Annual Report
and Accounts 2017

2017

Making a difference

Reclaim Fund Ltd

Contents

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

About us

Reclaim Fund was established in 2011, following the enactment of the Dormant Bank and Building Society Accounts Act 2008 and the completion of the regulatory regime.

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

Reclaim Fund Ltd ('the Company' or 'RFL'), was incorporated on 13 August 2010 and commenced operations on 28 March 2011. RFL is ultimately owned by Co-operative Group via its wholly owned subsidiary Co-operative Banking Group Limited. It is authorised and regulated by the Financial Conduct Authority, operates independently with an appointed Board and Executive, and is non-profit-making.

About the Scheme

The principal activity of Reclaim Fund Ltd is that of the collection and management of dormant account monies.

The Dormant Bank and Building Society Accounts Act 2008 ('The Act') enables those banks and building societies, that choose to participate ('participants'), to transfer money from their dormant accounts to the Company for distribution to Big Lottery Fund and then onwards to good causes across the UK. It also ensures that the right of account holders to reclaim their money is protected in perpetuity by transferring the individual's claim against their bank or building society to RFL.

The strategy for the Company is wholly aligned to the operational activities authorised by the Act, which permits only those activities set down in the Act. Along with the activities above, the Company is permitted to invest funds and to defray administrative costs.

For a list of our participants, see page 48.

2008

Dormant Bank and Building Society Accounts Act 2008 is enacted.

2009

Co-operative Group is approached by HM Treasury to establish a reclaim fund.

2010

Reclaim Fund Ltd is incorporated on 13 August 2010 as a wholly owned subsidiary of Co-operative Banking Group Limited.

2011

RFL commences operations on 28 March 2011 following regulatory authorisation. RFL receives in excess of £300m from 10 financial institutions.

2012

RFL holds its first Annual Event bringing participants and beneficiaries of dormant account monies together. Total amounts received since inception exceed £500m.

Our purpose

is to distribute surplus monies for the benefit of good causes across the UK and always hold sufficient funds to meet reclaims in perpetuity.

Our vision

is to maximise the benefit for good causes through our stewardship of unclaimed assets. The delivery of our vision will be underpinned by our values, which are a framework for how we behave and treat each other, as individuals and as a business; also by our givens, which are the principles that we adhere to.

Our values

- We put the interests of dormant account holders first in all we do
- We take personal and social responsibility and are proud of what we do
- Together we will create a great place to work, grow and develop
- We strive relentlessly to improve efficiency and effectiveness
- We are open and fair and are committed to excellent communication
- We will work constructively with our stakeholders to achieve mutual success

Our givens

- We operate to the highest ethical standards
- We are financially strong, ensuring all reclaims can be met
- We are a not-for-profit business
- We only do business consistent with our values and principles
- We operate within a cautious risk appetite

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
www.mylostaccount.org.uk

2013

RFL appoints an Investment Manager and Custodian to manage its newly established investment portfolio, in line with its investment mandate.

2014

Cumulative distributions to Big Lottery Fund since inception for onward distribution to good causes passes £220m.

2015

RFL relocates to independent offices in Crewe. Total amounts received since inception exceed £850m.

2016

RFL distributes £105m to Big Lottery Fund. Three new participants join the scheme, taking the total number of participants to 15. Total amounts received since inception exceed £980m.

2017

Transfers received from participants since inception exceed £1bn in April. Amounts committed for distribution to good causes since inception exceed £0.5bn.

Enhancing Communities

RFL's annual 'Enhancing Communities' event took place on 11 October 2017 marking its 6th year, with close to 100 attendees from financial institutions and other stakeholders across the UK.

The agenda encompassed a variety of presentations including those from Tracey Crouch, Minister for Sport and Civil Society, RFL Chairman Jane Hanson and CEO Adrian Smith, as well as UK good causes Reconnections, Harrogate Skills 4 Living Centre and Centrestage. Once again, the day proved to be truly inspirational and provided affirmation of the life enhancing changes possible through the use of Dormant Account Monies.

Harrogate Skills 4 Living Centre

Harrogate Skills 4 Living Centre started out as the Junction in 1994 and aiming to help signpost adults with learning disabilities to help and advice, the organisation quickly developed to meet the needs of this group by providing day-services and education to promote independence.

The charities vision is to enable adults with learning disabilities and autism to earn, learn and lead fulfilling lives in the local community. Social Investment funding has helped the organisation grow and fulfil its ambition to increase its local impact.

hs4lc.org.uk

Centrestage

Centrestage opened in Kilmarnock in 2006 by Fiona McKenzie & Paul Mathieson without public or grant funding and operates with the ethos that anyone – regardless of age, background or experience – can gain life changing social benefits through active participation in the arts, particularly music, drama and dance. In 2017, they now deliver projects and activities across Ayrshire to over 2,500 participants weekly.

Centrestage are committed to enabling all participants to engage with a sense of belonging to a wider community and to breaking down the barriers that prevent achievement.

centrestagemt.org.uk

Reconnections

Reconnections is a service to reduce loneliness and social isolation in Worcestershire, led by Age UK Herefordshire and Worcestershire.

Reconnections works with a number of brilliant local partners, that cater for everyone. From befriending to boules, lunch clubs to libraries, pubs to pets! They are also supported by a number of amazing volunteers, whose commitment, friendliness and energy – not to mention huge enthusiasm – make the service what it is.

reconnectionsservice.org.uk

Chairman's review

"Constructive collaboration has been a hallmark of this year."

2017 has proved to be an exciting year for RFL. We have welcomed seven new organisations to our participant numbers, received £118 million of additional money and committed over £152 million to good causes across the UK.

The Dormant Asset Commission ('Commission') published its Report in March 2017, and we are pleased to bring our experience and insight to the work that is now underway to introduce an expanded Dormant Asset Scheme, with additional asset classes and a revised ownership structure. We welcome the introduction of these potential changes to the Scheme, and I believe that our unique perspective of having led the current Dormant Accounts Scheme for seven years will enable us to make a valuable contribution to its future shape and direction. We are excited at the opportunity that this development offers, especially for the good causes that will benefit from an expanded range of dormant assets.

Constructive collaboration has been a hallmark of this year. In particular, we have forged strong and mutually beneficial relationships across relevant government departments. It has been rewarding to see how the deep understanding that we have of the sector can add value to the work that the government is undertaking.

The Board

2017 was a year in which we continued to benefit from our Board members' commitment and professionalism. I am grateful to my fellow board members who each bring particular skills, experience and strengths to the table. Together they make a strong team that have rigorously overseen the establishment of a core component of the current Dormant Assets Scheme. We are, however, always alive to possibilities to adapt and advance; that is in part what makes an effective team. We continue to scan the horizon to ensure that we have the appropriate mix of skills and perspectives to keep us prepared for what the future will bring.

Ownership

A key finding of the Commission's report was an indication that there may be value in exploring a new corporate structure in which RFL could be independent of its existing corporate parent. The Co-operative Group continues to be our parent company until such options are further explored and we appreciate their support and are proud to be part of the Group. Ultimately the suitability of any new owner will be crucial in prioritising any options preferred by the Group and will include an evaluation of both financial and non-financial considerations and future plans for the business. I am grateful for the Group's counsel, for our access to their resources and for the open dialogue we have with them. They have been crucial to our success and I look forward to working with them as we navigate this next stage in our development and our respective evolving roles in it.

The expanded Dormant Assets Scheme

We are excited at the prospect of bringing our experience to bear in the expanded Dormant Assets Scheme that the government is proposing. The prospect of a wider range of asset classes being included will offer ever-greater opportunities to facilitate the funding of good work. We are looking forward to contributing to this process.

Governance

Strong governance is central to our proposition. We continue to manage the money in our care to ensure that we are able to meet reclaims that it is prudent to anticipate. When money remains unclaimed, we aim to channel as much of it as possible to good causes. I am grateful to my Board colleagues for their continuing robust and careful stewardship that allows us to provide this important role.

The Enhancing Communities event

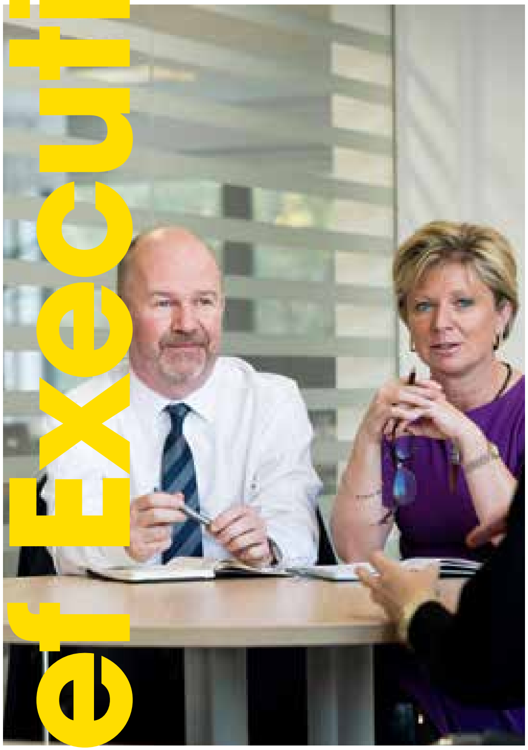
Each year at our Enhancing Communities event we are privileged to gather together our participating financial institutions and the good causes that benefit from the distributed funds. Seeing and hearing directly from the recipients brings our work to life. I was also delighted to welcome Tracey Crouch MP, Minister for Sport and Civil Society, to join us at the event in 2017 and see first-hand the results of our endeavours. I felt humbled as I listened to the moving accounts of lives changed by the funds transferred to us by our participants. I would like to thank our Chief Executive, Adrian Smith for his leadership of a great and dedicated team. It is truly an honour to work with them to play a part in ensuring that otherwise dormant assets are able to contribute to tangible improvements in the lives and circumstances of many people. I look forward to our continuing success in the coming years.

Jane Hanson
Chairman
15 February 2018

Key highlights from 2017

- Banks and building Societies participating in the Scheme transferred another £118 million to RFL in 2017, bring the total to over £1 billion since we started.
- During the year, we have committed over £152 million to Big Lottery Fund for reinvestment in the community.
- The Board worked in close constructive collaboration with the Department of Culture, Media and Sport and other government departments on the shape and direction of the expanded Dormant Accounts Scheme.
- An inspiring day at the Enhancing Communities event, bringing together contributors and recipients of the funds from the Reclaim Fund.

Q&A with the Chairman & Chief Executive



Chairman Jane Hanson and Chief Executive Adrian Smith talk about Reclaim Fund Ltd, look back at 2017 and share their thoughts on what they foresee in 2018 and beyond.

Q Let's start with the basics. How would you summarise the role of RFL?

A Our role is defined by an Act of Parliament. The Act says that we can receive money from dormant bank and building society accounts, return it to account holders via our participants whenever they ask us to do so, invest the money that we receive, distribute an appropriate proportion of the money we receive to specified good causes, and meet reasonable costs in carrying out these activities.

Q What have been the highlights of 2017?

A We are delighted to have passed the £1 billion mark for funds received since we started in 2010. It is also great news that we have now set aside over £0.5 billion to be distributed to good causes since our inception. We also believe we have deepened our relationship with the UK Government, as we play a central role in shaping the future of dormant asset management in the UK.

The addition of seven new banks joining us as participants in the Scheme and jointly bringing over £14 million was another important landmark to reach. Our Annual Enhancing Communities event that brings together participants and beneficiaries is always a highlight for all of us; we were pleased once again to welcome representatives from the government to see for themselves some of the people who benefit from the Scheme.

Q With £1 billion in funds received, how do you arrive at the proportion of funds to distribute?

A We are obliged to have sufficient funds to cover, in perpetuity, reclaims that it is prudent to anticipate from holders of dormant bank accounts. RFL is less than 10 years old, so we have a relatively small amount of data on which to predict how much money we need to retain to meet reclaims. As years go by, we will have more information; patterns will emerge, and the metrics will be more robust, so we may find that we can allocate a greater proportion of the money for distribution to good causes. Our participant bank and building societies trust us to get this judgement right.

Q What progress have you made in improving your understanding of receipts and reclaim of money into and from RFL?

A We have made great progress and now have seven years' worth of data and, with the help of actuaries who are used to analysing the patterns in this type of data, we are moving towards a much more informed methodology for assessing the level of future reclaims. This is an important development for us and, over time, we expect that it will help us support the allocation of a greater proportion of our funds to good causes.

Q How do you feel about the recommendations in the government's Dormant Assets Commission Report?

A We see the recommendations as an endorsement of the work we have done so far. We welcome the idea that the scheme will be broader. A greater set of assets will undoubtedly lead to more money being available for use by good causes, and we are looking forward to bringing our expertise to the deliberations that will make the expanded scheme a reality.

Q What are the greatest challenges that you see in the year ahead?

A The landscape of dormant asset management is changing fast and that, inevitably, brings uncertainty. The government is examining both our ownership and the classes of asset that we manage. These factors, naturally, have a huge impact on how we drive RFL forward for the good of our stakeholders. It is important that we maintain and develop our excellent working relationship with the government's team, to make sure that their decisions are informed by our unrivalled experience in this field. At the same time, we are aware of the need to be vigilant and maintain our focus and resources on collecting and managing dormant account monies, and not be distracted by potential changes to our business.

Q What are your strategic priorities for 2018 and beyond?

A Our strategic remit is necessarily narrow: our focus in the coming year will be to maintain the strong foundation that we have built in the context of the changes that are coming down the track. As well as contributing to the shaping of the new landscape, we will remain focused on efficiency. We will also continue to refine our modelling exercise, so we can continue to maximise the amount of money we can allocate to good causes at the same time keeping our promise to have enough to meet reclaims that it is prudent to anticipate.

Chief Executive's review

> "It is powerful to hear about the life changing difference that funds transferred from RFL make to many people."

The rapid growth of Social investment has been in the headlines in 2017. In this context, I am pleased to report that RFL has maintained strong performance on all fronts in terms of funds received, meeting reclaims, and funds committed for distribution.

We continue to enjoy a constructive relationship with the government, working alongside them and sharing our experience and insight as they progress with the implementation of the Review published in 2017 by the Dormant Assets Commission. The Commission recognised the significant role that RFL has played in making the current Dormant Assets Scheme a success. We believe that our contribution to the shape of any future or expanded Scheme means it will benefit from our perspective on how an enlarged Scheme might be established and operate.

Operations

We continue to develop our operation, seeking opportunities to increase efficiencies and control our costs. We are continually looking for ways to improve our processes to ensure we maintain high levels of compliance and control, including good audit outcomes, as befits an FCA regulated entity safeguarding money from banks and building societies across the UK. We also maintain a rigorous approach to understanding and mitigating our risks.

During the year, we were delighted to welcome seven new banks as participants joining the Dormant Accounts Scheme who, together brought over £14 million to the Fund. In all, £118 million was received in transfers, in line with our expectations and £16 million was paid out in reclaims. Although participation levels in a voluntary scheme were initially difficult to forecast, the scheme continues to grow as more and more organisations join annually. The modelling work described below is designed to help us further improve our forecasting of reclaims, recognising that we must maintain our position of ensuring that we can meet reclaims which it is prudent to anticipate. We are mandated to invest funds in line with the Dormant Bank & Building Society Accounts Act, and as such we continue to maintain a very low risk investment portfolio, comprising of cash assets and fixed income investments.

In late 2017, RFL along with the Building Societies Association, UK Finance and a number of the smaller building societies and banks, began to take a fresh look at the potential to develop the Alternative Scheme, permitted under current legislation which is aimed at financial service entities with balance sheet values below £7bn. We hope to report as to its viability in 2018.

Financial modelling

2017 was our seventh year of operation; the more time that passes, the more information we have about rates of reclaim. The result of that is, naturally, a better understanding of how we can expect reclaims to develop in the future. In this context, we took a major step forward in 2017, as we began to see the results of an actuarial review that we began the previous year. This review analysed the reclaim data from an actuarial perspective, taking a more sophisticated look at patterns and trends within the data, and modelling how these are likely to develop in the future. The review project is a work in progress and we continue to refine it.

Modelling has become an iterative process at the heart of our operation, and is already moving us towards a new provisioning methodology that may release a growing proportion of dormant assets to good causes over time. Whilst the exercise continues, we have not changed our policies or approach to modelling applied in calculating the provisions in the accounts.

Making a difference

The £118 million that was transferred to RFL from banks and building societies currently participating in the scheme, brings the total since we began operations in 2011 to over £1 billion. That is a great achievement in just seven years. In 2017, we committed a record £152.8 million to Big Lottery Fund, to be passed on to good causes across the UK. This brings the total distributed to good causes to over £500 million since we started.

The numbers give a good account, but what they mean in reality comes into sharp focus at our Enhancing Communities event that we hold each year in October. This event grows bigger and more widely attended each year. The inspiring stories we hear at the Enhancing Communities event remind everyone who attends why the Dormant Accounts Scheme exists and how far we have come together. It is powerful to hear about the life-changing difference that funds transferred from the RFL make to many people. For participants - the banks and building societies from which we receive dormant funds - it is an opportunity for their teams to see and hear first-hand why they are part of this growing movement. I was extremely pleased to see so many of them represented at the event in October 2017.

Organisations that benefit from money distributed by RFL are at the heart of the event and at our most recent event we heard in detail from three: Centrestage in Kilmarnock, which promotes participation in the arts and breaks down barriers in the community, Reconnections, which works to reduce loneliness and social isolation in Worcestershire, and the Harrogate Skills for Living Centre, which enables adults with learning disabilities and autism to earn, learn and lead fulfilling lives. You can read more on pages 4 and 5 about these impressive organisations that have all benefited from the Dormant Accounts Scheme.

Key highlights of 2017

- Steady flow of dormant balances from a combination of existing and new participants, enabling us to set aside substantial amounts for distribution to good causes.
- Enhancing Communities 2017 heard moving testimony about how the money distributed is changing lives.
- Constructive collaboration with the Dormant Assets Commission and the Department of Digital, Culture, Media & Sport, exploring options for extending the range of asset classes in a future scheme.
- Dormant Asset Commission recommendations broaden the range of assets suitable for dormant asset management.

The RFL team

I am grateful to continue to work with a well-established team of professionals. We are a lean operation and in 2017 more than ever I feel RFL has benefited from the unique combination of the talents and experience of this stable and committed team. We recognise the value that our people bring to the business, so we were delighted, in August 2017, to be a finalist in the Silver Investors in People award category for being a leader in people management practice globally. I would like to express my thanks to everyone who works at RFL for their tremendous hard work and commitment throughout the year and beyond.

Chief Executive's review
continued

Business review

Principal activities
The principal activity of Reclaim Fund Ltd is the collection and management of dormant account monies. The Company has been actively operating since 28 March 2011.

The Company was established as a wholly owned subsidiary of Co-operative Group via its Financial Services holding company Co-operative Banking Group Limited, following the introduction of the Dormant Bank and Building Society Accounts Act 2008. The Act enables banks and building societies, that choose to participate, to transfer money from their dormant accounts to the Company for distribution to Big Lottery Fund and then onwards to good causes across the UK. It also ensures that the right of account holders to reclaim their money is protected in perpetuity by transferring the individual's claim against their bank or building society to RFL.

The strategy for the Company is aligned to the operational activities authorised by the Dormant Bank and Building Society Accounts Act 2008, which permits only those activities set down in the Act. Along with the activities above, the Company is permitted to invest funds and to defray administrative costs. The Board held a strategic review during September 2017, the outcomes of which are explained in further detail in the Corporate Governance report.

Review of the year
During the year, the Company accepted £117.9m (2016: £125.2m) of dormant account monies from 16 of the 22 participating UK banks and building societies (2016: 12 of 15). Seven new participants joined the scheme in 2017 and transferred more than £14m to RFL. A number of reclaims from participants were received during the year, amounting to £15.7m (2016: £13.2m). Given the limited reclaim experience to date, provisioning for future reclaims remains prudent, with additional provisions recorded in the year of £47.1m (2016: £50.0m).

The Company is run on a not-for-profit basis and, accordingly, profit after tax was £nil (2016: £nil). Net assets at the balance sheet date were £73.7m (2016: £73.7m). The only distributions the Company is permitted to make are to Big Lottery Fund ('BLF') in support of good causes.

Distributions for the year were £nil (2016: £104.7m). The Company has approved a distribution of £152.8m, which is available for immediate distribution to BLF.

Key performance indicators

During the year, the Board and its sub-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

Participants Level of participation in the scheme by banks and building societies.	During the year, amounts were received in respect of dormant accounts from 16 of the 22 (2016: 12 of 15) participating banks and building societies.
Stakeholders Agreements with outsourced service providers set service level standards on quality, cost and timeliness.	All outsourced services were provided to the Company at agreed costs and all services were delivered to standards set out in service level agreements.
Processes Compliance with regulations and contracts with external parties.	There were no breaches of any regulations or contracts with external parties during the year.

Amounts received from participants
2017

£117.9m

(2016: £125.2m)

In 2017, transfers are in line with forecast, taking total transfers since inception to more than £1.1bn.

Capital and reserves
2017

£73.7m

(2016: £73.7m)

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

Distributions to Big Lottery Fund
2017

£–m

(2016: £104.7m)

£152.8m was approved for immediate distribution, which will bring distributions since inception to £515.2m. Distributions paid to date amount to £362.4m.

Liquidity – cash held
2017

£393.9m

(2016: £296.9m)

We predominantly hold cash balances with the Bank of England, which provides a highly liquid, secure position.

Investment management
2017

£278.6m

(2016: £272.3m)

With our highly liquid secure position, coupons generated from the investment portfolios were re-invested, thereby increasing our Funds.

Cost management
2017

£2.7m

2016: £2.6m)

Costs are in line with agreed budgets set by the Board of Directors.

Chief Executive's review
continued

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 Financial Conduct Authority ('FCA'). Within the constraints of the Dormant Bank and Building Society Accounts Act 2008, the Board is responsible for strategy and for overall corporate governance, which includes ensuring that there are adequate systems of risk management and that the level of capital held is consistent with the risk profile of the business.

The Board is responsible for setting the Company's risk appetite and ensuring that appropriate risk management systems are in place. The Board reviews the Company's principal risks throughout the year as part of its rolling agenda, adopting an integrated approach to risk management and regularly discussing the principal risks. It should be noted that participants retain dormant account holder details and the relationship with them, thereby limiting RFL's conduct risk. Throughout the year, RFL has managed its risks to ensure that it complies with the Act.

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

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

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

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

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

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

Enterprise risk management
The Company's enterprise risk management ('ERM') framework facilitates a common, Company-wide approach to the identification, analysis, and assessment of risks and the way in which they are managed, controlled and monitored.

The principal risks facing the Company are:

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

2. Strategic and business risk
Strategic and business risk arises from changes to the Company's business, specifically the risk of not being able to carry out the business plan and desired strategy. In a broader sense, strategic risk is the Company's exposure to a wide range of macro-economic, geo-political, banking, regulatory and other external risks, particularly relating to dormant accounts. 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.

3. Regulatory risk
The Company operates in a regulated environment and is subject to significant legislative and regulatory requirements, having a unique classification of 'Dormant Account Fund Operator'. It is regulated by the FCA. Regulatory intervention is an ongoing feature of the UK financial services industry.

The Company also monitors the following risks:

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

5. Liquidity and funding risk
Liquidity and funding risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company's policy is to ensure it has sufficient funds to fulfil liabilities as they fall due. Liquidity and funding risk is mitigated through effective cash management. The Company operates 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.

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

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

Future outlook
The Company continues to develop and maintain relationships with its current and potential participants, and looks forward to further participations in future years. The Company continues to develop a deeper understanding of reclaim data from an actuarial perspective and will continue to refine this as we aim to maximise distributions over the years ahead.

The Company has actively engaged in discussions in respect of a possible future expansion of the Dormant Accounts Scheme, following the publication of a report by the Dormant Assets Commission, and looks forward to supporting any future decisions by Government on how an expanded Scheme might operate.

By order of the Board

Adrian Smith
Chief Executive

15 February 2018

Governance

Introducing our Board

An effective Board of Directors made up of experienced members.

Our committees and committee chairs

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

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

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

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

The Remuneration Committee considers and approves the remuneration arrangements for the Chairman, the Executive Directors and Senior Management.

Find out more on page 22

Governance framework Board of Directors

Audit and Risk Committee
The audit and risk committee is chaired by Glyn Smith.

Nomination Committee
The nomination committee is chaired by Jane Hanson.

Remuneration Committee
The remuneration committee is chaired by Adrian Coles.

Investment Committee
The investment committee is chaired by James Hardie.

The Board

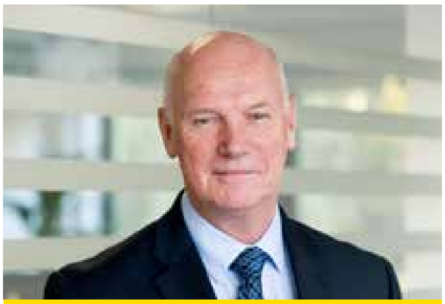
Jane Hanson
JP, BA (Hons), FCA
Chairman

Appointed: 7 October 2011
Experience: Jane joined the Board in 2011 and served as Chairman of the Audit and Risk Committee prior to being appointed as Board Chairman on 18 August 2014. A Fellow of the Institute of Chartered Accountants with over 25 years' experience in financial services. Jane is also a Non-Executive Director and Chairman of the Board Risk Committee at Direct Line Insurance Group plc and Independent Member of the Fairness Committee at ReAssure UK. Her previous executive roles include Risk and Governance Director at Aviva's Life Business. Jane is also a Magistrate.

Committee: N R

Adrian Smith
DipMS
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.



Robert Newton
BSc, FIA
Non-Executive Director

Appointed: 13 December 2010
Experience: Robert joined the Board in 2010. He is an actuary with over 40 years' experience in the financial services industry. His executive career included periods as Chief Executive of the general insurance businesses of General Accident (now part of Aviva) and NFU Mutual. Robert is also a Non-Executive Director and Chairman of Silentair Group Ltd. He served as a Non-Executive Director and Chairman of CIS General Insurance Ltd during the year until 24 August 2017.

Committee: A

Glyn Smith
MA, FCA
Non-Executive Director

Appointed: 4 February 2015
Experience: Glyn joined the Board in February 2015 as an independent Non-Executive Director and is Chairman of the Audit and Risk Committee. A chartered accountant with over 40 years' experience in financial services, Glyn has 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 Chairman of the Audit Committee of The Co-operative Bank plc. He was formerly a Non-Executive Director of Domestic & General Group, Coventry Building Society and Stroud & Swindon Building Society and a member of the ICAEW examinations team.

Committee: A R I

Adrian Coles
OBE, BA, MA
Senior Independent Director

Appointed: 28 March 2011
Experience: Adrian joined the Board in 2011 and was appointed Senior Independent Director in 2014. Adrian was Director General of the Building Societies Association between 1993 and 2013 and now holds a number of Chairmanships and Non-Executive Directorships. He is Chairman of the Housing Securities Ltd group, a member of the Financial Services Commission (Gibraltar), a Non-Executive Director of Progressive Building Society and a Non-Executive Director of BSA Pension Trustees Ltd. In August 2015, he was appointed as Chairman of the Fairer Finance Consumer Advisory Board. He has recently become a Non-Executive Director and Trustee of The Funding Network, the crowdfunding charity. Adrian was awarded an OBE in 2011 for services to financial services.

Committee: R I N

Paul Chisnall
BA (Hons), Dip IoD
Non-Executive Director

Appointed: 28 March 2011
Experience: Paul joined the Board in 2011. He is a Director of UK Finance and has led industry work on dormant accounts including the provision of the 'mylostaccount' central tracing service. Paul also heads up UK Finance's work on corporate governance and professional standards.

Committee: A N

James Hardie
MA (Hons), MBA
Non-Executive Director

Appointed: 2 July 2015
Experience: James joined the Board in July 2015 as an independent Non-Executive Director and is Chairman of the Investment Committee. James is Director of Investment Management and Treasury at Direct Line Insurance Group plc.

Committee: I A

Mark Summerfield
BA (Hons)
Non-Executive Director

Appointed: 24 April 2015
Experience: Mark joined the Board on 24 April 2015 as a Non-Executive Director nominated by Co-operative Banking Group Limited. Mark is Chief Executive of CIS General Insurance Ltd and previously carried out executive roles for Sesame, Prudential and Fleming before joining the Co-operative Group in 2004.

"We welcome the unique combination of experience that our Board bring to the business."

Jane Hanson
Chairman

Committee membership key

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

About us
Strategic report
Governance
Financial statements
Other information

Corporate governance report

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

We are aware that comprehensive changes to the Code are likely during 2018 as part of the Government's corporate governance reform. We will monitor and incorporate any such changes to our own corporate governance framework on a proportionate basis where relevant.

Roles and responsibilities of the Board

To ensure the successful delivery of the Company's strategy, the Board and its Committees have been established with an appropriate balance of relevant skills, sector knowledge, experience, independence and diversity to enable the Directors to exercise their duties and responsibilities effectively. The Board continues to work to develop further the diversity of the Board in the medium term.

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

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

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

The Board manages these matters at its regular Board meetings. It met eight times during 2017 including one Board strategy review meeting. A sub-committee of the Board also met on two occasions to consider and approve the Annual Report and Accounts for 2016.

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

Adrian Coles has been the Senior Independent Director since December 2014. The Senior Independent Director is available to employees and stakeholders if they have concerns that are unresolved after contact through the normal channels or where such contact would not be appropriate.

The aggregate emoluments of the Directors of Reclaim Fund Ltd for the year were £484k (2016: £447k).

Board meetings

The Company Secretary and Chief Executive maintain a two-year rolling agenda which sets the framework for Board meetings and seeks to ensure that each meeting covers an appropriate range of topics and that, over the year, the Board covers its whole remit.

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 circulated to all Directors. Tablets have been provided to Directors to provide all Board papers, including additional supporting material, solely in electronic format. This is environmentally sounder than providing Board documentation in paper format.

There is regular communication between the Directors, the Chairman, the Chief Executive and the Company Secretary between meetings.

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

Regular Board business

At every quarterly meeting the Board receives reports from the Chief Executive and the Chief Risk Officer, as well as key performance indicators and an update from the Company Secretary. The Chairmen of the four Board Committees (Audit and Risk, Investment, Remuneration and Nomination) 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 develop 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 2017, the Board discussed, inter alia, the report of the Dormant Assets Commission ("DAC") as referred to under the Chief Executive's and the Chairman's Report, the Company's reclaim policy and modelling, its distribution policy, business continuity, cyber crime and information security, appropriate performance measures and corporate governance.

The Board strategy meeting in September was facilitated by an external provider and focused on items of key strategic importance for the Company, including the recommendations of the report of the DAC, investigating other options to collect and distribute funds from dormant balances, distribution modelling, outsourcing arrangements and a high level review of the Company's risk register. The Board also agreed to review the Company's purpose, vision, values and givens in 2018.

Board committees

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

Audit and Risk Committee (AARC)

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

During the year the AARC comprised:

- Glyn Smith (Chairman)
- Paul Chisnall
- James Hardie
- Robert Newton

The AARC met five times during 2017.

Corporate governance report
continued

At each meeting, the AARC received reports from the Chief Risk Officer and the internal auditors, including reports on individual audits undertaken. These reports informed the Committee's views when considering the annual assessment of the adequacy of the Company's systems of internal control. As in previous years, the AARC reviewed the Annual Report and Accounts in detail, together with the external auditor's report thereon. The AARC paid particular attention to process and control issues and considered key areas of accounting judgement, with particular emphasis on the provision for reclaims of dormant account balances.

The Committee satisfied itself that the Annual Report and Accounts, taken as a whole, were fair, balanced and understandable and provided the information necessary for stakeholders to assess the performance, strategy and business model of the Company. The Committee also received reports on RFL's whistleblowing arrangements as part of its ongoing work.

The AARC also reviewed the annual plans of the external auditors, the internal auditors and the Risk function and has recently reviewed the effectiveness of both the internal and external auditors.

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.

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

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

During the year the Committee comprised:

- James Hardie (Chairman)
- Adrian Coles
- Jane Hanson (until 10 April 2017)
- Glyn Smith (from 10 April 2017)

The Committee met three times during 2017.

The Investment Committee's activities during 2017 included reviewing the Company's liquidity risk appetite, and regularly reviewing the performance and reporting of the Investment Manager and Custodian.

Remuneration Committee
The Remuneration Committee considers and approves the remuneration arrangements for the Chairman, the Executive Directors and Senior Management.

During the year the Committee comprised:

- Adrian Coles (Chairman)
- Jane Hanson
- Glyn Smith

The Committee met three times during 2017.

During the year, the Remuneration Committee focused on the 2017 performance and bonus frameworks and the framework for remuneration arrangements for the Chief Executive, Senior Management and employees, as well as the remuneration arrangements for the Chairman.

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 2017.

Directors	Full Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Investment Committee
Paul Chisnall	8 (8)	5 (5)	–	3 (3)	–
Adrian Coles	8 (8)	–	3 (3)	3 (3)	3 (3)
Jane Hanson	8 (8)	–	3 (3)	3 (3)	1 (1)
James Hardie	8 (8)	5 (5)	–	–	3 (3)
Robert Newton	7 (8)	4 (5)	–	–	–
Adrian Smith	8 (8)	–	–	–	–
Glyn Smith	8 (8)	5 (5)	3 (3)	–	2 (2)
Mark Summerfield	7 (8)	–	–	–	–

Nomination Committee

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

During the year, the Committee comprised:

- Jane Hanson (Chairman)
- Paul Chisnall
- Adrian Coles

The Committee met three times during 2017.

During the year the Committee also considered non-executive directors' terms of office, key person dependency and succession planning.

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 Chairman and the Board support the ongoing professional development of the Directors. During the year, the Directors attended a number of internal and external training sessions, both on an individual basis and in a meeting forum. Training sessions have been built into the Board and Committee agendas for 2018 based on the individual and collective requirements of the Board.

Board and Board Committee evaluation

The Board has agreed to undertake a review of its effectiveness and that of its Committees on a two-year cycle, with a high level review every two years and a completely independent review every four years.

Jordans Corporate Law Limited, who currently provide company secretarial services to the Company, were appointed to undertake this review, which was conducted towards the end of 2016. The key findings of the review were presented to the Board in January 2017 and each Committee received a specific report in relation to its performance. The overall view of the Board's performance was positive and the Board agreed that the evaluation demonstrated that the Board and its Committees were strong and effective and possess the knowledge and experience necessary for the sector in which RFL operates.

The Secretary to the Board

The Secretary is professionally qualified and is responsible for advising the Board through the Chairman 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. Jordan Company Secretaries Ltd was Secretary throughout the year.

Ownership

RFL is ultimately owned by Co-operative Group via its Financial Services holding subsidiary Co-operative Banking Group Limited.

External audit

The performance of the external auditors is regularly monitored by the AARC to ensure it meets the needs of the Company. The AARC reviewed the performance of the external auditors EY in July 2017, which highlighted no material concerns with the external auditors and which led the AARC to confirm the effectiveness of the external auditors.

RFL has a non-audit work policy that establishes the principles by which RFL 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 an annual basis and approved it during 2017. No non-audit services were provided by the external auditors during 2017.

Internal audit

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

Internal audit seeks to discharge the responsibilities set down in its charter by completing a risk based internal audit plan, which reviews the processes and ensures that the key business risks are effectively managed by key controls.

Deloitte LLP provided internal audit services to the Company throughout the year.

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 November 2016, which concluded that the internal audit function remained effective. The next formal review of the internal audit function will be conducted in 2018.

Corporate governance report
continued

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 discussed at, the AARC.

The leadership team

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

Internal controls and risk management framework

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

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

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

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

Going concern and 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 25.

In addition to performing a review of the going concern position, the Directors have also, in the spirit of the Corporate Governance Code, assessed the prospects of the Company over a significantly longer period than 12 months.

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 regularly 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 the Company and incorporate stress and scenario tests designed to produce a comprehensive assessment of current and projected risk and capital positions. This is based on a three year time horizon to align with our capital adequacy assessment process. This assists the Company in evaluating, over a three year period, the key risks to which it is exposed and the levels of capital and other financial resources that should be maintained to safeguard the capital position of the business at all times, including during a stress scenario.

The Directors have no reason to believe the current RFL operating model will not be maintained over the next three years, and based on the results of this work, 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 three year period of their assessment.

On behalf of the Board of Directors

Jane Hanson
Chairman
15 February 2018

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 20 to 24.

Employees
The average number of employees during 2017 was eight (2016: eight).

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

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 26.

The Directors of the Company during the year were:

Non-Executive Directors
Jane Hanson (Chairman)
Paul Chisnall
Adrian Coles (Senior Independent Director)
James Hardie
Robert Newton
Glyn Smith
Mark Summerfield

Executive Director
Adrian Smith (Chief Executive)

Going concern
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.

Consequently, after making enquiries, the Directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future and have therefore adopted the going concern basis in preparing the Annual Report and Accounts.

Distributions
No dividend distributions were made to the parent company Co-operative Banking Group Limited, as, under the Dormant Bank and Building Society Accounts Act 2008, no distributions can be made other than to Big Lottery Fund.

No distributions were paid to Big Lottery Fund during the year (2016: £104.7m).

Charitable and political donations
No charitable or political donations were made during the year (2016: £nil).

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

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

By order of the Board

Adrian Smith
Chief Executive
15 February 2018

Reclaim Fund Ltd, Registered number: 07344884

Statement of Directors' responsibilities

in respect of the Strategic report, the Directors' report and Annual Report and Accounts

The Directors are responsible for preparing the Strategic report, the Directors' report and the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare the Annual Report and Accounts for each financial year. Under that law, the Directors have elected to prepare the Annual Report and Accounts in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law.

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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Annual Report and Accounts on the going concern basis unless it is inappropriate to presume that the Company will 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 Annual Report and Accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of the Annual Report and Accounts may differ from legislation in other jurisdictions.

Independent auditor's report
to the members of Reclaim Fund Ltd

Opinion
We have audited the financial statements of Reclaim Fund Ltd for the year ended 31 December 2017 which comprise the Income statement, Statement of comprehensive income, Statement of financial position, the Statement of cash flow, the Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report
continued

Other information
The other information comprises the information included in the annual report and accounts set out on pages 2 to 26 and pages 48 to 49, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Giles Watson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

15 February 2018

1. The maintenance and integrity of the Reclaim Fund Ltd website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial statements

Income statement
for the year ended 31 December 2017

	Notes	**2017 £'000**	2016 £'000
Amounts received in respect of dormant accounts	4	**117,941**	125,205
Interest income	5	**4,124**	3,904
Interest expense	5	**(162)**	(123)
Net income		**121,903**	128,986
Administrative expenses	3	**(2,716)**	(2,596)
Provision for reclaims of dormant account balances	12	**(47,176)**	(50,023)
Operating result before distributions		**72,011**	76,367
Provision for future distributions to Big Lottery Fund	13	**(71,771)**	(76,126)
Profit before taxation		**240**	241
Taxation	6	**(240)**	(241)
Retained profit	2	**–**	–

The notes on pages 35 to 47 form part of the Financial Statements.

Statement of comprehensive income
for the year ended 31 December 2017

	Notes	**2017 £'000**	2016 £'000
Retained profit for the financial year	2	**–**	–
Other comprehensive income for the year, net of taxation		**–**	–
Total comprehensive income for the financial year		**–**	–

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

The notes on pages 35 to 47 form part of the Financial Statements.

Statement of financial position
as at 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Intangible assets	7	**7**	23
Plant and equipment	8	**83**	152
Investment securities	9	**278,610**	272,257
Cash and cash equivalents	10	**393,902**	296,879
Trade and other receivables	11	**112**	100
Total assets		**672,714**	569,411
Liabilities			
Provision for reclaims of dormant account balances	12	**373,678**	342,162
Provision for future distributions to Big Lottery Fund	13	**71,771**	152,830
Trade and other payables	14	**153,374**	577
Current income tax liability		**170**	106
Deferred tax liability	6	**8**	23
Total liabilities		**599,001**	495,698
Capital and reserves			
Share capital (£100)	16	**–**	–
Capital reserve		**73,713**	73,713
Total equity		**73,713**	73,713
Total liabilities and equity		**672,714**	569,411

The notes on pages 35 to 47 form part of the Financial Statements.

Approved by the Board of Directors on 15 February 2018 and signed on its behalf by:

Adrian Smith
Chief Executive

Statement of cash flow
for the year ended 31 December 2017

	Notes	**2017 £'000**	2016 £'000
Cash flows from operating activities			
Profit before tax		**240**	241
Adjustments:			
Amortisation of intangibles	7	**16**	16
Depreciation of plant and equipment	8	**75**	73
Increase in trade and other receivables		**(12)**	(2)
Decrease in accrued expenses		**(33)**	(197)
Additional provision for reclaims of dormant account balances	12	**47,176**	50,023
Additional provision for future distributions to Big Lottery Fund	13	**71,771**	76,126
Interest amortisation		**3,525**	2,595
Interest received		**(7,649)**	(6,487)
Payments made in respect of participant reclaims	12	**(15,660)**	(13,223)
Distribution payments to Big Lottery Fund	13	**–**	(104,670)
Income tax paid		**(190)**	(228)
Net cash flows from operating activities		**99,259**	4,267
Cash flows from investing activities			
Purchase of investment securities		**(44,895)**	(201,398)
Proceeds from maturity of investment securities		**34,700**	–
Interest received		**7,965**	6,168
Purchase of plant and equipment	8	**(6)**	(8)
Purchase of intangibles	7	**–**	(2)
Net cash flows from investing activities		**(2,236)**	(195,240)
Net increase/(decrease) in cash and cash equivalents		**97,023**	(190,973)
Cash and cash equivalents at the beginning of the financial year		**296,879**	487,852
Cash and cash equivalents at the end of the financial year	10	**393,902**	296,879

The notes on pages 35 to 47 form part of the Financial Statements.

Statement of changes in equity
for the year ended 31 December 2017

2017	Share capital £'000	Capital reserve £'000	Total £'000
Balance at the beginning of the financial year	**–**	**73,713**	**73,713**
Total comprehensive income for the financial year	**–**	**–**	**–**
Balance at the end of the financial year	**–**	**73,713**	**73,713**
2016			
Balance at the beginning of the financial year	–	73,713	73,713
Total comprehensive income for the financial year	–	–	–
Balance at the end of the financial year	–	73,713	73,713

The notes on pages 35 to 47 form part of the Financial Statements.

Notes to the Company financial statements
for the year ended 31 December 2017

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 applies the recognition, measurement and disclosure requirements of IFRSs in issue that are endorsed by the EU and effective at the beginning of the year. All amounts presented are stated in thousands of GBP (£'000), unless otherwise stated. The Statement of financial position is ordered according to illiquidity and gives prominence to principal balances.

Standards and interpretations issued and effective

In preparing this Annual Report and Accounts, the Company notes that there are no new or revised standards and interpretations that became effective during the year that had a significant impact on the Financial Statements.

Standards and interpretations not endorsed or not yet effective

The following IASB pronouncements are relevant to RFL and have not been applied by RFL in the 31 December 2017 reporting year. The full impact of these pronouncements is still being assessed by RFL. Except where otherwise stated, RFL does not expect that the adoption of the following standards, amendments to standards and interpretations will have a material impact on the Financial Statements:

- IFRS 9 'Financial Instruments', issued in July 2014 and effective for financial years beginning on or after 1 January 2018. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement' and contains new requirements for the classification and measurement of financial assets and liabilities, the recognition of impairment, and hedge accounting. RFL has assessed that the impact of the application of IFRS 9 on its financial statements will be immaterial. The assets currently designated as Held To Maturity will be designated as amortised cost under IFRS 9.
- IFRS 15 'Revenue from Contracts with Customers' issued in May 2014 and effective for financial years beginning on or after 1 January 2018. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. RFL has assessed that IFRS 15 is not applicable to the Company, and there will be no impact on its financial statements.
- IFRS 16 'Leases' issued on 13 January 2016 and effective for financial years beginning or on 1 January 2019. This standard replaces IAS 17 'Leases' and will result in most leases being brought onto a lessee's balance sheet under a single lease model, removing the distinction between finance and operating leases. The standard requires lessees to recognise a right of for use assets and a liability for future payments arising from a lease contract. RFL has assessed that the impact of the application of IFRS 16 on its financial statements will be immaterial.

Going concern

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.

Consequently, after making enquiries, the Directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the Annual Report and Accounts.

Use of estimates and judgements

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

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

Significant areas of estimation uncertainty that have the most effect on the amounts recognised in the Annual Report and Accounts relate to the provisions, in particular provisions for reclaims of dormant account balances of £373.7m (2016: £342.2m) and the provision for future distributions to Big Lottery Fund of £71.8m (2016: £152.8m). These are discussed over the page.

Notes to the Company financial statements
for the year ended 31 December 2017 continued

1. Significant accounting policies continued

Provision for reclaims of dormant account balances

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

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

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

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

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

For every 1% increase in the provision for reclaims of dormant account balances, the impact on the operating result before distributions would be a reduction of £11.0m (2016: £9.8m). There would be a subsequent equal and opposite decrease in the provision for distributions to Big Lottery Fund.

Provision for future distributions to Big Lottery Fund

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

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

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

Amounts received in respect of dormant accounts

Amounts received in respect of dormant accounts represent receipts, from other UK based financial institutions, 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.

(i) 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.

1. Significant accounting policies continued

Taxation

The Company is subject to corporation tax. In accordance with tax legislation, any profits arising from the Company's continuing activity of receiving dormant account monies and making distributions to Big Lottery Fund 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.

Investment securities

Investment securities comprise held to maturity assets, which are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. They are initially recognised at fair value plus directly attributable transaction costs and are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

At each reporting date, management considers evidence of impairment for financial assets measured at amortised cost. Management assesses at each reporting date whether there is objective evidence that a specific financial asset measured at amortised cost is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets and that event has an impact on the estimated cash flows of the financial asset. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

If there is objective evidence that impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in the income statement.

Capital reserve

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

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

Notes to the Company financial statements

for the year ended 31 December 2017 continued

1. Significant accounting policies continued

Leases

Operating lease costs are charged to the income statement in the period in which they are incurred. The assets are not recognised in the Company's balance sheet.

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 value and useful lives are reviewed at each reporting date and adjusted if appropriate.

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

Plant and equipment

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

Fixtures and fittings – five years
Computer hardware – three years

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

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

2. Retained profit

	2017 £'000	2016 £'000
Retained profit for the year is stated after charging:		
Auditor's remuneration		
– audit of these financial statements	**31**	38
– non-audit services – taxation compliance services	**–**	10

3. Administrative expenses

The average number of employees during 2017 was eight (2016: eight).

A breakdown of the administrative expenses for 2017 and 2016 is shown in the table below:

	2017 £'000	2016 £'000
Staff costs		
– Wages and salaries	**858**	825
– Social security costs	**102**	111
– Pension costs	**52**	49
	1,012	985
Professional services	**777**	804
Investment management fees	**422**	307
FCA fees and FSCS levies	**35**	41
IT and communication costs	**87**	113
Premises costs	**96**	100
Miscellaneous expenses	**196**	158
Depreciation and amortisation	**91**	88
	2,716	2,596

Financial Services Compensation Scheme ('FSCS') levies

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

Following consultation with FSCS in 2016, the Company is no longer included within Deposit Taking class and is now included within a distinct Dormant Account Scheme class. The Company is obliged to pay its share of management expenses and compensation based upon the Company's proportion of the total market protected deposits in the Dormant Assets Scheme class at 31 December of each year.

Directors' emoluments

Details of the aggregate Directors' emoluments for the years ended 31 December 2017 and 31 December 2016 are shown below.

The basic salary for Non-Executive Directors includes only those for whom the Company incurs the cost.

Year ended 31 December 2017	**Basic salary £'000**	**Performance related pay[1] £'000**	**Pension contributions[3] £'000**	**Benefits in kind[4] £'000**	**Total emoluments £'000**
Non-Executive Directors	**204**	**–**	**–**	**22**	**226**
Executive Director[2]	**171**	**60**	**19**	**8**	**258**
	375	**60**	**19**	**30**	**484**

Year ended 31 December 2016	Basic salary £'000	Performance related pay[1] £'000	Pension contributions[3] £'000	Benefits in kind[4] £'000	Total emoluments £'000
Non-Executive Directors	196	–	–	11	207
Executive Director[2]	162	53	17	8	240
	358	53	17	19	447

1 Performance related pay refers to estimated bonus amounts earned based on financial and non-financial performance targets.
2 This represents emoluments of the highest paid Director of £258k (2016: £240k).
3 During the year one Director (2016: one) was a member of a money purchase pension scheme.
4 Benefits in kind are in respect of car allowances for the Executive Director, and travel, accommodation and subsistence for Non-Executive Directors for which PAYE and NIC due is included.

Notes to the Company financial statements
for the year ended 31 December 2017 continued

4. Amounts received in respect of dormant accounts

During the year, £117.9m (2016: £125.2m) was received in respect of dormant accounts funds. A detailed analysis of receipts by participant is provided below:

Participant	2017 £'000	2016 £'000
Allied Irish Bank (UK) plc	**6,562**	–
Australia & New Zealand Bank – London Branch	**3,063**	–
Bank Hapoalim – London Branch	**1,801**	–
Bank Leumi UK plc	**2,495**	–
Barclays Bank PLC	**18,625**	22,362
Butterfield Bank (UK) Limited	**–**	8
Consolidated Credit Bank Limited	**–**	53
The Co-operative Bank plc	**1,567**	1,140
Credit Agricole Corporate & Investment Bank – London Branch	**626**	–
Danske Bank	**297**	353
Duncan Lawrie Limited	**17**	–
Emirates NBD PJSC – London Branch	**107**	–
HSBC Bank plc	**6,004**	6,988
Lloyds Banking Group		
Lloyds Bank plc	**8,584**	10,559
Bank of Scotland plc	**18,219**	31,759
Nationwide Building Society	**4,996**	1,185
N. M. Rothschild & Sons Limited	**–**	90
Royal Bank of Scotland Group		
Adam & Company plc	**1**	–
Coutts & Co	**97**	129
National Westminster Bank plc	**15,861**	12,985
The Royal Bank of Scotland plc	**21,622**	2,040
Ulster Bank Limited	**552**	–
Santander UK plc	**2,798**	32,355
Virgin Money plc	**4,047**	3,199
	117,941	125,205

5. Interest income and expense

	2017 £'000	2016 £'000
Interest income:		
On investment securities	**3,107**	2,328
On cash deposits	**1,017**	1,576
	4,124	3,904
Interest expense	**162**	123

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 Big Lottery Fund is non-taxable. Any profit remaining from net investment income, after deduction of operating expenses is taxable.

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

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits at 19.25% (2016:20%)	**258**	256
Adjustments in respect of previous years	**(3)**	(10)
	255	246
Deferred tax		
Origination and reversal of timing differences	**(14)**	(14)
Adjustments in respect of previous years	**(1)**	9
	(15)	(5)
Total charge in year	**240**	241

	2017 £'000	2016 £'000
Reconciliation of effective tax rate		
Profit before tax	**240**	241
UK corporation tax at 19.25% (2016:20%)	**46**	48
Non-taxable income	**(22,704)**	(25,041)
Disallowable provision for reclaim repayments	**9,081**	10,005
Disallowable payments and provision for future distributions to Big Lottery Fund	**13,817**	15,226
Expenses not deductible for tax purposes	**2**	3
Prior year adjustment – current tax	**(3)**	(10)
Prior year adjustment – deferred tax	**(1)**	9
Deferred tax change in rate	**2**	1
Total tax charge for the financial year	**240**	241

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

Notes to the Company financial statements
for the year ended 31 December 2017 continued

6. Taxation continued

Deferred tax liability

Deferred tax liability is made up of:

	2017 £'000	2016 £'000
Accelerated capital allowances	8	23
Closing balance	8	23

The movement on the deferred tax liability is as follows:

	2017 £'000	2016 £'000
At the beginning of the financial year	23	28
Adjustments in respect of deferred tax of previous year	(1)	9
Impact of change in UK tax rate	–	(2)
Income statement release in the year	(14)	(12)
At the end of the financial year	8	23

7. Intangible assets – computer software

	2017 £'000
Cost	
Opening balance at 1 January 2017	48
Additions	–
Closing balance at 31 December 2017	48
Amortisation	
Opening balance at 1 January 2017	25
Amortisation charge	16
Closing balance at 31 December 2017	41
Carrying amount	
Opening balance at 1 January 2017	23
Closing balance at 31 December 2017	7

8. Plant and equipment

	Fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost			
Opening balance at 1 January 2017	111	155	266
Additions	–	6	6
Closing balance at 31 December 2017	111	161	272
Depreciation			
Opening balance at 1 January 2017	36	78	114
Depreciation charge	22	53	75
Closing balance at 31 December 2017	58	131	188
Carrying amount			
Opening balance at 1 January 2017	75	77	152
Closing balance at 31 December 2017	53	30	83

9. Investment securities

	2017 £'000	2016 £'000
Held to maturity		
Central governments or central banks	**48,579**	49,039
Multilateral development banks	**163,164**	155,644
Corporates	**63,867**	64,704
Accrued Interest	**3,000**	2,871
	278,610	272,257

The note has been represented when compared to that included in the 2016 Annual Report and Accounts. This has been done to make year on year comparisons of the carrying value of the various assets classes clearer. There has been no change to the total investment securities balance previously presented.

The carrying value of financial instruments measured at amortised cost is determined in compliance with the accounting policies on pages 36 and 37.

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

2017	Carrying value £'000	Fair value £'000
Investment securities	**278,610**	**278,893**

2016		
Investment securities	272,257	274,824

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

Notes to the Company financial statements
for the year ended 31 December 2017 continued

9. Investment securities continued

Valuation hierarchy

Based upon guidance issued by The Committee of European Securities Regulators, 'CESR', 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, ie 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, £44.9m is due to mature in less than 12 months from the reporting date.

10. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	**393,902**	296,879

Cash and cash equivalents comprise £391.7m (2016: £292.5m) held with the Bank of England, £1.3m (2016: £0.3m) with HSBC Bank plc and £0.9m (2016: £4.1m) held with the investment manager. The carrying value of cash and cash equivalents equates to fair value.

11. Trade and other receivables

	2017 £'000	2016 £'000
Prepayments and accrued income	**112**	100

12. Provision for reclaims of dormant account balances

	2017 £'000	2016 £'000
At the beginning of the year	**342,162**	305,362
Additional provision created in the year	**47,176**	50,023
Utilised in the year	**(15,660)**	(13,223)
At the end of the year	**373,678**	342,162

12. Provision for reclaims of dormant account balances continued

During the year, £15.7m (2016: £13.2m) 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:

Participant	**2017 £'000**	2016 £'000
Australia & New Zealand Bank – London Branch	**1**	–
Barclays Bank PLC	**2,386**	2,023
Clydesdale Bank PLC	**81**	68
The Co-operative Bank plc	**160**	191
Danske Bank	**39**	32
Emirates NBD PJSC – London Branch	**1**	–
HSBC Bank plc	**962**	600
Lloyds Banking Group		
Lloyds Bank plc	**904**	751
Bank of Scotland plc	**5,748**	3,869
Nationwide Building Society	**78**	318
Royal Bank of Scotland Group		
Adam & Company plc	**–**	1
National Westminster Bank plc	**487**	516
The Royal Bank of Scotland plc	**85**	167
Ulster Bank Limited	**61**	–
Santander UK plc	**3,758**	3,261
TSB Bank plc	**168**	330
Virgin Money plc	**741**	1,096
	15,660	13,223

13. Provision for future distributions to Big Lottery Fund

	2017 £'000	2016 £'000
At the beginning of the year	**152,830**	181,374
Additional provision created in the year	**71,771**	76,126
Utilised in the year	**–**	(104,670)
Approved for distribution to Big Lottery Fund (see note 14)	**(152,830)**	–
At the end of the year	**71,771**	152,830

No funds were distributed to Big Lottery Fund during the year (2016: £104.7m). See note 14 on the next page.

Notes to the Company financial statements
for the year ended 31 December 2017 continued

14. Trade and other payables

	2017 £'000	2016 £'000
Amounts owed to Big Lottery Fund	**152,830**	–
Accrued expenses	**544**	577
	153,374	577

£152.8m was approved for distribution to Big Lottery Fund and is available for immediate distribution.

15. Parent undertaking

The Company is a wholly owned subsidiary of Co-operative Banking Group Limited, 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.

The ultimate parent undertaking is 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

	2017 £	2016 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	100

The shareholder, Co-operative Banking Group Limited has full voting rights.

17. Related parties

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

A number of transactions have been entered into during 2017 and 2016 with related parties. These transactions have been undertaken with The Co-operative Bank plc which was deemed to be an associate undertaking of Co-operative Group until 21 September 2017 when RFL's ultimate parent, Co-operative Group Ltd disposed of its remaining holding in The Co-operative Bank plc.

All transactions below are up until the point at which The Co-operative Bank plc was no longer deemed to be an associate undertaking.

	2017 £'000	2016 £'000
Transactions taking place in the year with related parties		
Associate undertakings:		
Amounts received in respect of dormant accounts	**–**	1,140
Amounts paid in respect of reclaims	**129**	214

IAS 24 – Related Party Disclosures in respect of the compensation of key management personnel are included within note 3 Administrative Expenses. Key management personnel are considered to include the Chief Executive Officer and the Non-Executive Directors.

Glyn Smith is a Non-Executive Director of The Co-operative Bank plc.

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 (£391.7m, 2016: £292.5m), HSBC Bank plc (£1.3m, 2016: £0.3m) and the investment manager (£0.9m, 2016: £4.1m). The Company considers its credit risk on cash deposits to be minimal.

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

The maximum exposure to credit risk at the balance sheet date is £672.5m (2016: £569.1m), being £393.9m cash deposits and £278.6m investments (2016: £296.9m cash deposits and £272.2m investments).

Market risk

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

19. Capital management

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

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

The Company's capital resources are its capital and reserves of £73.7m (2016: £73.7m).

20. Commitments

This note gives details of the Company's commitments under operating leases.

Operating lease commitments are in respect of the new office premises in Crewe. A 15-year lease was entered into with effect from 4 November 2014. Rentals are fixed, with a break clause every five years.

The future contractual aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 £'000	2016 £'000
Within 1 year	**43**	43
Later than 1 year and not later than 5 years	**43**	86
Later than 5 years	**–**	–
	86	129

The amount of operating lease income recognised in the income statement is £nil (2016: £nil).

Participating banks and building societies

	Dormant account monies received from participants		Reclaims paid to participants	
Participant	**2017 £'000**	Since inception £'000	**2017 £'000**	Since inception £'000
Allied Irish Bank (UK) plc	**6,562**	6,562	**–**	–
Australia & New Zealand Bank – London Branch	**3,063**	3,063	**1**	1
Bank Hapoalim – London Branch	**1,801**	1,801	**–**	–
Bank Leumi UK plc	**2,495**	2495	**–**	–
Barclays Bank PLC	**18,625**	196,381	**2,386**	10,191
Butterfield Bank (UK) Limited	**–**	8	**–**	–
Clydesdale Bank PLC	**–**	22,239	**81**	149
Commonwealth Bank of Australia – London Branch	**–**	4	**–**	–
Consolidated Credit Bank Limited	**–**	53	**–**	–
The Co-operative Bank plc	**1,567**	13,772	**160**	952
Credit Agricole Corporate & Investment Bank – London Branch	**626**	626	**–**	–
Danske Bank	**297**	5,639	**39**	243
Duncan Lawrie Limited	**17**	17	**–**	–
Emirates NBD PJSC – London Branch	**107**	107	**1**	1
HSBC Bank plc	**6,004**	60,280	**962**	3,008
Lloyds Banking Group				
Lloyds Bank plc	**8,584**	195,771	**904**	6,019
Bank of Scotland plc	**18,219**	147,393	**5,748**	14,022
Nationwide Building Society	**4,996**	57,499	**78**	802
N. M. Rothschild & Sons Limited	**–**	90	**–**	–
Royal Bank of Scotland Group				
Adam & Company plc	**1**	15	**–**	1
Coutts & Co	**97**	1,589	**–**	–
National Westminster Bank plc	**15,861**	111,919	**487**	1,866
The Royal Bank of Scotland plc	**21,622**	45,615	**85**	253
Ulster Bank Limited	**552**	6,606	**61**	166
Santander UK plc	**2,798**	185,279	**3,758**	21,011
TSB Bank plc	**–**	12,354	**168**	3,906
Virgin Money plc	**4,047**	21,523	**741**	3,149
	117,941	1,098,700	**15,660**	65,740

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
Ernst and Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

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
River Court
120 Fleet Street
London
EC4A 2BE

Principal bankers
Bank of England
Threadneedle Street
London
EC2R 8AH

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

This Report has been printed in the UK. The stock was produced using part recycled fibre from both pre- and post-consumer sources together with virgin environmentally-friendly ECF (elemental chlorine free) fibre. The text paper is also completely bio-degradable and recyclable.

If you have finished reading the Report and no longer wish to retain it please pass it on to other interested readers, return it, or dispose of it in your recycled paper waste. Thank you.

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