss existing work commitments to ensure that sufficient time can be dedicated to fully engaging with their duties as Directors of RFL. This is kept under review in the course of a Director's tenure.

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 15 month period to 31 March 2022 the Committee comprised:

Jenny Watson (Chair)

Jonathan Gorrie
(from 1 June 2021 to 6 July 2022)

Jane Hanson

Glyn Smith

Holger Vieten
(from 21 April 2022)

The Committee met four times during the 15 month period to 31 March 2022.

During the period, the Remuneration Committee reviewed the 2021/22 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. It also reviewed the Remuneration policy and the Directors' Expenses policy. RFL operates a remuneration policy that is annually reviewed and approved by the Board upon the recommendation of the Remuneration Committee. The policy incorporates a Remuneration Framework that aims to support the attraction, recruitment, retention, and motivation of a commercial executive team, but which does not lead to excessive pay. Decisions on pay for staff are delegated to the

CORPORATE GOVERNANCE REPORT continued

REMUNERATION COMMITTEE continued

Remuneration Committee, and with full transparency for HM Treasury via the Shareholder representation on the RFL Remuneration Committee.

Through the Remuneration Committee, RFL assesses and governs senior pay to ensure it is proportionate and justifiable, and that terms and conditions are in line with other staff. Pay controls are examined to stay in line with our status as an ALB and compliant with the guidance set out in Public Sector Pay Controls.

Benchmarking takes place to substantiate the appropriate level of pay. RFL partners with a specialist HR services provider to support our remuneration policy, pay points and benefits proposition. They have access to benchmarking tools and also support us with market analysis for our staff roles.

Benchmarking is conducted on a periodic basis and in more depth where there is an imperative to better understand the market, skills and pay ranges.

Further details of the Remuneration Committee and its work are set out in the Remuneration and staff Report on page 41.

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 the 15 months to 31 March 2022.

	BOARD	AUDIT AND RISK COMMITTEE	INVESTMENT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Katherine Garner	14(14)	5(5)	5(5)	-	-
Jonathan Gorrie* (Appointed on 1 June 2021) (Resigned on 6 July 2022)	6(6)	3(3)	-	4(4)	2(2)
Jane Hanson	14(14)	-	-	5(5)	4(4)
James Hardie** (Resigned on 2 July 2022)	14(14)	2(2)	5(5)	-	-
Dominic Kendal-Ward (Resigned on 30 March 2021)	6(6)	-	-	-	-
Adrian Smith	14(14)	-	5(5)	-	-
Glyn Smith	14(14)	5(5)	-	5(5)	4(4)
Jenny Watson	14(14)	5(5)	-	5(5)	4(4)

* Jonathan Gorrie is the Shareholder nominated Non-Executive Director, with an alternate nominated Director in place should Jonathan be unable to attend. Only one of these Directors is required to be present for the meetings to be quorate. At no point during the 15-months was the Alternate Director required.

** James Hardie resigned from the Audit and Risk Committee on 21 April 2021.

Holger Vieten is excluded from the table as his appointment date was after the final meetings of the period to 31 March 2022.

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 were held on cyber security and the development of expanded Dormant Assets. Training sessions on diversity and inclusion, ESG and continued sessions on Scheme expansion are planned for 2022 and 2023.

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 period.

BOARD AND BOARD COMMITTEE EVALUATION

The Board undertakes 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.

As part of the ongoing process to comply with the requirements of the Code, and the Board's commitment to good governance practice, at the end of the 2021/22 financial year an independent Board Effectiveness Review ('BER') based on the Code's five Principles emphasising the value of good corporate governance to long-term sustainable success was carried out by Vistra Corporate Law Limited ('Vistra'). Directors and management fully participated in the completion of a questionnaire, which was designed around the Code's Principles, and both scores

and comments were carefully reviewed. The questionnaire was followed up with informal one-to-one conversations between the Chair and individual Directors and management.

The role of Company Secretary enabled Vistra to incorporate in the BER its representative's own observations from regular attendance at Board and Committee meetings throughout the financial year, to which was added observations and feedback received by the Chair during the informal discussions supplementing the questionnaire. Vistra will present formal findings from their evaluation to the Board in the second half of 2022, and any actions resulting from their work will be detailed and explained in the 2022/2023 Annual Report and Accounts.

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.

SHAREHOLDER ENGAGEMENT

In addition to the formal discussions at regular Board and Committee meetings, at which the views of the Shareholder representative are actively sought, there is regular and frequent communication between the Chair, the Chief Executive Officer and the Shareholder representative, with regular meetings being scheduled to discuss ongoing governance and best practice, to foster full engagement with the Shareholder as well as to ensure compliance with the requirements of the Framework Document.

EXTERNAL AUDIT

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

In the course of the year, the Company's auditors were changed, to reflect the change of ownership. The Comptroller and Auditor General is now responsible for auditing the Annual Report and Accounts.

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. No non-audit services were provided by the external auditors during 2021/22.

INTERNAL AUDIT

The internal audit function is an independent function, which reports to the AARC, carried out by Deloitte LLP. 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.

The AARC carries out a formal review of the effectiveness of the outsourced internal audit function every two years. Members and attendees of the AARC participated in this review in January 2022, which concluded that the internal audit function remained effective. The next formal review of the internal audit function will be conducted in 2024.

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.

CORPORATE GOVERNANCE REPORT *continued***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 (including emerging risk) and has been in place for the whole period under review and up to the date of the approval of the Annual Report and Accounts. The Board considered and agreed with the assessment by the AARC that financial, operational and compliance controls had operated with an appropriate risk, governance and control framework throughout the period. Further detail is provided in the Risk Management section of the Strategic review on pages 26 to 27.

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 71.

In addition to performing a review of the going concern status of the Company, the Directors have also, in accordance with the Corporate Governance Code, assessed its prospects over the period to 31 March 2025. A period of three future years has been selected to be short enough to be reasonably assessable but long enough to reflect RFL's risk profile. Three years also reflects the time period over which we produce our Annual Business Plan which is supported by three-year forecasts from our Participants.

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 March 2025, 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 the additional costs of administering such large reclaims. 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 can 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 determine that the Board has total discretion over such matters.

In light of the change in ownership to a NDPB, in early 2021, the Board received correspondence from the Economic Secretary to the Treasury of HM Treasury's intention for RFL to remain operationally independent under its new status. The Board is therefore confident that its discretion as regards the amount of distributions will remain unchanged.

Based on the results of the liquidity and capital management forecasting, and the assessment of the Company's legal position, 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 March 2025.

On behalf of the Board of Directors

JANE HANSON CBE
Chair

15 July 2022

REMUNERATION AND STAFF REPORT

In accordance with the Framework Document, RFL is required to produce a Remuneration and staff report. RFL employs a small team of eleven staff who carry out work to support the day-to-day operations of the business, fulfilling first and second line responsibilities. Given the limited number of staff employed, it is not appropriate to detail the organisational structure of the business given many roles inter-play between team members and responsibilities. During the 15-month period, RFL has also sourced external resource to support the journey to on-boarding new asset classes following the introduction of the new Act, which has temporarily grown the number of staff working for RFL. The disclosures in this report align to the requirements of being an Arm's Length Body whilst being proportionate to the size of RFL.

In this report, the disclosures on Directors' remuneration, pensions, fair pay, staff numbers, costs and exit payments have been audited. No other disclosures have been audited.

REMUNERATION POLICY

The remuneration of our team is key to ensuring that we attract, motivate, and retain the appropriate skills and talent, that we need to effectively operate the business.

Our goal is to ensure that our reward package is competitive in the business environment where we are competing for such skills and talent, while remaining in accordance with our commitments as a publicly owned body and adhering to the principles of Managing Public Money.

Our policy is structured to achieve the following outcomes:

- an employment arrangement that links back to the business strategy and is aligned with the purpose and mission of the organisation; of achieving operating excellence, supporting our core values, and ultimately driving our organisational outcomes;
- the right behaviours and desired performance levels, encouraging colleagues to excel in their role, achieving our success through people, and linking remuneration of all employees to performance in line with our Operating Plan;
- appropriate reward to position us as an employer of choice, where our colleagues actively encourage other talented individuals to come and work for us, the offer being sufficient to attract and motivate high calibre individuals to deliver our purpose and mission;
- making our employees feel valued by us and confident that they are committed to the future of RFL and understand how they can contribute to the success of the business and impact their own remuneration; and
- working within the framework of our regulated status to align with the principles of delivering Value for Money, taking account of Managing Public Money, and considering remuneration levels within comparable public sector organisations, thereby ensuring that RFL's remuneration approach is consistent with wider public sector pay policy.

The Remuneration policy is formally approved by the Shareholder.

DIRECTORS' EMOLUMENTS (AUDITED)

Details of the aggregate Directors' emoluments for the 15-month period ended 31 March 2022 and year ended 31 December 2020 are shown below. The fees for Non-Executive Directors include only those for whom the Company incurs the cost. The level of remuneration paid by the Company to the non-governmental Non-Executive Directors reflects the time commitment and responsibilities of the role. The Shareholder appointed Non-Executive Directors do not receive any fees. Given 2021/2022 represents a 15-month accounting period, an additional column has been added to the table below that reflects the Full Year Equivalent ('FYE') value to enable a meaningful comparison to the previous 12-month accounting period.

REMUNERATION AND STAFF REPORT continued

SINGLE TOTAL FIGURE OF REMUNERATION

15-month period ended 31 March 2022	Salary/Fees ⁷ (£'000)	Performance-related pay ¹ (£'000)	Pension contributions ³ (£'000)	Cash in lieu of pension (£'000)	Benefits in Kind ^{5,6} £'s	Total for the 15 months (£'000)	FYE (£'000)
Executive Director Salary							
Adrian Smith ²	230-235	65-70	23	-	11,300	335-340	(265-270)
Non-Executive Directors' Fees							
Jane Hanson	55-60	-	-	-	-	55-60	(45-50)
Glyn Smith	45-50	-	-	-	-	45-50	(35-40)
Katherine Garner	35-40	-	-	-	-	35-40	(25-30)
James Hardie	40-45	-	-	-	-	40-45	(30-35)
Jenny Watson	40-45	-	-	-	-	40-45	(30-35)

12-month period ended 31 December 2020	Salary/Fees ⁷ (£'000)	Performance-related pay ¹ (£'000)	Pension contributions ³ (£'000)	Cash in lieu of pension ⁴ (£'000)	Benefits in Kind ^{5,6} £'s	Total for the 12 months (£'000)
Executive Director Salary						
Adrian Smith ²	180-185	30-35	6	11	9,000	240-245
Non-Executive Directors' Fees						
Jane Hanson	45-50	-	-	-	700	45-50
Glyn Smith	35-40	-	-	-	700	35-40
Katherine Garner	25-30	-	-	-	1,200	25-30
James Hardie	30-35	-	-	-	700	30-35
Jenny Watson	30-35	-	-	-	700	30-35
Adrian Coles	20-25	-	-	-	200	20-25

1 Performance-related pay is based on financial and non-financial performance targets and aligns with the period disclosed – see more detail below.

2 This represents emoluments of the highest paid Director of £335-340k (2020: £240-245k).

3 During the year one Director (2020: 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. Numbers are presented to the nearest £100.

6 Non-Executive Directors' benefits in kind relate to travel, accommodation and subsistence for which Pay As You Earn and National Insurance Contributions are due. Numbers are presented to the nearest £100.

7 Salary includes gross salary. All other forms of remuneration are separately disclosed in the table above.

SENIOR PAY

Unless alternative arrangements are agreed with HM Treasury Ministers, remuneration packages above the senior pay threshold require the approval of the Chief Secretary to the Treasury in accordance with the guidance on the approval of senior pay which came into force on 1 January 2018 or any updates thereafter.

An exemption from Government pay controls for existing staff, including the Executive Director was made at the time of transfer to become a public body, and is part of RFL's Framework Document, recognising its previous ownership by the Co-operative Group and resulting protected terms and conditions.

PERFORMANCE-RELATED PAY

The Company operates a performance-related bonus scheme based on Company and individual performance approved by its Remuneration Committee. The bonus scheme provides an opportunity for the Executive Director and staff to receive a bonus based on their personal contribution during the bonus year, as well as the performance of RFL. The business element is based on an assessment by the Board and Remuneration Committee of RFL's achievement against its strategic objectives during the bonus period. This element represents a recognition of the commitment and effort that colleagues have collectively put into delivering RFL's purpose and mission. The personal element is determined by the performance rating agreed as part of the year-end performance review. Given the nature of the business, Executive bonus remuneration is not deferred nor does it include clawback arrangements.

Bonus payments are based on performance levels achieved in the 15-month period to 31 March 2022 and the year to 31 December 2020 respectively.

FAIR PAY DISCLOSURES (AUDITED)

As a reporting body, RFL is required to disclose the relationship between the remuneration of the highest paid Director in the organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest paid Director employed by RFL in the 15-month period 2021/22 was £335-£340k (full year equivalent: £265-£270k) (2020: £240-245k). This was 6.5 times (2020: 6.4 times) the median remuneration of the workforce, which was £45-50k (full year equivalent: £35-40k) (2020: £35-40k).

In 2021/22, no employees received remuneration in excess of the highest paid Director (2020: none). Staff remuneration ranged from £25-30k to £335-340k (full year equivalent £20-25k to £265-270k) (2020: £20-25k to £240-245k).

Total remuneration within the calculations below includes salary, performance-related payments and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash-equivalent transfer value of pensions (as RFL does not participate in the Civil Service pension scheme).

	15 months to 31 March 2022		12 months to 31 December 2020	
	Salary component	Total remuneration	Salary component	Total remuneration
Band of Highest Paid Director's total remuneration (£'000)	230-235	310-315	180-185	225-230
Median remuneration (£'000)	40-45	45-50	30-35	35-40
Ratio		6.5		6.4
25th percentile remuneration (£'000)	30-35	35-40		*
Ratio		8.4		*
75th percentile remuneration (£'000)	50-55	55-60		*
Ratio		5.5		*

* Lower and upper quartile comparative disclosures are not required for FY 2020.

REMUNERATION AND STAFF REPORT continued

RFL believes the median pay ratio for the financial period is consistent with the pay, reward and progression policies for the entity's employees taken as a whole.

STAFF NUMBERS AND RELATED COSTS (AUDITED)

The average number of full-time equivalent persons employed during the 15-month period to 31 March 2022 was eleven (FY 2020: ten). Permanent and FTE staff costs exclude Non-Executive Directors and contractors.

	15 months to 31 March 2022 £'000	Year ended 31 December 2020 £'000
Staff costs comprise:		
Wages and salaries	860	747
Social security costs	133	119
Other pension costs	86	50
Total staff costs representing staff with a permanent (UK) employment contract with RFL	1,079	916
Full time equivalent persons employed representing staff with a permanent (UK) employment contract with RFL: average for the year	11	10

CONSULTANTS

Total expenditure made to external consultants during the 15-months to 31 March 2022 amounted to £657k (2020: £97k). The increase reflects the requirement to use external support and expertise to support the expansion of the Scheme, the adjustment to being an Arm's Length Body and project management support for actuarial modelling.

PERCENTAGE CHANGE IN TOTAL SALARY AND BONUSES FOR THE HIGHEST PAID DIRECTOR AND THE STAFF AVERAGE:

In 2020, the Company reduced bonuses for staff and the Highest Paid Director as the Board considered the impact to businesses and employees of COVID-19 which contributed to the ratio falling in 2020 before returning to more typical levels in 2021/2022. Based on a comparison of salary only, the trend is more stable.

	2021/22 (annualised*)		2020	
	Total salary and allowances	Bonus payments	Total salary and allowances	Bonus payments
Staff average	2%	67%	2%	(47%)
Highest Paid Director	2%	62%	2%	(38%)

* The 2021/22 figures represent annualised changes to remuneration from 2020.

Staff and the Highest Paid Director had the same inflationary increases in both periods.

PENSIONS

A defined contribution plan is a pension arrangement where the employer pays fixed contributions into a separate fund. The costs for the defined contribution schemes are recognised as an expense in the Income Statement as incurred. For defined contribution plans, the employer has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. RFL does not participate in the Civil Service pension scheme.

STAFF TURNOVER PERCENTAGE

During the 15-month period there were no changes to the permanent staff employed by RFL.

Staff turnover, as defined in the Government Reporting Framework, requires disclosure for all changes to permanent staff and fixed term contractors and during the 15-month period which equated to one change in staff in 2021/2022 (2020: one). Disclosing the percentage change to staff turnover is not considered of benefit given the size of the staff numbers involved.

SERVICE AGREEMENTS AND EXIT PAYMENTS (AUDITED)

Our policy is to employ Executive Directors on standard contracts of employment with a six month employer notice period and Non-Executive Directors' notice periods are three months. There were no exit payments made in 2021/22 (2020: nil).

MALE / FEMALE STAFF BREAKDOWN

The number of male and female staff at the end of each period was as follows:

	31 March 2022		31 December 2020	
	Male	Female	Male	Female
Non-Executive Directors	3	3	3	3
Executive Directors	1	-	1	-
Staff	2	8	2	7
Total	6	11	6	10

OFF-PAYROLL ENGAGEMENT

Off-payroll arrangements are engagements where staff, either self-employed or acting through an intermediary company, are paid by invoice rather than via payroll. There were 5 off-payroll engagements during 2021/2022 (2020: one).

The tables below show off-payroll engagements by RFL during the 15 months to 31 March 2022 for more than £245 per day and lasting for longer than six months. There have been no Directors and/or senior officials with significant financial responsibility engaged off-payroll between 1 January 2021 and 31 March 2022.

	15 months to 31 March 2022 £'000	Year ended 31 December 2020 £'000
All off-payroll appointments as of 31 March 2022, earning at least £245 per day		
That have existed for less than 1 year at reporting date	4	-
That have existed between 1 and 2 years at reporting date	-	-
That have existed between 2 and 3 years at reporting date	-	-
That have existed between 3 and 4 years at reporting date	-	-
That have existed for 4 or more years at reporting date	1	1
Total	5	1

	15 months to 31 March 2022 £'000	Year ended 31 December 2020 £'000
All off-payroll appointments engaged at any point during the period and earning at least £245 per day		
Number where the off-payroll legislation does not apply	-	-
Number where off-payroll legislation does apply and assessed as within scope of IR35	-	-
Number where off-payroll legislation does apply and assessed as not within the scope of IR35	6	1
	-	-
Number of appointments that were reassessed for consistency /assurance purposes during the year	-	-
Of which: No. of engagements that saw changes to the IR35 status following the assurance review	-	-
Total	6	1

REMUNERATION AND STAFF REPORT *continued*

STAFF SICKNESS ABSENCE (ANNUAL WORKING DAYS LOST)

The average number of working days lost to sick absence per employee during 2021/22 was 1.7 days (2020: 1.5 days).

MENTAL HEALTH AND WELLBEING

RFL has implemented a suite of individual and collective measures to ensure that employee welfare is robustly addressed: regular, informal, interactive weekly and periodic verbal and written communications supplement day-to-day team and line management interactions. Mental health first aiders have been trained within the business and RFL has recently secured 'Investors in People, We Invest in Wellbeing' certification.

EQUAL OPPORTUNITIES

RFL is an equal opportunities employer. Policies are in place to ensure that no job applicant or member of staff receives less favourable treatment on grounds of sex, gender, gender re-assignment, marital or family status, colour, racial origin, sexual orientation, age, background, religion, disability, or by any other condition or requirement.

RFL recognises diversity and inclusion as necessities, both from a human and business perspective, and champions this policy across the organisation.

Diversity and Inclusion approaches and targets, feature in the RFL Sustainability ESG Framework. The FCA's proposed diversity and inclusion targets, set out in their consultation paper (CP21/24 Diversity and inclusion on company boards and executive committees – July 21), are considered to be best-practice and are adopted by RFL and reflected in its risk appetite.

Within RFL's Equal Opportunities, Diversity & Inclusion policy, the Board has agreed Diversity & Inclusion targets which aim to;

- have >40% of women on the Board; and
- have one member of the Board from an ethnic minority background.

The wider organisation aims to reflect these targets across business leadership teams as well as the wider team. RFL's expansion plans are an opportunity to realise our targets.

Our role as an Arm's Length Body within Government points us to a range of guidance around Government-wide Corporate Legislation, Codes of Good Practice and Guidance. A key part of our agreement is our application of The Equalities Act 2010.

RFL is committed to valuing diversity and seeks to provide all employees with the opportunity for employment, career, and personal development on the basis of ability, qualifications and suitability for the work as well as their potential to be developed in their current role.

HEALTH AND SAFETY

RFL recognises and accepts its responsibility as an employer to maintain, so far as is reasonably practical, the safety and health of its employees, and of other persons who may be affected by its activities.

SUSTAINABILITY REPORT

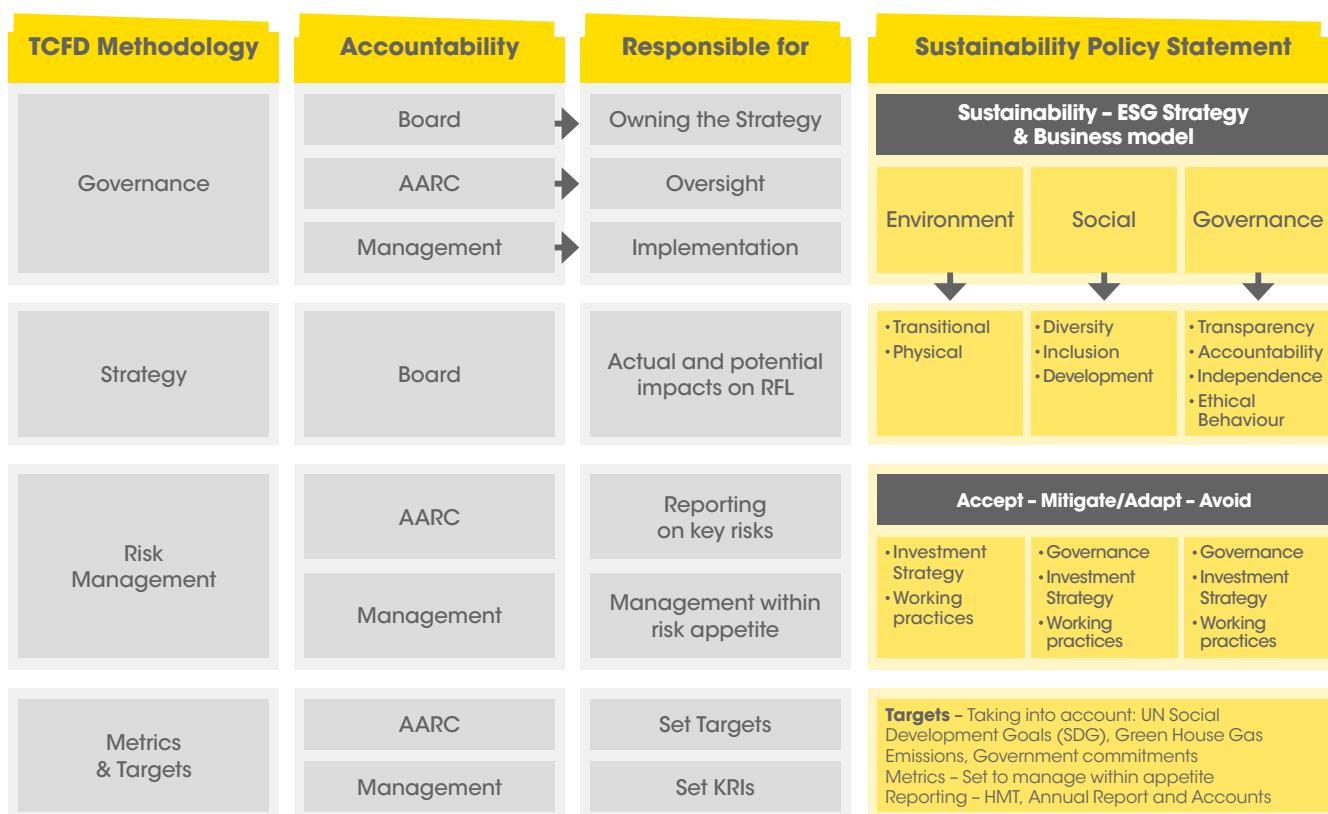
RFL has an exemption under the Government Greening Commitments reporting due to its operational footprint being below the required threshold of having less than 50 employees and an office square meterage under 500m²; therefore this report is made on a voluntary basis.

The Company has assessed its energy consumption against energy and carbon criteria in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and it is under the 40,000 kw minimum criteria. The Company has therefore taken the decision to omit these disclosures in the Sustainability report.

The Board of RFL has taken the approach of setting out its Sustainability Framework, incorporating Environment, Social and Governance elements, with a high-level policy statement setting out RFL's risk appetite and targets. This is set out in the diagram below:

This uses the Task Force for Climate related Financial Disclosures (TCFD) framework to cover all three elements.

SUSTAINABILITY FRAMEWORK



KEY ELEMENTS OF RFL'S SUSTAINABILITY POLICY STATEMENT

The Board has defined its sustainability risk, the Company's risk appetite, key targets and metrics and the governance framework which is in place to ensure RFL operates within its risk appetite. The Board will continue to reassess progress and suitability of the framework on a regular basis.

Definition of Sustainability risk:

"An uncertain social, governance or environmental event or condition that, if it occurs, can cause significant negative impact on the Company."

Risk Appetite statement:

"The Board has no appetite for activities that could impact RFL's journey to a sustainable position, this being aligned to the UK Government's Net Zero by 2050 target, the 'Paris Agreement' and the FCA's Social and Governance aims on diversity and inclusion."

SUSTAINABILITY REPORT continued

Risk Assessment: The Board, supported by management has carried out a risk assessment across the three elements of ESG to identify where the Company can have a material impact. This disclosure focuses primarily on the following:

- Environmental: transition, physical and litigation risk factors and related opportunities;
- Social: human rights, modern slavery and discriminatory risk factors and related opportunities;
- Governance: diversity, inclusion and general corporate governance risk factors and related opportunities.

Key Targets: Sustainability Framework

The elements of the framework are set out below:

Governance

This starts with the Board, providing oversight of the risk and opportunities, then disseminates throughout RFL, from Board Committees down to management who carry out the day-to-day assessment and management of climate-related risks and opportunities.

Strategy

The Board assessed the risks and opportunities identified over the short, medium, and long term which are specific to RFL. In carrying this out, RFL ensures that it aligns with its parent HM Treasury, particularly in relation to any change in its investment mandate and that any changes to operations and investment management are proportionate, manageable and cost effective.

Risk Management

The Board integrates these risks and opportunities into RFL's Enterprise Risk Management Framework. This includes RFL's Internal Capital Adequacy Assessment Process ('ICAAP') and Business Plan.

Metrics and Targets

Environmental, Social and Governance Targets which, following an assessment, have been split between RFL's investment portfolio and operational targets, have been set and approved by the Board of RFL and reported as at 31 March 2022 as set out in the table below. The metrics and targets for the investment portfolio are taken from MSCI, an ESG ratings tool that measures a company's resilience to long-term industry material ESG risks, using a rules-based methodology to identify industry leaders and those less advanced according to their exposure to ESG risks and how well they manage those risks relative to peers.

	2022 to 2050 Target Range	Position at 31 March 2022	Status
Investment Portfolio			
Environmental – Greenhouse Gas ('GHG') Carbon intensity (MSCI 'T CO ₂ e/\$MM')	40 reducing to 0	30.1	On track
Environmental – Overall MSCI rating ¹	6.4 – 7.1 (A) increasing to 10 (AAA)	6.9 (A)	On track
Social – Overall MSCI rating	5.0 – 6.4 (BBB) increasing to 8.6 (AA)	5.3 (BBB)	On track
Governance – Overall MSCI rating	5.0 – 6.4 (BBB) increasing to 8.6 (AA)	6.0 (BBB)	On track
RFL Governance and Operations			
Environmental – GHG emissions	RFL has an immaterial GHG operational footprint	RFL has an immaterial GHG operational footprint	On track
Social – Modern Slavery	Key supply chain monitoring of adherence to supply code of conduct	As a result of RFL's active monitoring RFL is unaware of any modern slavery concerns within its current supply chain.	On track
Governance – % women on Board	>=40%	43%	On track
Governance – Ethnic minority representation on the Board	1	0	RFL's Nomination Committee is incorporating these requirements into its current succession planning.

¹ MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. They use a rules-based methodology to identify industry leaders and less advanced companies according to their exposure to ESG risks and how well they manage those risks relative to peers. Their ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to less advanced (B, CCC).

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 30 and 31.

EMPLOYEES

The average number of employees during 2021/22 was eleven (2020: 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 84.

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 50.

The Directors of the Company during the period 1 January 2021 to 15 July 2022 were:

NON-EXECUTIVE DIRECTORS

Jane Hanson (Chair)
Katherine Garner
Jonathan Gorrie (appointed 1 June 2021, resigned 6 July 2022)
James Hardie (resigned 2 July 2022)
Dominic Kendal-Ward (resigned 30 March 2021)
Glyn Smith (Senior Independent Director)
Holger Vieten (appointed 21 April 2022)
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. £144.3m distributions were paid to The National Lottery Community Fund during the 15-month period to 31 March 2022 (2020: £68.5m).

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 HM Treasury, 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.

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 at least 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 period (2020: £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 the Framework Agreement in place, the auditors will be deemed to be reappointed and the Comptroller and Auditor General will therefore continue in office.

By order of the Board

ADRIAN SMITH OBE
Chief Executive

15 July 2022

Reclaim Fund Ltd
Registered number: 07344884

STATEMENT OF DIRECTORS' AND ACCOUNTING OFFICER'S RESPONSIBILITIES

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

The Directors are responsible for preparing the Strategic report, the Directors' report, the Directors' remuneration and staff 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 period. Under that law, the Directors have elected to prepare the Annual Report and Accounts in accordance with UK Adopted International Accounting Standards ('IAS').

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 UK Adopted International Accounting Standards 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.

Each of the Directors confirms that, to the best of their knowledge and belief:

- the Financial Statements, prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable, providing the information necessary for the Shareholder to assess the Company's position and performance, business model and strategy.

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.

This report has been approved by the Board of Directors and is signed by the Chief Executive Officer on behalf of the Board of Directors.

The Accounting Officer of HM Treasury has designated RFL's Chief Executive Officer as the Accounting Officer of RFL. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding RFL's assets, are set out in 'Managing Public Money', published by HM Treasury.

In preparing the Financial Statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual where this requires additional disclosure that does not conflict with IFRS and the Companies Act and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Financial Statements;
- prepare the Financial Statements on a going concern basis.
- take all the steps that ought to have been taken to make himself aware of any relevant audit information and to establish that RFL's auditors are aware of that information.

ADRIAN SMITH
CHIEF EXECUTIVE OFFICER, on behalf of the Board

15 July 2022

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

The accounts of RFL are audited by the Comptroller and Auditor General under the terms of the Framework Document. The audit fee charged was £150k. The auditors did not provide any non-audit services. The auditors have been provided with all relevant audit information necessary to complete their audit and the Accounting Officer has taken all of the necessary steps to ensure that the auditors are aware of any relevant information.

All expenditure was applied to the purpose intended by Parliament (audited).

RFL has not incurred any losses or special payments, nor made any gifts or severance payments during the reporting period to 31 March 2022 (2020: none) (audited).

In accordance with the terms of The Act, RFL has inherited the liability for all Dormant Balances transferred from Participants and as such recognises contingent liabilities totalling £887.5m (2020: restated £795.0m), this balance representing the remaining exposure that RFL may be required to settle above and beyond the amounts already set aside within the provision for reclaims and capital reserves.

RFL's operating expenditure during the 15-month accounting period was £4,441k (2020: £3,596k) (audited).

ADRIAN SMITH OBE
CHIEF EXECUTIVE OFFICER

15 July 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD

OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements of Reclaim Fund Ltd for the 15-month period ended 31 March 2022 which comprise the Reclaim Fund Ltd's

- Statement of Financial Position as at 31 March 2022;
- Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the period then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards

In my opinion the financial statements:

- give a true and fair view of the state of Reclaim Fund Ltd's affairs as at 31 March 2022 and of the surplus for the period then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON REGULARITY

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

BASIS FOR OPINIONS

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of Reclaim Fund Ltd in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of Authorities	
Authorising legislation	Companies Act 2006
Parliamentary authorities	Dormant Bank and Building Society Accounts Act 2008 Dormant Assets Act 2022
HM Treasury and related authorities	Managing Public Money Framework Document between HM Treasury and Reclaim Fund Ltd dated 16 April 2021
Regulatory authorities	Financial Conduct Authority regulation

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, I have concluded that Reclaim Fund Ltd's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included evaluation of management's liquidity and capital forecasts which evaluate known risks and a range of stress scenarios. Reclaim Fund Ltd's regulatory capital requirements are such that the capital it is required to retain is forecast to be sufficient to meet liabilities as they fall due in an extreme stress scenario.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Reclaim Fund Ltd's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to Reclaim Fund Ltd's reporting on how they have applied the UK Corporate Governance Code, I have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the Director's considered it appropriate to adopt the going concern basis of accounting.

My responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW OF MY AUDIT APPROACH

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

I have determined that there are no other key audit matters to communicate in my report.

I consider the following areas to be of particular audit focus to be those areas that had the greatest effect on my overall audit strategy, the allocation of resources in my audit and directing the efforts of the audit team in the current year. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified though the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of fraud through management override of controls, an area where my work has not identified any matters to report.

The areas of focus were discussed with the Audit and Risk Committee; its report on matters that it considered to be significant to the financial statements is set out on pages 35 and 36.

This is the first year in which an extended audit report has been provided for Reclaim Fund Ltd and is also the first year of my audit. In this year's audit there have been no changes to the significant risks identified as compared to the prior year.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD *continued*

ACCOUNTING FOR THE PROVISIONS FOR RECLAIMS OF DORMANT ACCOUNT BALANCES

Description of risk

Dormant Account balances are transferred to Reclaim Fund Ltd from UK financial institutions under the Dormant Accounts Bank and Building Societies Accounts Act 2008. Under the requirements of the Act, the obligation to repay Dormant Account holders who subsequently reclaim their money is transferred to Reclaim Fund Ltd. As at 31 March 2022, Reclaim Fund Ltd recognised a provision of £176.0m (31 December 2020 (restated): £139.4m).

The provision for reclaims of Dormant Account balances is the main source of estimation uncertainty in the financial statements and I considered it to be a significant risk of material misstatement.

As explained in note 1 to the financial statements, management has measured the provision using an actuarial model developed by experts which forecasts future cash flows based on historic experience of reclaims observed (the "base model"). Management adds an additional margin to reflect that historic reclaims have been in a benign economic environment and may not be indicative of future expectations. The assumptions made in measuring the provision, particularly in relation to the additional margin are an area of significant management judgement. As disclosed in note 1 to the financial statements, management considers the measurement of the provision to be inherently complex with significant estimation uncertainty relating to the quantum of reclaims expected and the time period over which reclaims will continue.

My risk assessment procedures identified that the provision recognised in previous years included elements which were not consistent with the requirements of IAS 37 Provisions, contingent liabilities and contingent assets, which requires the provision to be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Management has restated prior periods to measure the provision on a consistent basis with the current year using the actuarial model and other information available at the time which has been possible without the use of hindsight. The impact of the restatement is to increase the capital reserve which I have considered as part of my work on this risk.

HOW THE SCOPE OF MY AUDIT RESPONDED TO THE RISK

I understood and evaluated the design and implementation of key controls including the controls and governance in place over the development of the best estimate model and review of the independent validation of the model commissioned by management.

I also performed the following procedures:

- I assessed the approach to measuring the provision against the requirements of IAS 37 to determine a best estimate of the expenditure required to settle the obligation.
- I engaged an independent actuary as an auditor's expert to assess the methodological approach taken by management's experts to determine the best estimate of the provision.
- I assessed the application of the methods used to calculate the base model by using my auditor's expert to review and re-perform the challenger model developed as part of the independent validation commissioned by management and re-performed the discounted cashflow calculation to estimate the model output at the reporting date.
- I tested the application of methods used to calculate the additional margin by reperforming management's calculations.
- I evaluated the overall provision calculated by management against a range developed by my auditor's expert.
- I tested the completeness and accuracy of the input data used in the base model by testing a sample of transfers of Dormant Account balances and reclaims and reconciling these to the financial statements and input data used in the model.
- I assessed the completeness and appropriateness of significant assumptions in both the base model and additional margin using my auditor's expert. My auditor's expert also reviewed the approach to determining the additional margin including the rationale for key judgements and the reasonableness of assumptions which they discussed with the actuary on whose report this was based.
- I assessed the actuaries that developed and validated the model and the actuary whose report was used as the basis for the additional margin as management's experts under ISA (UK) 500 Audit Evidence to enable me to use their work as audit evidence.
- I have reviewed management's assessment of estimation uncertainty and the disclosures made.

In addition to the above procedures performed on the provision as at 31 March 2022, I also reviewed the measurement of the provision at the 1 January 2020 and 31 December 2020 used to restate the balances as a result of the prior period adjustment to confirm that these were determined on a consistent basis in line with information available at the time and to confirm that the accounting treatment for the restatement was appropriate.

KEY OBSERVATIONS

Based on the evidence I concluded that the assumptions and data used in the provision estimate were reasonable and that management's estimate was within the range developed by my auditor's expert.

The value of the provision is highly dependent on the assumptions made by management in relation to the additional margin. Management considers it appropriate to add the margin to reflect the risk that future reclaims will be higher than historic levels. The financial statements (note 1) disclose the sensitivities estimated by management which I am content are adequately disclosed.

APPLICATION OF MATERIALITY

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for Reclaim Fund Ltd's financial statements as a whole as follows:

	Audited Entity
Materiality	£ 6,866k
Basis for determining materiality	1% of total assets less committed distributions of £686.6 million
Rationale for the benchmark applied	I have based materiality on total assets less committed distributions on the basis that this represents the assets received from Dormant Account holders and under Reclaim Fund Ltd's control. It is available to repay reclaims from Dormant Account holders or to make future distributions, subject to the Company complying with its regulatory capital requirements. I assess this to be the primary focus of the key users of the accounts including Participant banks, Dormant Account holders and The National Lottery Community Fund.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the period ended 31 March 2022. This takes into consideration the fact that it is my first year auditing the entity.

Other Materiality Considerations

As well as quantitative materiality there are certain matters that, by their very nature, would if not corrected influence the decisions of users, for example, any errors reported in disclosures of Directors' remuneration. Assessment of such matters would need to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing audit work in support of my opinion on regularity and evaluating the impact of any irregular transactions, I took into account both quantitative and qualitative aspects that I consider would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Audit and Risk Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £68,000, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Audit and Risk Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements

Total unadjusted audit differences reported to the Audit and Risk Committee would decrease net assets by £148,000.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD *continued*

AUDIT SCOPE

The scope of my audit was determined by obtaining an understanding of Reclaim Fund Ltd and its environment, including the entity wide controls, and assessing the risks of material misstatement:

OTHER INFORMATION

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The Directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In my opinion the part of the Directors' Remuneration and staff report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual.

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

- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements;
- the information given in the Strategic report and the Directors' report for the period for which the financial statements are prepared is consistent with the financial statements;
- the information about internal control and risk management systems in relation to financial reporting processes, and about share capital structures, in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about Reclaim Fund Ltd corporate governance code and practices and about its administrative, management and supervisory bodies and their Committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

MATTERS ON WHICH I REPORT BY EXCEPTION

In the light of the knowledge and understanding of Reclaim Fund Ltd and its environment obtained in the course of the audit, I have not identified material misstatements in:

- the Strategic report or the Directors' report.
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Directors' Remuneration and staff report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require me to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Report relating to Reclaim Fund Ltd's compliance with the provisions of the UK Corporate Governance Code specified for my review.

Based on the work undertaken as part of my audit, I have concluded that each of the following elements of the Corporate Governance Report is materially consistent with the financial statements or my knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 49 to 50;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 40;
- Directors' statement on fair, balanced and understandable set out on page 50;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 26 to 27;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 37; and
- The section describing the work of the Audit and Risk Committee set out on pages 35 to 36.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities, the Directors are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as Directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing Reclaim Fund Ltd'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 entity or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My 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 a report that includes my 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECLAIM FUND LTD *continued*

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of Reclaim Fund Ltd's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, Reclaim Fund Ltd's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Reclaim Fund Ltd's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Reclaim Fund Ltd's controls relating to Reclaim Fund Ltd's compliance with the Companies Act 2006, Dormant Bank and Building Society Accounts Act 2008 and Dormant Assets Act 2022, Tax, regulatory requirements imposed by the Financial Conduct Authority and Managing Public Money; and
 - discussing among the engagement team and involving relevant external specialists, including actuaries regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within Reclaim Fund Ltd for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of Reclaim Fund Ltd's framework of authorities as well as other legal and regulatory frameworks in which Reclaim Fund Ltd operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Reclaim Fund Ltd. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, Dormant Bank and Building Society Accounts Act 2008, employment law and tax legislation and regulatory requirements imposed by the Financial Conduct Authority.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- consideration of compliance with the Dormant Bank and Building Society Accounts Act 2008.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including external specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

STEPHEN YOUNG**(Senior Statutory Auditor)****15 July 2022**

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP



Financial Statements

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INCOME STATEMENT

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

	Notes	2021/2022 £'000	Restated 2020 £'000
Amounts received in respect of dormant accounts	4	153,960	89,586
Interest income	5	4,021	4,563
Interest expense	5	(260)	(159)
Net income		157,721	93,990
Administrative expenses	3	(3,874)	(3,596)
Set-up costs for expansion of Dormant Asset Scheme	3	(567)	-
Change in provision for reclaims of dormant account balances	12	(52,035)	(19,705)
Operating result before distributions		101,245	70,689
Change in provision for future distributions to TNLCF	13	(91,756)	(53,990)
Surplus before taxation		9,489	16,699
Taxation credit/(charge)	6	133	(205)
Retained surplus	2	9,622	16,494

The notes on pages 67 to 85 form part of the Financial Statements.

The prior period has been restated to reflect the remeasurement in the provision for reclaims of dormant account balances that is disclosed in Note 1 on pages 67 to 70.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

	2021/2022 £'000	Restated 2020 £'000
Retained surplus for the financial period	9,622	16,494
Other comprehensive income for the year, net of taxation	-	-
Total comprehensive income for the financial period	9,622	16,494

Total comprehensive income is attributable to the equity holders of the Company. The Act prohibits the capital reserve being distributed to the parent Company.

The notes on pages 67 to 85 form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes	31 March 2022 £'000	Restated 31 December 2020 £'000	Restated 1 January 2020 £'000
Assets				
Cash and cash equivalents	11	250,258	342,079	329,888
Investment securities	10	435,425	350,391	353,663
Current income tax asset		43	23	—
Deferred tax asset	6	161	18	10
Trade and other receivables		266	189	109
Intangible assets	7	19	9	15
Right-of-use assets	9	237	276	306
Plant and equipment	8	172	101	186
Total assets		686,581	693,086	684,177
Liabilities				
Trade and other payables	14	841	91,374	69,156
Lease liabilities	21	264	297	312
Provision for future distributions	13	91,756	53,990	90,318
Provision for reclaims of dormant account balances	12	176,024	139,351	132,564
Current income tax liability		—	—	247
Total liabilities		268,885	285,012	292,597
Capital and reserves				
Share capital	16	—	—	—
Capital reserve	16	417,696	408,074	391,580
Total equity		417,696	408,074	391,580
Total liabilities and equity		686,581	693,086	684,177

The notes on pages 67 to 85 form part of the Financial Statements.

The prior periods have been restated to reflect the remeasurement in the provision for reclaims of dormant account balances that is disclosed in Note 1 on pages 67 to 70.

Approved by the Board of Directors on 15 July 2022 and signed on its behalf by:

ADRIAN SMITH OBE
Chief Executive

STATEMENT OF CASH FLOWS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

	Notes	2021/22 £'000	Restated 2020 £'000
Cash flows from operating activities			
Surplus before tax		9,489	16,699
Adjustments:			
Amortisation of intangibles	7	11	6
Depreciation of plant and equipment	8	119	108
Depreciation of right-of-use asset	9	38	31
Increase in trade and other receivables		(76)	(80)
(Decrease)/increase in accrued expenses		(214)	381
Decrease in lease liability		(33)	(15)
Change in provision for reclaims of dormant account balances	12	52,035	19,705
Additional provision for future distributions	13	91,756	53,990
Interest receivable		(4,079)	(4,563)
Loss on disposal of investment securities		(58)	-
		149,104	86,262
Cash flows from operating activities			
Payments made in respect of participant reclaims	12	(15,362)	(12,918)
Distribution payments	13	(144,308)	(68,481)
Income tax paid		(30)	(483)
Net cash flows from operating activities		(10,596)	4,380
Cash flows from investing activities			
Purchase of investment securities		(333,158)	(199,875)
Proceeds from maturity of investment securities		238,082	198,031
Proceeds from disposal of investment security		3,170	-
Interest received		10,893	9,678
Purchase of plant and equipment	8	(191)	(23)
Purchase of intangibles	7	(21)	-
Net cash flows from investing activities		(81,225)	7,811
Net increase/(decrease) in cash and cash equivalents			
		(91,821)	12,191
Cash and cash equivalents at the beginning of the financial period		342,079	329,888
Cash and cash equivalents at the end of the financial period	11	250,258	342,079

The notes on pages 67 to 85 form part of the Financial Statements.

The prior periods have been restated to reflect the remeasurement in the provision for reclaims of dormant account balances that is disclosed in Note 1 on pages 67 to 70.

STATEMENT OF CHANGES IN EQUITY

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

2021/22	Notes	Share capital £'000	Capital reserve £'000	Total £'000
Balance at 1 January 2021		–	408,074	408,074
Total comprehensive income for the financial period		–	9,622	9,622
Balance at 31 March 2022	16	–	417,696	417,696
2020 (Restated)				
Balance at 1 January 2020		–	73,713	73,713
Prior period adjustment	12	–	317,867	317,867
Total restated balance at 1 January 2020		–	391,580	391,580
Total comprehensive income for the financial year		–	16,494	16,494
Balance at 31 December 2020	16	–	408,074	408,074

The notes on pages 67 to 85 form part of the Financial Statements.

The prior period has been restated to reflect the remeasurement in the provision for reclaims of dormant account balances that is disclosed in Note 1 on pages 67 to 70.

The Act prohibits the capital reserve being distributed to the parent Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

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 UK Adopted International Accounting Standards. All amounts presented are stated in thousands of GBP (£'000), unless otherwise stated. The Statement of Financial Position is ordered according to liquidity 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 2020 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 for reclaims of dormant account balances of £176.0m (2020 restated: £139.4m). The provision for future distributions of £91.8m (2020: £54.0m) is also considered to be a key accounting judgement given the Board has total discretion over the timing and amount of distributions. 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 Directors regard the provision as a key accounting estimate.

The Company therefore records a reclaim provision that is calculated as the best estimate which represents expected future cash flows required to settle future repayments of dormant account balances.

Best estimate

The best estimate contains two components, namely a future reclaim projection derived by fitting a Generalised Linear Model to the historical reclaims incurred and an additional margin to allow for a possible expected increase in future reclaims compared to historical levels. The GLM is used to annually project future expected reclaims, which are then discounted to give a present value of future reclaims. With the limited historical data available there remains uncertainty in the GLM and the estimate has been adjusted to reflect this, and the additional margin added to allow for an expected increase in future reclaims compared to historic levels.

The additional margin is calculated by considering the likelihood and average impact of a range of scenarios that could lead to an increase in reclaim rates. The average impacts from each scenario are combined and calibrated by taking into account that an individual reclaim can only be made once, and not across several scenarios.

To the extent that actual reclaims are different from those provided, changes in the provision are reflected in the Income Statement.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

Restatement of reclaim provision for reclaims of dormant account balances

RFL received formal FSA authorisation on 28 March 2011. At the time, with no track record and only anecdotal reclaim data available from Participants, an initial provision for expected reclaims was established based on the issuance of an ICG by the then FSA (now FCA), that sets a strict capital requirement which has remained in place ever since. A key principle on the Scheme's establishment was for the Participants to maintain the customer relationship and, as such, RFL only holds aggregated data, which impacts RFL's ability to model expected future reclaims. With no comparator company to work from, and a lack of data on reclaim experience, a naturally prudent approach was taken by the Board.

Since RFL's establishment, the Board has considered on a regular basis whether there was sufficient historical data to enable a more sophisticated approach to assessing expected reclaim experience. Actuarial advice was sought, which recommended the use of a GLM that projected into the future using predictive factors in the underlying data. As RFL's limited historic data cannot definitively predict future reclaim rates, the Board has also explored the possible circumstances in which RFL could experience a change in reclaim rates and this has been factored into the best estimate alongside the GLM as an additional margin. To support this view, RFL held a workshop comprising experts from within the financial services and Government sectors, who considered possible scenarios that could lead to a material change in reclaim rates over the lifetime of RFL.

Over time, the best estimate model has been iterated and refined as more data has been gathered. However, the Directors continue to be aware of the sensitive assumptions and judgements required and the wide range of reclaim rates that could occur.

During 2021/2022, RFL formalised plans to use the revised model to determine a best estimate reclaim provision. A critical element to this work was an independent review of the model by the Government Actuarial Department, with this work including recommendations for further revisions to the GLM and additional margin.

With the assurance gained from the independent validation, the Board, having considered the requirements of the UK adopted International Accounting Standards, has adopted a best estimate at 31 March 2022 that reflects the data within the best estimate model. The Directors have also considered the requirements of IAS and determined that the output from the model indicated that the best estimate was materially different from the previous year's provision and that, in light of the additional work on the model undertaken in the period under review, the information to make a best estimate was available at the time, and thus it is appropriate to restate the previous year's best estimate, this providing a better indication of the likely position in those years.

The restatement of the prior periods Statement of Financial Position does not impact the amounts set aside for expected reclaims over the lifetime of RFL with total liabilities and equity remaining unchanged at £684.0m at 1 January 2020 and £693.0m at 31 December 2020. There is a total of £176.0m held within the best estimate reclaim provision and £417.7m held within capital and reserves as at 31 March 2022 in order to meet the regulatory requirements (ICG), which have also recently been reaffirmed by the FCA. Amounts held within capital can be used to support the key activities of RFL namely the payment of reclaims and distributions to TNLCF and to defray administrative costs and other reasonable expenses.

The impact of the prior period change is to reduce the provision for reclaims of dormant account balances and increase capital reserves by an equal and opposite amount of £317.9m in the prior period opening Statement of Financial Position being at 1 January 2020.

The balance sheet impact of the prior year restatement as at 1 January 2020 on the Statement of Financial Position is as follows:

	Reported 1 January 2020 £'000	Restatement 1 January 2020 £'000	Restated 1 January 2020 £'000
Statement of Financial Position			
Liabilities			
Provision for reclaims of dormant account balances	450,431	(317,867)	132,564
Total liabilities	610,464	(317,867)	292,597
Capital and reserves			
Capital reserve	73,713	317,867	391,580
Total equity	73,713	317,867	391,580
Total liabilities and equity	684,177	-	684,177

The impact on the Income Statement, Statement of Financial Position and Statement of Cash Flows of the prior year restatement for the year ending 31 December 2020 is as follows:

	Reported 31 December 2020 £'000	Restatement 31 December 2020 £'000	Restated 31 December 2020 £'000
Income statement			
Change in provision for reclaims of dormant account balances	(36,199)	16,494	(19,705)
Operating result before distributions	54,195	16,494	70,689
Retained surplus	-	16,494	16,494
Statement of Financial Position			
Liabilities			
Provision for reclaims of dormant account balances	473,712	(334,361)	139,351
Total liabilities	619,373	(334,361)	285,012
Capital and reserves			
Capital reserve	73,713	334,361	408,074
Total equity	73,713	334,361	408,074
Total liabilities and equity	693,086	-	693,086
Statement of Cash flows			
Surplus before tax	205	16,494	16,699
Adjustments:			
Change in provision for reclaims of dormant account balances	36,199	(16,494)	19,705

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

1. SIGNIFICANT ACCOUNTING POLICIES *continued*

Opening and closing Cash balances remained unchanged for all prior accounting periods.

Assumptions used in the best estimate

The key assumptions within the best estimate as at 31 March 2022 are as follows:

- Individual large amounts over £1m, transferred to RFL are deemed to have a higher likelihood of reclaim, as to date there appears a relationship between reclaim size and reclaim proportion. This assumption was refined as part of the on-going revision of the model during 2021/2022; and
- As explained in the accounting policy note on page 67, there is an additional margin of 5% (2020: 4.3%) to take account of the potential volatility in reclaim behaviour. Further detail on the change is provided in Note 12.

Additionally no dormant balance transfers are excluded from the source data input into the GLM, thereby ensuring all data is modelled irrespective of reclaim behaviour within the analysis. Transfers with either very high or very low reclaim rates are included to provide an accurate representation of the whole portfolio.

Sensitivity analysis

The Board recognises the inherent sensitivities of the assumptions in the best estimate given the limited data available. The key sensitivities to the underlying assumptions in the best estimate as at 31 March 2022 are included in the table below. Were RFL to change the total amount set aside for reclaims from the amounts prescribed, the terms of the ICG would require there to be a broadly corresponding increase in the levels of capital required to be held.

	Best estimate as at 31 March 2022 applying sensitivities £'000	Change to best estimate as at 31 March 2022 £'000	Change to capital reserve as at 31 March 2022 £'000
Current reclaim provision	176,024	-	
The best estimate additional margin is higher by 1%	192,023	15,999	(15,999)
The best estimate additional margin is lower by 1%	160,025	(15,999)	15,999
Individual large balances deemed to have similar reclaim behaviour to lower balances	169,798	(6,226)	6,226

The additional margin is linear and thus increments of ±1% would proportionally change the provision by ±£16m. Further details on the movement in the provision for reclaims of dormant account balances are included in Note 12.

Provision for future distributions

The Act dictates that the Company is obliged to pay over the excess of dormant account monies received, after deduction of running costs, to TNLCF for ongoing distribution for the benefit of the community.

Upon receipt of monies from Participants, the Company also creates a provision for future distributions. This represents amounts that the Company will expect to pay over to TNLCF in future years. The Directors regard this provision as a key accounting judgement given that the Board has total discretion over the amount of distributions.

Not all the surplus funds are paid over to TNLCF immediately; 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.

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. 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; this is in line with the Articles of the Company which determine 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 at least 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

In the absence of an International Accounting Standard for recognition of dormant account balances, Management considers the conceptual framework in determining when it is appropriate to recognise the income and reasoned that reliable measurement of dormant account balances is equivalent to the cash being receipted and therefore under RFL's control. 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 UK 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

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. This includes regulatory capital and amounts set aside to cover possible severe reclaim events.

Under the Act, the capital reserve is not distributable to the parent undertaking.

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 value of computer software is 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 value of plant and equipment is 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. Lease payments are discounted using the interest rate implicit in the lease.

2. RETAINED SURPLUS

	2021/22 15 months to 31 March 2022 £'000	2020 Year to 31 December 2020 £'000
Retained surplus for the year is stated after charging:		
Auditor's remuneration		
– audit of these Financial Statements	150	51

Fees for 2021/2022 are for external audit services provided by National Audit Office, and for Ernst and Young LLP in 2020, both of which exclude Value Added Tax.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

3. ADMINISTRATIVE EXPENSES

The average number of employees during 2021/22 was eleven (2020: ten). A breakdown of the administrative expenses for 2021/22 and 2020 is shown in the table below:

	2021/22 15 months to 31 March 2022 £'000	2020 Year to 31 December 2020 £'000
Staff costs		
- Wages and salaries	860	747
- Social security costs	133	119
- Pension costs	86	50
	1,079	916
Non-Executive Directors' fees**	219	197
Professional services	1,383	1,307
FCA fees and FSCS levies	19	28
IT and communication costs	265	212
Premises costs	63	47
Miscellaneous expenses	135	200
Depreciation and amortisation	168	144
Total operating costs	3,331	3,051
Investment management fees	543	545
Total administrative expenses*	3,874	3,596

* Costs of £567k have been incurred over the 15-month period for project management fees, business consultancy and legal advice to supporting ongoing work in preparation for the take-on of new assets following the enactment of the Dormant Assets Act 2022.

** Non-Executive Directors' fees are now separately disclosed on the face of the administrative expenses note to align with reporting in the Remuneration and staff report, with previously reported figures for 2020 amended to reflect this change.

Full details of the Executive and Non-Executive Directors' remuneration are included within the Remuneration and staff report on page 41.

FINANCIAL SERVICES COMPENSATION SCHEME ('FSCS') LEVIES

RFL currently participates in the Financial Services Compensation Scheme. As a result of the enactment of the Dormant Assets Act 2022 and the classification of RFL as a non-departmental public body, it is anticipated that regulatory changes will soon be implemented that mean that RFL will cease to participate in the FSCS. HM Treasury has confirmed that it is committed to ensuring consumer protection in the event that RFL is or looks likely to be unable to meet its liabilities and to upholding the core principle of the dormant assets scheme (i.e. that owners or beneficiaries can reclaim the amount of the dormant asset balance owed to them at any time). In the event that there was a considerable risk that RFL could not fulfil its reclaim obligations, HM Treasury has indicated to RFL that it would assess the most appropriate course of action in line with these principles, which may include the use of a loan to RFL.

RFL is also covered by the Financial Ombudsman Service ('FOS') in respect of the existing Dormant Assets Scheme for banks and building societies. The Financial Conduct Authority is currently consulting on proposals to extend the application of FOS in respect of certain of the new asset classes in the expanded dormant assets scheme.

4. AMOUNTS RECEIVED IN RESPECT OF DORMANT ACCOUNTS

During the 15 month period to 31 March 2022 £154.0m (2020: £89.6m) was received in respect of dormant accounts funds. A detailed analysis of receipts by participant is provided below:

Main Scheme Participant	2021/22 15 months to 31 March 2022 £'000	2020 Year to 31 December 2020 £'000
Bank Leumi UK plc	789	-
Barclays Bank UK PLC	22,905	14,839
CIMB Berhad	24	14
The Co-operative Bank plc	2,569	2,887
Danske Bank	936	223
DZ Bank	1	-
HSBC Bank plc	11,414	8,631
Lloyds Banking Group		
Lloyds Bank plc	10,360	6,577
Bank of Scotland plc	22,757	9,557
National Bank of Egypt (UK)	89	-
Nationwide Building Society	5,192	3,644
R Raphael and Son PLC	-	17
NatWest Group		
Adam & Company plc	18	1
Coutts & Co	27	11
National Westminster Bank plc	13,672	12,655
The Royal Bank of Scotland plc	4,461	3,850
Ulster Bank Limited	915	763
Santander UK plc	45,697	22,020
Standard Chartered Bank	8,603	-
Virgin Money UK PLC		
Clydesdale Bank plc	1,487	-
Virgin Money plc	1,923	3,289
Amounts received in respect of the Main Scheme	153,839	88,978
Alternative Scheme Participant	2021/22 £'000	2020 £'000
Cambridge Building Society	108	317
Leek Building Society	13	-
Newcastle Building Society	-	291
Amounts received in respect of the Alternative Scheme	121	608
Total amounts received in respect of dormant accounts	153,960	89,586

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

5. INTEREST INCOME AND EXPENSE

	2021/22 15 months to 31 March 2022 £'000	2020 Year to 31 December 2020 £'000
Interest income:		
On investment securities*	3,459	3,909
On cash deposits	562	654
	4,021	4,563
Interest expense:		
On participant reclaims	240	142
On lease liabilities	20	17
	260	159

*A loss on disposal of a bond for £58k has been included within interest income for investment securities.

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 period is provided below:

	2021/22 15 months to 31 March 2022 £'000	2020 Year to 31 December 2020 £'000
Current tax		
UK corporation tax on profits at 19% (2020: 19%)	-	200
Adjustments in respect of previous periods	10	13
	10	213
Deferred tax		
Origination and reversal of timing differences	(96)	(12)
Adjustments in respect of previous periods	(8)	5
Change in deferred tax rate	(39)	(1)
	(143)	(8)
Total tax (credit)/ charge for the financial period	(133)	205

	2021/22 15 months to 31 March 2022 £'000	2020 Year to 31 December 2020 £'000
Reconciliation of effective tax rate		
Surplus before tax	9,489	16,699
UK corporation tax at 19% (2020: 19%)	1,803	3,173
Non-taxable income	(29,252)	(17,021)
Disallowable provision for reclaim repayments	9,886	3,744
Disallowable payments and provision for future distributions to TNLCF	17,434	10,256
Expenses not deductible for tax purposes	33	36
Prior year adjustment – current tax	2	18
Change in deferred tax rate	(39)	(1)
Total tax (credit)/charge for the financial period	(133)	205

Since 1 April 2017, the statutory rate of UK corporation tax has been 19%. The previously enacted corporation tax reduction to 17% on 1 April 2020 was cancelled in the Budget of 11 March 2020, and a resolution effecting this passed by Parliament on 17 March 2020. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. 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:

	2021/22 15 months to 31 March 2022 £'000	2020 Year to 31 December 2020 £'000
Asset at the beginning of the financial period	18	10
Adjustments in respect of deferred tax of previous year	8	12
Income statement (charge)/release in the period	96	(5)
Change in deferred tax rate	39	1
Asset at the end of the financial period	161	18

The balances at the beginning represent taxable temporary differences on fixed assets. The closing balance at 31 March 2022 represents tax losses that the business expects to be able to realise and offset against future taxable profits.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

7. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2021/22 £'000
Cost	
Opening balance at 1 January 2021	64
Additions	21
Closing balance at 31 March 2022	85
Amortisation	
Opening balance at 1 January 2021	55
Amortisation charge	11
Closing balance at 31 March 2022	66
Carrying amount	
Opening balance at 1 January 2021	9
Closing balance at 31 March 2022	19

8. PLANT AND EQUIPMENT

	Fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost			
Opening balance at 1 January 2021	119	319	438
Additions	1	190	191
Disposals	–	(11)	(11)
Closing balance at 31 March 2022	120	498	618
Depreciation			
Opening balance at 1 January 2021	113	224	337
Depreciation charge	2	117	119
Disposals	–	(10)	(10)
Closing balance at 31 March 2022	115	331	446
Carrying amount			
Opening balance at 1 January 2021	6	95	101
Closing balance at 31 March 2022	5	167	172

9. RIGHT-OF-USE ASSETS

	2021/22 £'000
Cost	
Opening balance at 1 January 2021	337
Additions	-
Closing balance at 31 March 2022	337
Depreciation	
Opening balance at 1 January 2021	62
Depreciation charge	38
Closing balance at 31 March 2022	100
Carrying amount	
Opening balance at 1 January 2021	275
Closing balance at 31 March 2022	237

10. INVESTMENT SECURITIES

	31 March 2022 £'000	31 December 2020 £'000
Central governments or central banks	9,489	38,471
Supranationals	122,285	101,223
Corporates	300,563	207,418
Accrued interest	3,088	3,279
	435,425	350,391

The carrying value of financial instruments measured at amortised cost is determined in compliance with the accounting policies on page 72. Investment securities comprise GBP denominated fixed income instruments.

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
31 March 2022		
Investment securities	435,425	426,988
31 December 2020		
Investment securities	350,391	353,007

The fair value of the investment securities differs from the carrying value due to movements in market rates of interest and is not indicative of a significant increase in credit risk on items within the investment portfolio.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

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, £118.0m (2020: £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 March 2022 and 31 December 2020, and concluded that the amount was not material, and no adjustment was required.

11. CASH AND CASH EQUIVALENTS

	2021/22 31 March 2022 £'000	2020 31 December 2020 £'000
Cash and cash equivalents	250,258	342,079

Cash and cash equivalents comprise £211.0m (2020: £272.4m) held with the Bank of England, £5.6m (2020: £4.5m) with HSBC Bank plc and £33.6m (2020: £65.2m) 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

	2021/22 15 months to 31 March 2022 £'000	Restated 2020 Year to 31 December 2020 £'000
At the beginning of the period	139,351	450,431
Opening balance adjustment	-	(317,867)
Total restated balance at the beginning of the financial year	139,351	132,564
Change in best estimate in the period	52,035	19,705
Utilised in the period	(15,362)	(12,918)
At the end of the period	176,024	139,351

For more information on the restated balance refer to note 1.

The timing of outflows from the provision is inherently uncertain given the limited data held and the short time in which RFL has operated. Typically, RFL pays reclaims to Participants of between £10m-£18m per annum; the larger proportion of reclaims typically occurs following transfer of dormant balances to RFL; however, this is dependent on the Participant, and the timing and value of reclaims made. The best estimate contains an additional margin that considers possible increased reclaims, the timing of which is inherently uncertain.

The provision has increased in the period reflecting both a change in output from the GLM and an uplift in the additional margin included within best estimate, following the updating of the likelihood and average impact of a range of scenarios that could lead to an increase in reclaim rates.

During the 15 months to 31 March 2022, £15.4m (2020: £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:

Main Scheme Participant	2021/22 15 months to 31 March 2022 £'000	2020 Year to 31 December 2020 £'000
Barclays Bank UK PLC	1,806	810
The Co-operative Bank plc	352	275
Danske Bank	16	49
HSBC Bank plc	684	1,434
Lloyds Banking Group		
Lloyds Bank plc	1,033	1,249
Bank of Scotland plc	4,721	4,098
Nationwide Building Society	1,138	1,264
NatWest Group		
National Westminster Bank plc	811	361
The Royal Bank of Scotland plc	35	88
Ulster Bank Limited	79	33
Santander UK plc	3,699	2,309
TSB Bank plc	73	35
Virgin Money UK PLC		
Clydesdale Bank plc	62	44
Virgin Money plc	748	855
Amounts paid in respect of the Main Scheme	15,257	12,904
Alternative Scheme Participant	2021/22 £'000	2020 £'000
Cambridge Building Society	52	-
Newcastle Building Society	53	14
Amounts paid in respect of the Alternative Scheme	105	14
Total amounts paid in respect of dormant accounts	15,362	12,918

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

13. PROVISION FOR FUTURE DISTRIBUTIONS TO TNLCF

	2021/22 31 March 2022 £'000	2020 31 December 2020 £'000
At the beginning of the year	53,990	90,318
Additional provision created in the period	91,756	53,990
Approved for distribution to TNLCF (see Note 14)	(53,990)	(90,318)
At the end of the period	91,756	53,990

£144.3m of funds were distributed to TNLCF during the period (2020: £68.5m), this consisting of £90.3m (see note 14) paid in November 2021 and £54.0m paid in February 2022. The closing balance at 31 March 2022 of £91.8m was approved for distribution to TNLCF on 16 June 2022.

14. TRADE AND OTHER PAYABLES

	2021/22 31 March 2022 £'000	2020 31 December 2020 £'000
Amounts owed to TNLCF	–	90,318
Accrued expenses	841	1,056
	841	91,374

£144.3m of funds were distributed to TNLCF during the 15 months to 31 March 2022 (2020: £68.5m).

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 is consolidated into the 2021-22 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 AND RESERVES

	2021/22 31 March 2022 £	2020 31 December 2020 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

	2021/22 £'000	Restated 2020 £'000
Capital reserve	417,696	408,074

The 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.

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. This includes regulatory capital and amounts set aside to cover possible severe reclaim events. Under the Act, the capital reserve is not distributable to the parent undertaking.

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 is consolidated into the 2021-22 HM Treasury Group Accounts, thereby giving rise to the relationship with Government departments and Central Government bodies.

HM Treasury is domiciled in the United Kingdom and is located at 1 Horse Guards Road, London, SW1A 2HQ.

The Company's material balances with departments and bodies of the Government comprise deposits with the Bank of England as detailed in note 11, and amounts owed to HMRC for corporation tax and other employment related taxes. RFL's investment mandate permits its investment manager to invest in GBP denominated UK Government debt in the normal course of its investment activities and these as disclosed in note 10.

RFL is regulated by the FCA and is a member of the FSCS, both of whom are ultimately controlled by UK Government. All fees payable to the FCA and FSCS were made in the ordinary course of business and are not unusual in their nature or conditions.

Additionally, RFL acknowledges that the UK Government has a controlling interest in NatWest Group, a participant of the Scheme. All transactions with NatWest Group are undertaken in the normal course of business.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDING 31 MARCH 2022

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 (£211.0m, 2020: £272.4m), HSBC Bank plc (£5.6m, 2020: £4.5m) and the investment manager (£33.6m, 2020: £65.2m). 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 BBB+.

The maximum exposure to credit risk at the balance sheet date is £685.7m (2020: £692.5m), being £250.3m cash deposits and £435.4m investments (2020: £342.1m cash deposits and £350.4m 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 GBP denominated fixed income investments are all held to maturity and accounted for as such.

Reinvestment risk refers to the possibility that an investor will be unable to reinvest cash flows received from an investment at a rate comparable to their current rate of return. The Company actively reviews its investment mandate, working closely with the outsourced investment manager to minimise its reinvestment risk.

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 ICG prescribes the minimum amount of capital that RFL is required to hold at all times to mitigate the risks that exist. The ICG for RFL, as prescribed in the FCA's permission letter to RFL on establishment, is formed of two parts namely a Pillar 1 requirement in respect of operational risk and credit risk and a Pillar 2 separate capital component in respect of reclaim risk (and expense risk). In considering capital for regulatory purposes RFL considers both the provision for reclaims and its capital and reserves. Were RFL to reduce the total amount set aside for reclaims from the amounts prescribed, the terms of the ICG would require there to be a broadly corresponding increase in the levels of capital required to be held. 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 £417.7m (restated 2020: £408.1m).

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 within the provision for reclaim and capital reserves as follows:

Remaining exposure	2021/22 15 months to 31 March 2022 £'000	Restated 2020 Year to 31 December 2020 £'000
Main Scheme	885,447	793,144
Alternative Scheme	2,037	1,856
	887,484	795,000

The prior year figure has been restated to reflect the change in accounting for the reclaim provision.

Aligned to the reclaim provision of dormant balances, the timings of any contingent liabilities is inherently uncertain and is dependent on the timing of Participant reclaims.

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. A prudent assumption has been made that the current premises will be leased until the end of the 15-year term.

Maturity analysis of lease liabilities is as follows:

	31 March 2022 £'000	31 December 2020 £'000
Within 1 year	29	27
Later than 1 year and not later than 5 years	134	123
Later than 5 years	101	147
	264	297

The movement in the lease liability is as follows:

	2021/22 £'000	2020 £'000
At the beginning of the period	297	312
Lease payments	(53)	(32)
Interest expense	20	17
At the end of the period	264	297

22. NON-ADJUSTING POST BALANCE SHEET EVENT

A distribution to TNLFC of £91.8m was approved by the Board on 16 June 2022.

PARTICIPATING BANKS AND BUILDING SOCIETIES

Audited Main Scheme Participant	Dormant account monies received from participants		Reclaims paid to participants	
	2021/22 £'000	Since inception £'000	2021/22 £'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	789	3,399	-	165
Barclays Bank UK PLC	22,905	283,415	1,806	16,892
Butterfield Bank (UK) Limited	-	78	-	-
CIMB Berhad	24	38	-	-
Commonwealth Bank of Australia – London Branch	-	4	-	-
Consolidated Credit Bank Limited	-	53	-	-
The Co-operative Bank plc	2,569	21,209	352	2,249
Credit Agricole Corporate & Investment Bank – London Branch	-	652	-	-
Danske Bank	936	7,107	16	352
Duncan Lawrie Limited	-	17	-	-
DZ Bank	1	1	-	-
Emirates NBD PJSC – London Branch	-	107	-	1
HSBC Bank plc	11,414	97,017	684	7,176
Intesa Sanpaolo S.p.A. – London Branch	-	115	-	-
Lloyds Banking Group				
Lloyds Bank plc	10,360	206,899	1,033	9,659
Bank of Scotland plc	22,757	245,512	4,721	31,829
National Bank of Egypt (UK)	89	89	-	-
Nationwide Building Society	5,192	82,124	1,138	4,015
N. M. Rothschild & Sons Limited	-	90	-	-
R Raphael and Son PLC	-	17	-	-
Riyad Bank – London Branch	-	4	-	-
NatWest Group				
Adam & Company plc	18	37	-	1
Coutts & Co	27	1,635	-	-
National Westminster Bank plc	13,672	156,234	811	3,981
The Royal Bank of Scotland plc	4,461	59,816	35	501
Ulster Bank Limited	915	10,068	79	326
Santander UK plc	45,697	326,953	3,699	32,145
Standard Chartered Bank	8,603	8,603	-	-
TSB Bank plc	-	12,354	73	4,166
Virgin Money UK PLC				
Clydesdale Bank plc	1,487	23,726	62	362
Virgin Money plc	1,923	36,402	748	6,654
	153,839	1,598,600	15,257	120,612

Audited Alternative Scheme Participant	Dormant account monies received from participants		Reclaims paid to participants	
	2021/22 £'000	Since inception £'000	2021/22 £'000	Since inception £'000
Cambridge Building Society	108	425	52	52
Leek Building Society	13	13	-	-
Newcastle Building Society	-	920	53	67
	121	1,358	105	119
Total	153,960	1,599,960	15,362	120,731

GLOSSARY

AARC	Audit and Risk Committee
ALB	Arm's Length Body
ASIL	Angel Square Investments Limited
B&BS	Bank and Building Societies
CEO	Chief Executive Officer
CRO	Chief Risk Officer
DAEB	Dormant Assets Expansion Board
DCMS	Department for Digital, Culture, Media and Sport
ESG	Environmental, Social, Governance
FCA	Financial Conduct Authority
FSA	Financial Services Authority
GAD	Government Actuarial Department
GDPR	General Data Protection Regulation
GLM	Generalised Linear Model that takes into account historic reclaim experience and projects into the future using predictive factors in the underlying data.
HMT	Her Majesty's Treasury
HMRC	Her Majesty's Revenue and Customs
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
MSCI	Morgan Stanley Capital International (tool used for ESG analysis)
RFL	Reclaim Fund Ltd
ONS	Office for National Statistics
TCFD	Climate related Financial Disclosures
The Act	The combined Dormant Bank and Building Society Accounts Act 2008 and The Dormant Assets Act 2022
TNLCF	The National Lottery Community Fund (previously Big Lottery Fund)
TVR	Tracing, Verification, Reunification
UKGI	UK Government Investments

COMPANY INFORMATION AND ADVISORS

COMPANY INFORMATION

Reclaim Fund Ltd
Registered number: 07344884

Registered office:
3rd Floor
11-12 St. James's Square
London
SW1Y 4LB

reclaimfund.co.uk

INDEPENDENT AUDITOR

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1 9SP

INTERNAL AUDITOR

Deloitte LLP
1 City Square
Leeds
LS1 2AL

LEGAL ADVISOR

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

INVESTMENT MANAGER

Goldman Sachs Asset
Management International
Plumtree Court
25 Shoe Lane
London
EC4A 4AU

PRINCIPAL BANKERS

Bank of England
Threadneedle Street
London
EC2R 8AH

HSBC Bank plc
Level 20
8 Canada Square
London
E14 5HQ

Designed and produced by Instinctif Partners creative.instinctif.com

reclaimfund.co.uk

Reclaim Fund Ltd
3rd Floor
11-12 St. James's Square
London
SW1Y 4LB

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