Reclaim Fund Ltd

Annual Report and Accounts 2019

#Enhancing Communities2019

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

CONTENTS

OUR PURPOSE

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

OUR MISSION

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

OUR VALUES

- **Integrity**
  Honesty in everything we do
- **Collaboration**
  Supporting each other by being stronger together
- **Responsibility**
  Fulfilling our obligations, ensuring accountability
- **Agile**
  Continually enhancing our knowledge and competence

For the benefit of good causes

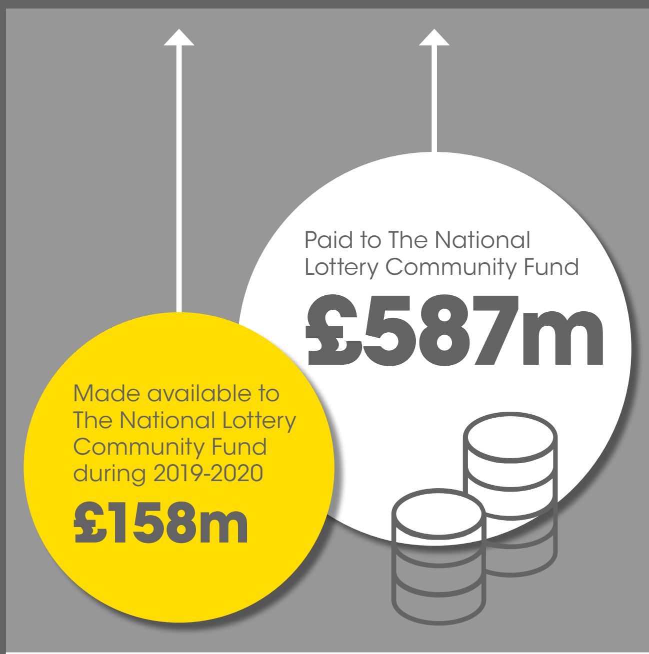
OUR PARTICIPANTS

Our participants continue to contribute significant transfers of dormant balances. Some of the participating firms are included below:

OUR KEY ACHIEVEMENTS

TOTAL

£745m



29

participating firms in the Main Scheme

1

participating Building Society in the Alternative Scheme

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

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

£1.35bn
dormant accounts transferred

c1,500
good causes benefitting across 4 countries

£93m
reclaimed by account holders

118,000
accounts reclaimed

Costs
of operating more than covered by investment income

Winner
of Investors in People Gold Award

OUR HISTORY

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.

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 The National Lottery Community Fund since inception for onward distribution to good causes pass £220m.

2015 RFL relocates to offices in Crewe. Total amounts received since inception exceed £850m.

2016 RFL distributes £105m to The National Lottery Community Fund. Three new participants join the Scheme, taking the total number of participants to 20. 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.

2018 RFL distributes £153m to The National Lottery Community Fund. Total amounts received since inception exceed £1.2bn, this being three times as much as the £400m stock of dormant monies identified early in the development stage of the Scheme.

2019 RFL welcomes its first participant to the Alternative Scheme, Newcastle Building Society. A distribution of £72m is paid to The National Lottery Community Fund, taking total distributions paid to £587m.

Chairman's review

JANE HANSON
Chairman

I am pleased and privileged to chair an organisation that continues to improve people's lives in such a unique way, and I am delighted to have led the Board through another year of growth and development. The UK faces a challenging period in the coming months as we all respond to the devastating impact of COVID-19 on society. We are doing our part to help support the effort in protecting communities.

I am delighted to be reporting that 2019 has been a very positive year for our business as we have continued to fulfil our role in helping unlock dormant bank and building society accounts, making money available to fund good causes across the United Kingdom, at the same time as ensuring we can meet reclaims in perpetuity.

I would like to thank my fellow Board members for their oversight and guidance as we prepare for the potential future expansion of the Scheme into new asset classes, and I am particularly grateful for the hard work of the Committee Chairs.

The Board

This year we said a fond farewell to two long-standing retiring Non-Executive Directors who had been with us since the beginning; Paul Chisnall and Robert Newton. The Board and I are very grateful for their service and contribution over more than eight years.

I announced their successors, Katherine Garner and Jenny Watson in last year's report, as we timed their appointments to overlap with the retirement of Robert and Paul and ensure a thorough hand-over process. We are benefiting from their valuable contributions both in the Board meetings and through attendance at Committees.

In December 2019, we also welcomed a new Non-Executive Director, Dominic Kendal-Ward, who was appointed to the Board following nomination by our shareholder Angel Square Investments Ltd with the support of our ultimate parent, the Co-operative Group Ltd. We look forward to working with him on our plans for the future.

Distributions

During the COVID-19 Pandemic, in March 2020, our Board decided to bring forward the 2019 distribution decision to enable the acceleration of funds being available for good causes. This decision was unanimously agreed by the Board and was supported by Government and The National Lottery Community Fund ("TNLCF").

Whilst fund distribution is a decision for Government rather than RFL, we have confidence the funds will be used wisely in support of the national effort to provide urgently needed funding to enable the voluntary sector's response to the pandemic.

Governance

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

During the year we have undertaken a Board Effectiveness Review and I am pleased to have sought and received external independent validation of our effectiveness. In line with regulatory changes around governance, the Board has also overseen a project to successfully transition across to the Senior Managers and Certification Regime, ('SMCR') which came into force for RFL on 9 December 2019.

I am very proud that RFL is now seen as a blueprint for international best practice and that our Chief Executive, Adrian Smith, was invited to Japan to attend the first ever International Symposium for Dormant Assets to discuss how our, now well established, model for managing dormant assets is having such a significant impact on the UK's social investment sector.

Closer to home, following the publication in February 2018 of the *Government Response to the Commission on Dormant Assets' Report on Tackling Dormant Assets: Recommendations to benefit investors and society*, in which the Government expressed its belief that there was merit in the Commission's recommendation that RFL should become structurally separate from its current parent, we have continued to discuss with Government and our existing ultimate parent, the Co-operative Group Ltd, the possibility of a future change in ownership of RFL. These discussions continue to be positive and constructive, and I would like to thank our current owners for their ongoing support.

As our Chief Executive states in his review, we continue to engage actively with Government, and I have personally enjoyed positive working relationships with both Ministers and officials in the Department for Digital, Culture, Media & Sport ('DCMS') and HMT. I look forward to working even more closely with them as we expand the Scheme.

Our team

I would like personally to thank Adrian, our Chief Executive, for his continued leadership of the very capable and high performing team at RFL. At a time when we are enhancing our productive working relationships in the context of an expanding Scheme, the focus and professionalism of Adrian and the team continues to support our strategic development. This was independently recognised this year when the team was awarded Investors in People Gold accreditation.

It remains a pleasure both for me and my fellow Board members to work with the team and our stakeholders in helping so many good causes access money that otherwise would remain dormant.

RFL is well positioned and prepared for a future expanded Dormant Assets Scheme. We look forward to making an even greater difference to people's lives through the funds we make available for distribution in the future, especially at this unprecedented time in our history.

JANE HANSON
Chairman

23 April 2020

> During the year, I am pleased to have sought and received external independent validation of the Board's effectiveness.
>
> **JANE HANSON**
> Chairman

Chief Executive's review

ADRIAN SMITH
Chief Executive

We continue to welcome participation in the Scheme with new and existing participants transferring significant amounts of dormant accounts to us this year, enabling us to make further distributions to good causes across the UK.

I am pleased to report that 2019 was a year of continued strong growth of our Main Scheme underpinned by thorough planning and preparation for the future. However, as we move into a new decade, I would like to take a moment to reflect on how far we have come since our inception in 2011.

Our Main Scheme is now more successful than ever, attracting £1.35bn of dormant assets from banks and building societies since RFL was established in 2011. From this, we have made a total of £745m available for distribution to good causes. We also take extremely seriously our role as custodians of dormant funds and our responsibility to always have funds available to meet customer reclaims in perpetuity.

2019 in review

We welcomed new participants to the Main Scheme this year, including Intesa Sanpaolo and Riyad Bank bringing the total number of participants to 29. In total we accepted £147m of dormant asset funds into RFL and I am grateful to all our participants who continue to support us. We also welcomed the first participant of the Alternative Scheme, Newcastle Building Society. They were able to utilise their qualifying dormant account balances to support their favoured local and eligible charities. More details about this can be found below.

Last year we reported our investment in future-proofing our IT systems to build in flexibility, scalability, and security in a fast-moving environment. In 2019, we moved over to a UK cloud-based solution, which has now been independently audited and found to be robust and fit for purpose. This investment also gives us the opportunity to offer a secure and robust home working solution for our team at a time when the COVID-19 pandemic makes this a significant focus across businesses worldwide.

As the Scheme continues to attract more participation, we revisited our investment strategy with a view to optimising returns while safeguarding the dormant money that is in our stewardship.

We continue to take an active approach to Environmental, Social & Governance ('ESG') investment, using a well-established method to screen our portfolio. We are committed to divesting when our strict ESG criteria are not met. We maintain a low risk bond portfolio that generates modest, but carefully planned returns. Together, these activities yielded £6.4m of investment income in 2019, which more than offsets the running costs of RFL.

We are also making significant progress in developing a reclaim risk model. Working with market-leading actuaries, we now have more confidence than ever in our approach as we seek to further our model's completion. This is crucial to unlocking the potential for increased distributions to support good causes, while providing protection and reassurance that there will always be enough money to return when reclaims are requested.

Distributions to TNLCF totalled £72m in 2019, with an additional £69m approved by the Board during the year and as reported by the Chairman a further £90m has been set aside following the recent Board decision to accelerate the next tranche of funds. Equally importantly, since inception we have returned £93m to the customers of our participating banks & building societies who had lost touch with their money.

Engaging with our stakeholders

We launched our Alternative Scheme in 2019, for smaller banks and building societies with balance sheet assets of less than £7bn. We were delighted to welcome Newcastle Building Society in May as our first participant. To help promote the Alternative Scheme, we attended the Building Societies Association ('BSA') conference for the first time this year, where we enjoyed meeting a significant number of smaller building societies and generated considerable interest in the Scheme. We are now in advanced discussions with a number of building societies who want to join the Alternative Scheme, and we are very much looking forward to attending future BSA events to continue the momentum we have been building.

In September 2019, the Office for National Statistics ('ONS') undertook a classification review of RFL and determined it to be a public body for statistical purposes. Discussions between HMT, Co-operative Group and RFL are ongoing in respect of the classification. HMT have granted a derogation in respect of the ONS decision until March 2021 in order for this to be thoroughly considered.

As the chosen vehicle for Scheme expansion it was especially important for us to engage with the industry in 2019. As part of our push to engage, enthuse and always be transparent, we were pleased and proud that our 2018 Annual Report and Accounts was Highly Commended by the Corporate & Financial Awards 2019.

Laying the foundations for expansion

We fully support the Government's ambition for an enlarged cross-sector Dormant Assets Scheme and throughout 2019, we have continued to work tirelessly with our stakeholders and industry to lay the foundations for expansion. Specifically, we have been working closely with the four Industry Champions appointed to drive expansion plans within their sectors: Banks & Building Societies, Investments & Wealth Management, Insurance & Pensions and Securities.

We have also continued to have positive, intensive engagement with Government, working closely with officials from DCMS and HMT to build a detailed understanding of the potential structure of an expanded scheme.

We look forward to responding to the Government's consultation on this and await its response.

The proposals for future expansion are exciting. The recently elected Government gives us a period of relative consistency to continue with the Scheme expansion. We will continue to drive this forward, alongside DCMS and HMT as well as our stakeholders across industry.

Future outlook

The Company continues to develop and maintain relationships with our current and potential participants and looks forward to furthering participations in future years.

Work is ongoing to further increase participation in the Alternative Scheme through a series of workshops to support smaller building societies on-boarding into the scheme.

The Company continues to play an active role in supporting the Scheme's expansion, working with Government and industry bodies within the financial services sector. We look forward to seeing the output from the Government consultation issued earlier this year on expanding the dormant assets scheme.

None of this would be possible without the support of the small team of individuals at RFL who have once again helped deliver a very good year of performance across our key measures. I am grateful to them all for the professionalism they continue to show, particularly in light of our having recently taking measures to completely operate our business remotely.

In the coming months, the onset of COVID-19 will test the resilience of businesses and their teams across the UK. I have no doubt that the team I lead at RFL, governed by our experienced and committed Board of Directors, will work diligently to overcome any challenges that we face in the changing business environment. We have offered our support to our participating banks and building societies and other stakeholders at this challenging time for all businesses and stand ready to adapt our business model to the challenges that are being faced across the UK.

ADRIAN SMITH
Chief Executive

23 April 2020

From dormancy to distribution

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

ABOUT THE DORMANT ASSETS SCHEME

RFL is a not-for-profit reclaim fund and is authorised and regulated by the Financial Conduct Authority ('FCA') as a dormant account fund operator.

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

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

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

The Act establishes two types of Scheme:

- a Main Scheme; and
- an Alternative Scheme.

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

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

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

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

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

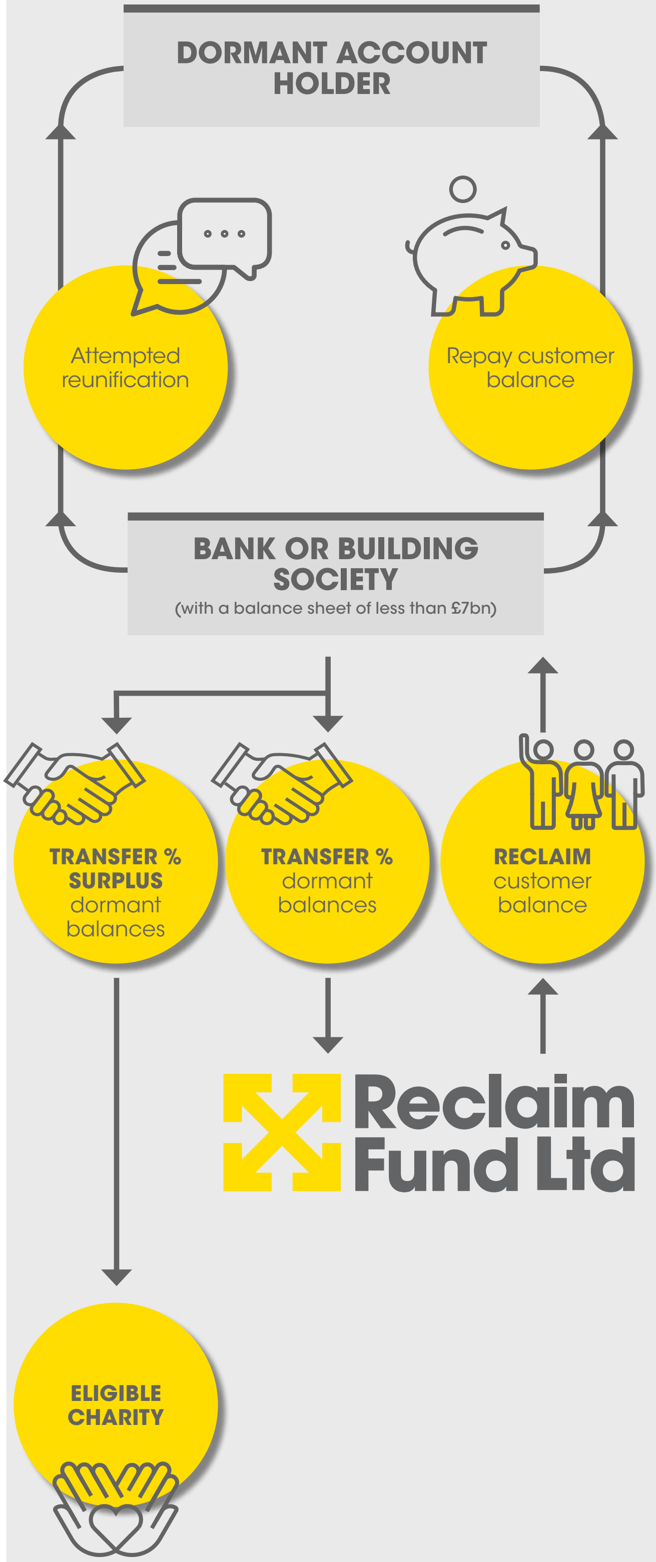
RFL participates in the Financial Services Compensation Scheme ('FSCS') ensuring that the transfer to RFL of a dormant account balance will not adversely affect any entitlement a customer may have to compensation from the FSCS. RFL is also covered by the Financial Ombudsman Service.

If you think you have unclaimed monies in a bank or building society account
Please contact the bank or building society concerned or visit mylostaccount:

mylostaccount.org.uk

MAIN SCHEME

ALTERNATIVE SCHEME



#Enhancing Communities2019

Marking its 8th year, RFL's 'Enhancing Communities' annual event took place on 8 October 2019 and welcomed a range of over 150 stakeholders including proposed new industry sector representatives, trade bodies, and a number of our existing and potential Scheme participants.

The event featured presentations from Baroness Barran MBE, Minister for Civil Society along with UK good causes; Fair4AllFinance, Youth Futures Foundation, Renew Wales and The Prince's Trust all demonstrating how new and existing organisations are using Dormant Asset monies in *#Enhancing Communities.*

RFL Chairman Jane Hanson and Chief Executive Adrian Smith provided an overview of the success of the scheme to date and an insight into the future. The highlight of the event came from a presentation, virtual reality demonstration and dance performances from Showcase the Street. Remarked upon as enlightening, uplifting and inspirational, we look forward to next year's event!

"The dormant assets scheme is an excellent example of responsible collaboration between industry, government and civil society. It has made available over £600 million to good causes across the UK and continues to fulfil a vital social purpose."

BARONESS BARRAN MBE
Minster for Civil Society
8 October 2019

SHOWCASE THE STREET

Showcase the Street is a Social Enterprise who use dance, sport and technology to support communities especially those in areas of deprivation and rural isolation. The organisation opened a sports and arts facility in Dundee, Scotland in 2014 which spans three warehouse units housing dance studios and various indoor sports surfaces.

In 2018, this was extended to a new Virtual Reality centre which has already developed several projects supported by Young Start / TNLCF Scotland utilising dormant account funds. The most recent project, Computer Game Design Club, with gaming students at Abertay University, delivers a series of workshops based on virtual reality gaming. These workshops enable young people to develop skills in gaming design, creative animation and programming, with the goal of offering an opportunity to work towards accredited qualifications. This two-year project will support 300 young people aged between 10 and 18, whilst also providing volunteering opportunities for a further 30 young people.

showcasethestreet.co.uk

RENEW WALES

Renew Wales is supported through the Sustainable Steps Programme delivered through TNLCF Wales utilising money from dormant accounts. Renew Wales supports communities to take action on the causes and impacts of climate change and live more sustainably.

Renew Wales recently supported a youth group through peer mentoring. Rhydyfelin Youth Club, in Pontypridd, developed an idea for a digital bench for the local community to address the issue of charging devices whilst out and about. This sparked ideas as to how the bench could also help tackle the significant social issue of a seat/shelter for homeless people in their area. The completed wooden bench has a solar panelled roof that stores power and provides public charging facilities via USB ports. The bench also has wooden trellises which will be used to grow fruit bearing vines, while the wooden planters will be used to grow root vegetables. The guttering acts as an irrigation system, diverting water away from the bench to the planters.

renewwales.org.uk

#EnhancingCommunities2019
continued

FAIR4ALL FINANCE

Fair4All Finance was established in February 2019 in response to the Government's commitment to allocate £55m of dormant assets money to financial inclusion initiatives.

Its first strategic focus is addressing the problem of access to affordable credit. Increased inclusion in mainstream financial services and increased use of savings and insurance to overcome shocks have been identified as additional priority areas.

Early progress on project work, including the launch of a pilot scale-up programme for five affordable credit providers, coupled with extensive insight and evidence gathering, puts Fair4All Finance in a good position to begin deploying dormant asset funds from early 2020, enabling it to make strides towards its mission of increasing the financial resilience of people in vulnerable circumstances.

fair4allfinance.org.uk

THE ALTERNATIVE SCHEME

Local funds for the benefit of local good causes

NEWCASTLE BUILDING SOCIETY

In May 2019, RFL welcomed Newcastle Building Society as the first participant to the Alternative Scheme.

Newcastle Building Society announced the first release of dormant account money from a building society direct to a UK charity, Community Foundation Tyne & Wear and Northumberland, in November 2019.

The transfer almost doubled the size of the Society's endowment fund held at the Community Foundation, which is used to provide support to a wide range of good causes in the North East. The income generated by the endowment provides small grant support of up to £3,000 and, in 2019, 86 organisations of varying size and purpose across the region benefitted from the associated donations.

In addition to enlarging its charitable endowment, Newcastle Building Society plans to use the dormant account monies, made available through their participation in the Alternative Scheme, to support a range of capital and larger building improvement grants to repair and renovate community buildings housing valuable charity initiatives.

newcastle.co.uk

> The arrangements for managing dormant assets through the Reclaim Fund have enabled us to make a substantial addition to the [Newcastle Building Society Community] Fund, which will further strengthen our ability to make a positive difference for the communities we serve.

ANDREW HAIGH
Chief Executive of Newcastle Building Society

YOUTH FUTURES FOUNDATION

Youth Futures Foundation is a newly established independent organisation set up to address the complex social issue of youth unemployment.

Its vision is that all young people regardless of background should have the support and opportunities to fulfil their potential. Its mission is to improve the employment outcomes of diverse young people. It will address ethnic and class disparities in youth unemployment and focus on young people with multiple barriers preventing their participation in fulfilling employment.

Youth Futures Foundation wants to achieve national productivity gains and enhance health and wellbeing for some of the most disadvantaged young people in our communities. It has ambitious plans to include young people every step of the way.

Dormant assets funding gives Youth Futures Foundation a unique opportunity to tackle this difficult and complex issue. It will allow them to work on a problem that has been difficult to overcome and will harness the huge potential of young people.

youthfuturesfoundation.org

THE EXPANDED DORMANT ASSETS SCHEME

EXPANDED SCHEME

In February 2018, Ministers invited four Industry Champions to spearhead an industry-led approach to expanding the Dormant Assets Scheme. The Champions convened sector working groups to consider how the Scheme could include a wider range of assets, appropriate definitions of dormancy for each asset class, and how an expanded Scheme could operate.

The Dormant Assets Scheme: A Blueprint for Expansion report was published in April 2019. It sets out four key principles of an expanded scheme:

1. Prioritise reunification efforts
2. Maintain a voluntary scheme
3. Tailor definitions of dormancy
4. Provide full restitution in perpetuity

It is recognised by the Industry Champions that the existing Scheme is a great success. To date, the banking sector has unlocked over £1.35bn and, while prioritising the reunification of customers with their assets, it has already made over £745m available to good causes.

Industry has continued to work with Government while it formulates its response to the Blueprint report. RFL looks forward to Government's response following the public consultation on expanding the dormant assets Scheme launched by HMT and DCMS on 21 February 2020. In the meantime, RFL also continues to work closely with Industry and Government in the development of the technical and practical aspects of the proposed expanded Scheme as we continue on the pathway to legislation.

Business review

PRINCIPAL ACTIVITIES

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

The Company was established as a wholly owned subsidiary of the Co-operative Group Ltd via its subsidiary Co-operative Banking Group Limited (now known as Angel Square Investments Limited), following the introduction of the Act. The Act enables those banks and building societies, that choose to participate, to transfer money from their dormant accounts to the Company and for surplus funds to be distributed to TNLCF and then onwards to good causes across the UK. This is known as the Main Scheme.

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

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

The strategy of the Company is aligned to the operational activities permitted under the Dormant Bank and Building Society Accounts Act 2008 and its articles of association. It is permitted under the Act and its articles of association to invest funds and to defray administrative costs and other reasonable expenses. The Board held a strategic review during September 2019, the outcomes of which are explained in further detail in the Corporate Governance report.

REVIEW OF THE YEAR

During the year, the Company accepted £146.5m (2018: £110.6m) of dormant account monies from 20 of the 29 Main Scheme participating UK banks and building societies (2018: 17 of 27). The first participant to the Alternative Scheme, Newcastle Building Society, identified £1.6m of dormant monies under the Scheme. Funds transferred in met the reclaim provision amount of £629k in line with the terms of agreement, with the remaining value of £944k being transferred to their eligible charity. A number of reclaims were paid to participants during the year, amounting to £12.9m (2018: £13.8m). Given the limited reclaim experience to date, provisioning for future reclaims remains in line with previous years, with an additional provision recorded in the year of £59.2m (2018: £44.2m).

The Company is run on a not-for-profit basis and, accordingly, profit after tax was £nil (2018: £nil). Net assets at the balance sheet date were £73.7m (2018: £73.7m). The only distributions the Company is permitted to make are to TNLCF in support of good causes.

Distributions for the year were £71.8m (2018: £152.8m). The Company has approved a further amount of £68.5m in 2019 and a further £90.3m in March 2020, which is available for immediate distribution to TNLCF.

Enhancing Communities, our 8th annual event was our most ambitious yet, celebrating the existing Scheme and showcasing the potential that expansion could deliver. It was attended by more than 150 participants, stakeholders and representatives of good causes at County Hall in London. We were delighted to welcome the Minister for Civil Society, Baroness Barran, who addressed the audience and heard first-hand from those who had received funds from the Scheme. These good causes also exhibited and updated us on what the money meant to them and the communities they support.

KEY HIGHLIGHTS OF 2019

- Banks and building societies participating in the Scheme transferred a further £147m to RFL in 2019, bringing the total to over £1.35bn since inception.

- We have paid £72m and committed a further £158m to TNLCF in support of good causes.
- We welcomed Newcastle Building Society as our first participant to the Alternative Scheme, alongside the London branches of Intesa Sanpaolo and Riyad Bank who joined the Main Scheme.
- We exhibited at the 2019 Building Society Conference to further support uptake in the Alternative Scheme.
- The team were proud to be awarded a Gold Investors In People award, for being a leader in people management practice.

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

KPI	Result
Participants Level of participation in the Scheme by banks and building societies.	During the year, amounts were received in respect of dormant accounts from 20 of the 29 Main Scheme participants (2018: 17 of 27). Additionally, Newcastle Building Society joined the Alternative Scheme.
Suppliers 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.

FINANCIAL KPIs

Amounts received from participants

£147.1m

(2018: £110.6m)

In 2019, Main Scheme transfers are in line with management's expectation, taking total transfers since inception to more than £1.35bn. We welcomed our first new member to the Alternative Scheme.

Liquidity – cash held

£329.9m

(2018: £338.7m)

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

Capital and reserves

£73.7m

(2018: £73.7m)

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

Investment securities held

£353.7m

(2018: £280.0m)

An additional £75m was invested in our portfolio; we maintain a highly liquid, secure position, with maturing bonds and coupons generated from the investment portfolio being re-invested.

Operating costs[1]

£2.9m

(2018: £2.4m)

The increase in operating costs reflects the additional business activities undertaken in 2019. These include support for the uptake in the Alternative Scheme, increased investment in and audit testing of our IT suite, legal support on reviewing our ownership model and necessary liaison with Government Departments, reclaim model development and the Board Effectiveness Review. Annual budgets are reviewed and approved by the Board, with costs being regularly monitored.

1 Operating costs exclude investment management fees.

Distributions paid to The National Lottery Community Fund

£71.8m

(2018: £152.8m)

Distributions of £71.8m were paid in the year, taking cumulative distributions paid to date to £587.0m. An additional £68.5m was approved in 2019 and is available for immediate distribution, and a further £90.3m was approved in March 2020 for immediate distribution.

Business review
continued

Section 172 Statement
Directors' duty to RFL's wider stakeholder base

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

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

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

Dormant bank and building society account holders
Sufficient funds must be available to meet reclaims of any dormant account balances in perpetuity. As a result, careful analysis, including extensive work on reclaim modelling, has been undertaken by the Board to ensure dormant balance transfers to RFL from participants are reserved and invested prudently to meet all future obligations.

Supporting good causes
Our purpose is to unlock the potential of dormant assets to enhance communities and enrich lives, which drives us to focus on seeking to distribute excess funds via TNLCF. A highlight of our calendar is the Annual Event which showcases some of the good causes which have received funds from the Dormant Asset Scheme since our inception. This is an opportunity for both the Directors and staff to engage directly with some of the ultimate beneficiaries of the distributions made by RFL.

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

Our parent
We continue to be supported by our parent Angel Square Investments Limited and our ultimate parent the Co-operative Group Ltd, and value the ongoing helpful, productive and progressive input into the discussions that are taking place with regard to our future ownership structure. We are grateful for our parent's support since RFL's creation and its advice continues to be invaluable as we seek to evolve.

Our employees
RFL has only a small team of staff, with several activities outsourced to third parties. Staff engagement is strong, an open culture is encouraged, and the Board supports management's investment in its workforce, providing support for training and development. RFL has recently been awarded Gold Investors in People status and has also been accredited as a Living Wage employer.

Government
The recommendation of the Dormant Assets Commission to expand the Scheme to other dormant asset classes has allowed both the Board and management to engage with Government as a trusted advisor in the initial moves to propose new asset classes from other industry sectors in order to develop the Scheme. We continue to engage with DCMS and HMT to support development of scheme expansion and look forward to Government's response to the Blueprint report following the public consultation on expanding the dormant assets Scheme launched by HMT and DCMS on 21 February 2020.

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

Our suppliers
RFL's suppliers are categorised by our internal policies, which set out the relationship approach taken. RFL performs regular reviews with specified suppliers with particular emphasis on our key suppliers, with whom we meet twice yearly to ensure that both suppliers and RFL remain satisfied with the service arrangements. We maintain regular contact with our suppliers with consideration made to the Modern Slavery Act and General Data Protection Regulation.

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

Risk management

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

HOW THE COMPANY MANAGES RISK

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

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

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

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

ENTERPRISE RISK MANAGEMENT

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

The principal risks facing the Company are:

1. Reclaim risk

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

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. The Board and Executive continually consider the impact on RFL's Strategic Objectives from any Brexit transition period outcomes.

Business review
continued

Risk management continued

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

The Company also monitors the following risks:

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

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

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

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

The Strategic report on pages 4 to 18 is approved by the Directors.

ADRIAN SMITH
Chief Executive

23 April 2020

Governance

Introducing our Board

A balanced, considered and experienced Board of Directors.

OUR COMMITTEES AND COMMITTEE CHAIRMEN

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

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

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

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

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

Find out more on page 24

GOVERNANCE FRAMEWORK BOARD OF DIRECTORS

Audit and Risk Committee
The Audit and Risk Committee is chaired by Glyn Smith.

Investment Committee
The Investment Committee is chaired by James Hardie.

Nomination Committee
The Nomination Committee is chaired by Jane Hanson.

Remuneration Committee
The Remuneration Committee is chaired by Adrian Coles.

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, Non-Executive Director of William Hill plc and Independent Member of the Fairness Committee at ReAssure UK. Jane is also the Honorary Treasurer at the Disasters Emergency Committee. Her previous executive roles include Risk and Governance Director at Aviva plc. Jane is also a Magistrate.

COMMITTEES: N R

ADRIAN SMITH
MBA
Chief Executive

APPOINTED: 16 November 2010
EXPERIENCE: Adrian joined the Board in 2010. He was previously a senior leader at Britannia Building Society, Bank of Ireland and Bristol & West Building Society and a former Non-Executive Director of Mutual Plus Ltd. Adrian was responsible for leading the project to establish Reclaim Fund Ltd during 2009/10 and was subsequently appointed as Chief Executive. Adrian is also a member of the Dormant Assets Advisory Board.

COMMITTEES: I

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, and a Non-Executive Director of Progressive Building Society and The Funding Network, the crowdfunding charity. He is also a member of the Financial Services Commission (Gibraltar), Chairman of the Fairer Finance Consumer Advisory Board and a member of the Corporate Governance Research Group Advisory Board at Cardiff Business School. Adrian was awarded an OBE in 2011 for services to financial services.

COMMITTEES: R I N

BOARD DIVERSITY

6 MALE

3 FEMALE

COMMITTEE MEMBERSHIP KEY

- COMMITTEE CHAIR
- A AUDIT AND RISK COMMITTEE
- I INVESTMENT COMMITTEE
- N NOMINATION COMMITTEE
- R REMUNERATION COMMITTEE

KATHERINE GARNER
BSc (Hons), FIA
Non-Executive Director

APPOINTED: 19 December 2018
EXPERIENCE: Katherine joined the Board in 2018. A Fellow of the Institute of Actuaries since 1997, she is currently the Chief Executive Officer of Sun Life Financial of Canada in the UK and a member of its Board of Directors. Katherine started her employment with Sun Life Financial of Canada in 2008 and held various positions before taking the role of Chief Executive Officer in 2013. Prior to this Katherine was employed by HSBC, where her roles included, Head of Operations, Head of Life Insurance and also Finance Director of the Dublin life company and Deputy Head of Investments in the UK.

COMMITTEES: A I

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.

COMMITTEES: I A

DOMINIC KENDAL-WARD
BA (Hons)
Non-Executive Director

APPOINTED: 9 December 2019
EXPERIENCE: Dominic joined the Board in 2019 as a Non-Executive Director nominated by Angel Square Investments Limited (a subsidiary of Co-operative Group Limited). Dominic is General Counsel for Co-operative Insurance and Funeralcare and Deputy Board Secretary for the Co-operative Group. Dominic previously worked in the corporate team at law firm Linklaters before joining the Co-operative Group in 2017.

GLYN SMITH
MA, FCA
Non-Executive Director

APPOINTED: 4 February 2015
EXPERIENCE: Glyn joined the Board in February 2015 and is Chairman of the Audit and Risk Committee. A chartered accountant with over 40 years' experience in financial services, Glyn held a number of senior executive positions at Barclays Bank and was Group Finance Director of Portman Building Society. He is currently also a Non-Executive Director and Chairman of the Audit Committee of The Co-operative Bank plc and Chairman of the West Bromwich Building Society Pension Trustees. He has held a number of public and private sector Non-Executive Directorships, including Domestic & General Group, Coventry Building Society and Stroud & Swindon Building Society.

COMMITTEES: A N R

MARK SUMMERFIELD
BA (Hons)
Non-Executive Director

APPOINTED: 24 April 2015
EXPERIENCE: Mark joined the Board 2015 as a Non-Executive Director nominated by Angel Square Investments Limited (formerly Co-operative Banking Group Ltd). 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.

JENNY WATSON
CBE, BA, MA
Non-Executive Director

APPOINTED: 3 January 2019
EXPERIENCE: Jenny joined the Board in 2019. She is Chair of the House of St. Barnabas, a social purpose business in London's Soho and of GamStop. A previous Chair of the Electoral Commission and Equal Opportunities Commission, she started her early career in the not for profit sector. She is currently a Non-Executive Director on the Boards of both the Financial Reporting Council and the Financial Ombudsman Service.

COMMITTEES: A R

Corporate governance report

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

Following the publication of the new Code in 2018, the Board commissioned a 'gap analysis' of the Code against its governance arrangements. This was carried out by the Company Secretary, with the results confirming that RFL was broadly compliant with the 2018 Code, including in respect of the new provisions relating to employee and stakeholder engagement, and setting the organisation's culture. Recommendations were made for enhanced reporting in a number of areas, including providing more detail on the work of both the Nomination Committee and the Remuneration Committee. The Board acknowledged this recommendation and further information on the Committees' work during the year can be found under the relevant section within this report. A further recommendation was made to publish the respective responsibilities of the Chair and Chief Executive and to publish the terms of reference for RFL's Committees, which will be uploaded to the Company's website following the Board's review later this year.

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 its skills and diversity and was delighted to have appointed Katherine Garner and Jenny Watson in the latter part of 2018.

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

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

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

The Board manages these matters at its regular Board meetings. It met six times during 2019 including one Board strategy review meeting.

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 £512k (2018: £468k). The increase in charge reflects a period of overlap of retiring and joining Non-Executive Directors.

Board meetings

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

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

This is more efficient for Directors, environmentally sounder and more secure 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, Nomination and Remuneration) also present a summary of issues raised, decisions made, and recommendations proposed at recent Committee meetings. These are noted and discussed further by the Board as required.

Specific areas of focus

In addition to covering the regular business discussed above, Board meeting agendas 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 2019, the Board discussed, inter alia, new investment opportunities, the implementation of the SMCR, an improved communications strategy, distributions, the Company's reclaim provisioning policy, the successful introduction of the Alternative Scheme during the year, risk management and governance matters, implementation of a new IT system, policies and procedures, the development of an expanded Dormant Assets Scheme, 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 expanded Dormant Assets Scheme, a possible new ownership model, reclaim risk modelling, and emerging risks arising from consideration of the Company's risk register.

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 internal control, risk management, the internal capital adequacy assessment process, oversight of internal and external audit, whistleblowing and the Annual Report and Accounts.

During the year the AARC comprised:

- Glyn Smith (Chairman)
- Paul Chisnall (until 10 July 2019)
- Katherine Garner (from 10 July 2019)
- James Hardie
- Robert Newton (until 10 July 2019)
- Jenny Watson (from 10 July 2019)

The AARC met five times during 2019.

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

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

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

Corporate governance report continued

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
- Katherine Garner (from 10 July 2019)
- Robert Newton (until 10 July 2019)

The Committee met four times during 2019.

Adrian Smith, Chief Executive, joined the Committee on 6 April 2020.

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 (until 10 July 2019)
- Adrian Coles
- Glyn Smith

The Committee met twice during 2019.

Following significant activity by the Committee in 2018, which culminated in the appointment of Jenny Watson and Katherine Garner as Non-Executive Directors, the Nomination Committee undertook a review of the composition of RFL's Committees, in light of the retirements of Paul Chisnall and Bob Newton in July 2019.

The Committee oversaw the selection of a suitable provider to undertake an externally facilitated, independent full Board evaluation. Several providers were invited to tender, with two being shortlisted. The Committee recommended one provider to the Board and, as a result, the firm was appointed to carry out RFL's review, the results of which are can be found on page 27.

Remuneration Committee

The Remuneration Committee considers and approves the remuneration arrangements for the Chairman, the Executive Director and senior management.

During the year the Committee comprised:

- Adrian Coles (Chairman)
- Jane Hanson
- Glyn Smith
- Jenny Watson (from 19 November 2019)

The Committee met four times during 2019.

During the year, the Remuneration Committee reviewed the 2019 performance and bonus awards for the Chief Executive, senior management and employees and continued its work on reviewing the framework for the employee bonus scheme.

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 2019.

Directors	Full Board	AARC	Investment Committee	Nomination Committee	Remuneration Committee
Paul Chisnall	3 (4)	4 (4)	–	1 (1)	–
Adrian Coles	6 (6)	–	4 (4)	2 (2)	4 (4)
Katherine Garner	6 (6)	2 (2)	2 (2)	–	–
Jane Hanson	6 (6)	–	–	2 (2)	4 (4)
James Hardie	6 (6)	5 (5)	4 (4)	–	–
Robert Newton	3 (4)	3 (4)	3 (3)	–	–
Adrian Smith	6 (6)	–	–	–	–
Glyn Smith	6 (6)	5 (5)	–	2 (2)	4 (4)
Mark Summerfield	6 (6)	–	–	–	–
Jenny Watson	5 (6)	2 (2)	–	–	1 (1)

Dominic Kendal-Ward is excluded from the table as his appointment date was after the final meetings of the year.

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 internal and external training sessions, both on an individual basis and in a meeting forum. This included specialist training for the Board on the new SMCR. Training sessions have been built into the Board and Committee agendas for 2020 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.

The last high-level review of the Board's effectiveness was undertaken in 2016 and the Board had determined that an independent review be conducted towards the end of 2018. However, in light of the appointment of two new Board members at that time, this was deferred until 2019. The Nomination Committee led the process to identify a suitable provider and ultimately selected the chosen provider, Independent Audit Ltd, to undertake a full evaluation of the Board and its Committees.

The independent review concluded that the RFL Board operated effectively with a highly skilled board of Directors, ably led by the Chair with a good level of diversity. The review also emphasised that the Committees were well run, with experienced Chairs and that staff were led by a committed Chief Executive. Relationships with stakeholders were good, largely due to the work of the Chief Executive and Chair. Some minor improvements were recommended, and these are being worked through by management and the Board.

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. Vistra Company Secretaries Ltd was Secretary throughout the year.

Ownership

RFL is ultimately owned by the Co-operative Group Ltd via its subsidiary Angel Square Investments Limited.

External audit

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

RFL has a non-audit work policy that establishes the principles by which it is able to appoint the external and internal auditors for non-audit services. The policy also establishes a framework governing the process by which non-audit services are approved. The AARC reviews this policy on a triennial basis and it is due for review in 2021. No non-audit services were provided by the external auditors during 2019.

Internal audit

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

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

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

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 February 2019, which concluded that the internal audit function remained effective. The next formal review of the internal audit function will be conducted in 2021. Internal audit also acts as a source of constructive advice and best practice, assisting Senior Management with its responsibility to improve the processes by which business risks are identified and managed.

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

Corporate governance report continued

The leadership team

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

Internal controls and risk management framework

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

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

The risk management framework includes an ongoing process for identifying, evaluating and managing significant risks 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 29.

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 three-year period.

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

Liquidity and capital management forecasting are a key part of the risk management framework of RFL and incorporate stress and scenario tests designed to produce a comprehensive assessment of current and projected risk and capital positions. The scenarios take into consideration amounts already committed for distribution by RFL as part of the stress testing. The process assists RFL in evaluating, over a three-year period, the key known risks to which it is exposed and the levels of capital and other financial resources that should be maintained to safeguard the capital position of the business at all times, including during a stress scenario. Additionally noting the impact of COVID-19 on businesses generally, consideration was given to a possible increase in reclaim rates due to the potential financial impacts of COVID-19 causing account holders to seek their lost funds.

The Board has also considered the legal form of the Company over the course of the three-year period given the potential impacts of COVID-19, in particular noting that distributions are wholly and exclusively at the discretion of the Directors. As detailed in the Chief Executive's review, in September 2019 ONS undertook a classification review of RFL and determined it to be a public body for statistical purposes. There are discussions ongoing in respect of the classification with a derogation of the decision in place until March 2021, in order for this to be thoroughly considered. The analysis performed and referenced here assumes that with the information available to RFL at the time of this report, the Directors will maintain control over the value and timing of distributions throughout the three-year period.

In addition, the Directors reviewed Management's assessment of the Company's operational resilience in light of COVID-19. This included but was not limited to assessments of key suppliers and engagement with them to understand their business resilience and financial stability. An assessment of key outsource providers' ongoing sustainability of their service delivery, with focus on ability, capacity, effectiveness, management, security and business continuity considerations of each supplier's specific service delivery was performed as part of this.

Based on the 2019 results of the liquidity and capital management forecasting, the assessment of the Company's form and the operational resilience assessment of RFL, 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

23 April 2020

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 23.

Employees
The average number of employees during 2019 was ten (2018: eight).

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

Financial instruments
Financial risk management objectives can be found in the Risk Management note to the Financial Statements on page 53.

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 30.

The Directors of the Company during the year were:

Non-Executive Directors
Jane Hanson (Chairman)
Paul Chisnall (resigned 10 July 2019)
Adrian Coles (Senior Independent Director)
Katherine Garner
James Hardie
Dominic Kendal-Ward (appointed 9 December 2019)
Robert Newton (resigned 10 July 2019)
Glyn Smith
Mark Summerfield
Jenny Watson (appointed 3 January 2019)

Executive Director
Adrian Smith (Chief Executive)

Distributions
Under the Dormant Bank and Building Society Accounts Act 2008, the only distributions the Company is permitted to make are to The National Lottery Community Fund. £71.8m of distributions were paid to The National Lottery Community Fund during the year (2018: £152.8m).

No dividend distributions were made to the parent, Angel Square Investments Limited, as this is not permitted by the Act.

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.

In particular the Directors have given careful consideration to:

- The expected cash outflows compared to the available cash and liquid assets in a normal and stressed scenario;
- The legal form of the Company under which distributions are wholly and exclusively at the discretion of the Directors; and
- The operational resilience assessment of key suppliers and the ongoing sustainability of their service delivery.

Based on the above, and noting the considerable cash headroom even under a reasonable stress, the Directors consider it appropriate to prepare the Financial Statements on a going concern basis.

Charitable and political donations
No charitable or political donations were made during the year (2018: £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.

Non-adjusting post balance sheet event
The COVID-19 outbreak has been developing worldwide at different rates since initially emerging in China in the latter part of 2019. In addition to the loss of life it has caused an economic shock that has resulted in substantial volatility in financial markets and extensive disruption in supply chains and working practices. Despite significant economic rescue packages being announced by governments across the globe it is likely that the outbreak will lead to significant recessions in economies around the world. It is not possible at this time to quantify the long-term impact on the Company in terms of asset values or changes in dormant account holder behaviour; however at the date of approving the Financial Statements the investment portfolio had decreased by approximately 1% (31 December 2019: £355.3m) in fair value terms. The Investment Committee has convened on a number of occasions in response to the volatility in financial markets to ensure we continue to take a considered approach to our investment of dormant account funds.

The Company outsources several activities to third parties. Management has updated the operational resilience assessments of key suppliers and engaged with them to understand their business resilience and financial stability. This has included assessment of the ongoing key suppliers' sustainability of their service delivery, with focus on ability, capacity, effectiveness, management, security and business continuity considerations of each supplier's specific service delivery.

As part of its response to the COVID-19 pandemic, the Company has also actioned its own Business Continuity Plan which has seen all staff fulfilling their role responsibilities from home. The areas of focus for outsourced supplier-assessment as described above have also been applied to internal role performance and are judged to be consistently effective. There has also been a review of insurance policies to ensure that the Company is as adequately protected as possible.

By order of the Board

ADRIAN SMITH
Chief Executive
23 April 2020

Reclaim Fund Ltd
Registered number: 07344884

Statement of Directors' responsibilities

in respect of the Strategic report, the Directors' report and the 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 complies 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 2019 which comprise the Income statement, Statement of comprehensive income, Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes 1 to 21, 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 2019 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.

Emphasis of matter – Effects of COVID-19

We draw attention to note 21 of the Financial Statements, which describes the economic and social consequences the Company is facing as a result of COVID-19 which is impacting financial markets and asset prices, and to the going concern statement in note 1 which describes the basis upon which the Directors have concluded it is appropriate to adopt the going concern basis of preparation. Our opinion is not modified in respect of this matter.

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.

Other information

The other information comprises the information included in the Annual Report, 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.

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

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 30, 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.

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

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

GILES WATSON
(Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor
Leeds

23 April 2020

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.

Financials

Income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Amounts received in respect of dormant accounts	4	**147,146**	110,565
Interest income	5	**6,416**	5,558
Interest expense	5	**(162)**	(137)
Net income		**153,400**	115,986
Administrative expenses	3	**(3,281)**	(2,775)
Provision for reclaims of dormant account balances	11	**(59,236)**	(44,226)
Operating result before distributions		**90,883**	68,985
Provision for future distributions to TNLCF	12	**(90,318)**	(68,481)
Profit before taxation		**565**	504
Taxation	6	**(565)**	(504)
Retained profit	2	**–**	–

The notes on pages 39 to 55 form part of the Financial Statements.

Statement of comprehensive income

for the year ended 31 December 2019

	Notes	**2019** **£'000**	2018 £'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 39 to 55 form part of the Financial Statements.

Statement of financial position
as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Intangible assets	7	**15**	1
Right-of-use assets	20	**306**	–
Plant and equipment	8	**186**	239
Investment securities	9	**353,663**	280,029
Cash and cash equivalents	10	**329,888**	338,706
Trade and other receivables		**109**	81
Deferred tax asset	6	**10**	–
Total assets		**684,177**	619,056
Liabilities			
Provision for reclaims of dormant account balances	11	**450,431**	404,054
Provision for future distributions	12	**90,318**	68,481
Trade and other payables	13	**69,156**	72,475
Lease liabilities	20	**312**	–
Current income tax liability		**247**	331
Deferred tax liability	6	**–**	2
Total liabilities		**610,464**	545,343
Capital and reserves			
Share capital	15	**–**	–
Capital reserve		**73,713**	73,713
Total equity		**73,713**	73,713
Total liabilities and equity		**684,177**	619,056

The notes on pages 39 to 55 form part of the Financial Statements.

Approved by the Board of Directors on 23 April 2020 and signed on its behalf by:

ADRIAN SMITH
Chief Executive

Statement of cash flows
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit before tax		**565**	504
Adjustments:			
Amortisation of intangibles	7	**1**	7
Depreciation of plant and equipment	8	**112**	72
Depreciation of right-of-use asset	20	**31**	–
(Increase)/decrease in trade and other receivables		**(28)**	31
(Decrease)/increase in accrued expenses		**(29)**	130
Additional provision for reclaims of dormant account balances	11	**59,236**	44,226
Additional provision for future distributions	12	**90,318**	68,481
Interest amortisation		**4,120**	3,752
Interest received		**(10,536)**	(9,310)
		143,790	107,893
Cash flows from operating activities			
Payments made in respect of participant reclaims	11	**(12,859)**	(13,850)
Distribution payments	12	**(71,801)**	(152,800)
Income tax paid		**(660)**	(350)
Net cash flows from operating activities		**58,470**	(59,107)
Cash flows from investing activities			
Purchase of investment securities		**(163,233)**	(53,210)
Proceeds from maturity of investment securities		**80,473**	47,645
Proceeds from sale of investment securities		**4,506**	–
Interest received		**11,040**	9,707
Purchase of plant and equipment	8	**(59)**	(230)
Purchase of intangibles	7	**(15)**	(1)
Net cash flows from investing activities		**(67,288)**	3,911
Net decrease in cash and cash equivalents		**(8,818)**	(55,196)
Cash and cash equivalents at the beginning of the financial year		**338,706**	393,902
Cash and cash equivalents at the end of the financial year	10	**329,888**	338,706

The notes on pages 39 to 55 form part of the Financial Statements.

Statement of changes in equity
for the year ended 31 December 2019

2019	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**

2018			
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 39 to 55 form part of the Financial Statements.

Notes to the Company Financial Statements
for the year ended 31 December 2019

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 accounting policies adopted by the Company
Except as described below, the accounting policies applied in preparing these Financial Statements are consistent with those described in the 2018 Annual Report.

New standards
The Company has adopted IFRS 16 (Leases) from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Company's Financial Statements. This note explains the impact of the adoption of IFRS 16 on the Company's Financial Statements.

i) The effect of the adoption of IFRS 16

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated.

The impact on the Statement of financial position as at 1 January 2019 is shown below:

	£'000
Assets	
Right-of-use asset	337
Total assets	337
Liabilities	
Lease liabilities	337
Total liabilities	337
Equity	
Retained earnings	–
Total equity	–

Notes to the Company Financial Statements
for the year ended 31 December 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

The impact on the Income statement for the year ended 31 December 2019 is shown below with increases in costs shown as a negative figure and a reduction in costs as a positive figure:

	£'000
Interest expense	(18)
Depreciation and amortisation expense	(31)
Rent expense (previously included in premises costs expenses)	43
Operating result before distributions	(6)
Provision for future distributions	6
Profit before tax	–

ii) Nature of the effect of adoption of IFRS 16

In previous reporting periods, leases of property were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Company. The detailed accounting policy is included below. Short-term leases are leases with a lease term of 12 months or less.

Adjustments recognised on adoption – lease liabilities

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.5%.

Adjustments recognised on adoption – right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of financial position as at 1 January 2019. The recognised right-of-use assets relate to its property asset only.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- comparatives are not restated as permitted by the Standard.

iii) Summary of new accounting policies

Right-of-use assets

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

Lease liabilities

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

Existing policies

Use of estimates and judgements

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

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

Significant areas of estimation uncertainty that have the most effect on the amounts recognised in the Annual Report and Accounts relate to the provisions, in particular provisions for reclaims of dormant account balances of £450.4m (2018: £404.1m) and the provision for future distributions of £90.3m (2018: £68.5m). These are discussed below.

Provision for reclaims of dormant account balances

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

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

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

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

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

For every 1% increase in the provision for reclaims of dormant account balances, the impact on the operating result before distributions would be a reduction of £13.5m (2018: £12.0m). There would be a subsequent equal and opposite decrease in the provision for distributions.

Provision for future distributions

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

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

Not all the surplus funds are paid over to TNLCF 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.

Going concern

In determining whether it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts, the Directors have considered the Company's business activities and have assessed the impact of severe stress scenarios, including a possible increase in reclaim rates due to the potential financial impacts of COVID-19 causing account holders to seek their lost funds. The Directors have also considered the Company's ability to meet liabilities as they fall due together with factors likely to affect its future development and performance.

Having carefully considered the outputs of this analysis 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.

Amounts received in respect of dormant accounts

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

Notes to the Company Financial Statements
for the year ended 31 December 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

Financial assets
i) Recognition and initial measurement
Investment securities are initially recognised when they are purchased. Investment securities are initially measured at fair value plus directly attributable transaction costs.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES continued

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

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

iii) Impairment of investment securities
At each reporting date, management considers evidence of impairment for financial assets measured at amortised cost, assessing whether there is objective evidence that a specific financial asset, measured at amortised cost, is impaired.

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

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

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

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

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

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

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

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

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

Notes to the Company Financial Statements
for the year ended 31 December 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

2. RETAINED PROFIT

	2019 £'000	2018 £'000
Retained profit for the year is stated after charging:		
Auditor's remuneration		
– audit of these Financial Statements	**44**	38

3. ADMINISTRATIVE EXPENSES

The average number of employees during 2019 was ten (2018: eight). A breakdown of the administrative expenses for 2019 and 2018 is shown in the table below:

	2019 £'000	2018 £'000
Staff costs		
– Wages and salaries	**979**	899
– Social security costs	**111**	106
– Pension costs	**43**	55
	1,133	1,060
Professional services	**1,049**	779
FCA fees and FSCS levies	**24**	34
IT and communication costs	**169**	129
Premises costs	**63**	96
Miscellaneous expenses	**266**	195
Depreciation and amortisation	**144**	80
Total operating costs	**2,848**	2,373
Investment management fees	**433**	402
Total administrative expenses	**3,281**	2,775

3. ADMINISTRATIVE EXPENSES continued

Financial Services Compensation Scheme ('FSCS') levies

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

Following consultation with FSCS in 2016, the Company is no longer included within the Deposit Taking class and is now included within a distinct Dormant Account Fund Operator 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 2019 and 31 December 2018 are shown below. The fees for Non-Executive Directors include only those for whom the Company incurs the cost.

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

Year ended 31 December 2018	Salary/ fees £'000	Performance related pay[1] £'000	Pension contributions[3] £'000	Cash in lieu of pension[4] £'000	Benefits in kind[5] £'000	Total emoluments £'000
Non-Executive Directors	205	–	–	–	13	218
Executive Director[2]	174	52	5	11	8	250
	379	52	5	11	21	468

1 Performance related pay is based on financial and non-financial performance targets.
2 This represents emoluments of the highest paid Director of £257k (2018: £250k).
3 During the year one Director (2018: one) was a member of a money purchase pension scheme.
4 This represents cash taken in lieu of pension for the Executive Director.
5 Benefits in kind are in respect of car allowances for the Executive Director, and travel, accommodation and subsistence for Non-Executive Directors for which Pay As You Earn and National Insurance Contributions due are included.

Notes to the Company Financial Statements
for the year ended 31 December 2019 continued

4. AMOUNTS RECEIVED IN RESPECT OF DORMANT ACCOUNTS

During the year, £147.1m (2018: £110.6m) was received in respect of dormant accounts funds. A detailed analysis of receipts by participant is provided below:

Main Scheme Participant	2019 £'000	2018 £'000
Allied Irish Bank (UK) plc	–	3,311
Bank Hapoalim – London Branch	–	88
Bank Leumi UK plc	114	1
Barclays Bank UK PLC	34,808	14,482
Butterfield Bank (UK) Limited	70	–
The Co-operative Bank plc	1,274	707
Credit Agricole Corporate & Investment Bank – London Branch	26	–
Danske Bank	188	121
HSBC Bank plc	7,456	9,236
Intesa Sanpaolo S.p.A. – London Branch	115	–
Lloyds Banking Group		
Lloyds Bank plc	12,740	5,110
Bank of Scotland plc	30,176	11,970
Nationwide Building Society	3,645	12,144
Riyad Bank – London Branch	4	–
Royal Bank of Scotland Group		
Adam & Company plc	1	2
Coutts & Co	4	4
National Westminster Bank plc	6,352	11,636
The Royal Bank of Scotland plc	1,991	3,899
Ulster Bank Limited	738	1,045
Santander UK plc	43,768	30,189
Virgin Money plc[1]	3,047	6,620
Amounts received in respect of the Main Scheme	**146,517**	110,565

Alternative Scheme Participant	2019 £'000	2018 £'000
Newcastle Building Society	629	–
Amounts received in respect of the Alternative Scheme	**629**	–
Total amounts received in respect of dormant accounts	**147,146**	110,565

1 Virgin Money plc's deposit taking business was transferred to Clydesdale Bank plc with effect from 21 October 2019.

5. INTEREST INCOME AND EXPENSE

	2019 £'000	2018 £'000
Interest income:		
On investment securities	**3,923**	3,257
On cash deposits	**2,493**	2,301
	6,416	5,558
Interest expense:		
On participant reclaims	**144**	137
On lease liabilities	**18**	–
	162	137

6. TAXATION

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

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

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits at 19% (2018: 19%)	**579**	512
Adjustments in respect of previous years	**(2)**	(2)
	577	510
Deferred tax		
Origination and reversal of timing differences	**(11)**	(6)
Adjustments in respect of previous years	**(1)**	–
	(12)	(6)
Total tax charge for the financial year	**565**	504

Notes to the Company Financial Statements
for the year ended 31 December 2019 continued

6. TAXATION continued

	2019 £'000	2018 £'000
Reconciliation of effective tax rate		
Profit before tax	**565**	504
UK corporation tax at 19% (2018: 19%)	**107**	96
Non-taxable income	**(27,930)**	(21,007)
Disallowable provision for reclaim repayments	**11,255**	8,402
Disallowable payments and provision for future distributions to TNLCF	**17,134**	13,013
Expenses not deductible for tax purposes	**2**	2
Prior year adjustment – current tax	**(3)**	(2)
Total tax charge for the financial year	**565**	504

The reductions in the UK corporation tax rate to 19% from 20% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. The UK deferred tax asset as at 31 December 2019 has been calculated based on these substantively enacted tax rates. On 11 March 2020 it was announced that the UK tax rate will remain at the current rate of 19% and not reduce to 17% from 1 April 2020.

Deferred tax
The movement on deferred tax is as follows:

	2019 £'000	2018 £'000
Liability/(asset) at the beginning of the financial year	**2**	8
Adjustments in respect of deferred tax of previous year	**(1)**	–
Income statement charge/(release) in the year	**(11)**	(6)
(Asset)/liability at the end of the financial year	**(10)**	2

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

7. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2019 £'000
Cost	
Opening balance at 1 January 2019	**49**
Additions	**15**
Closing balance at 31 December 2019	**64**
Amortisation	
Opening balance at 1 January 2019	**48**
Amortisation charge	**1**
Closing balance at 31 December 2019	**49**
Carrying amount	
Opening balance at 1 January 2019	**1**
Closing balance at 31 December 2019	**15**

8. PLANT AND EQUIPMENT

	Fixtures & fittings £'000	Computer hardware £'000	Total £'000
Cost			
Opening balance at 1 January 2019	111	245	**356**
Additions	3	56	**59**
Closing balance at 31 December 2019	114	301	**415**
Depreciation			
Opening balance at 1 January 2019	80	37	**117**
Depreciation charge	23	89	**112**
Closing balance at 31 December 2019	103	126	**229**
Carrying amount			
Opening balance at 1 January 2019	31	208	**239**
Closing balance at 31 December 2019	11	175	**186**

Notes to the Company Financial Statements
for the year ended 31 December 2019 continued

9. INVESTMENT SECURITIES

	2019 £'000	2018 £'000
Central governments or central banks	**77,546**	48,117
Supranationals	**101,410**	126,952
Corporates	**171,097**	101,950
Accrued interest	**3,610**	3,010
	353,663	280,029

The carrying value of financial instruments measured at amortised cost is determined in compliance with the accounting policies on pages 42 to 43.

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

	Carrying value £'000	Fair value £'000
2019		
Investment securities	353,663	355,338
2018		
Investment securities	280,029	280,947

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

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

Of the total investment securities held, £148.1m is due to mature in less than 12 months from the reporting date.

Expected credit losses
Management calculated the ECL on the investment securities at 31 December 2019 and concluded that the amount was not material, and no adjustment was required.

10. CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash and cash equivalents	**329,888**	338,706

Cash and cash equivalents comprise £318.2m (2018: £334.8m) held with the Bank of England, £3.7m (2018: £1.2m) with HSBC Bank plc and £8.0m (2018: £2.7m) held with the investment manager. The carrying value of cash and cash equivalents equates to fair value.

11. PROVISION FOR RECLAIMS OF DORMANT ACCOUNT BALANCES

	2019 £'000	2018 £'000
At the beginning of the year	**404,054**	373,678
Additional provision created in the year – Main Scheme	**58,607**	44,226
Additional provision created in the year – Alternative Scheme	**629**	–
Utilised in the year	**(12,859)**	(13,850)
At the end of the year	**450,431**	404,054

During the year, £12.9m (2018: £13.9m) of the provision for reclaims of dormant account balances was utilised. The table below shows the total value of reclaims, categorised by the participants at which the individual's account was previously held:

Main Scheme Participant	2019 £'000	2018 £'000
Allied Irish Bank (UK) plc	**–**	124
Australia & New Zealand Bank – London Branch	**13**	–
Bank Leumi UK plc	**–**	165
Barclays Bank UK PLC	**2,065**	2,020
The Co-operative Bank plc	**278**	391
Danske Bank	**31**	13
HSBC Bank plc	**1,020**	1,031
Lloyds Banking Group		
Lloyds Bank plc	**743**	615
Bank of Scotland plc	**3,827**	5,157
Nationwide Building Society	**766**	45
Royal Bank of Scotland Group		
National Westminster Bank plc	**496**	449
The Royal Bank of Scotland plc	**91**	34
Ulster Bank Limited	**24**	24
Santander UK plc	**2,369**	2,757
TSB Bank plc	**101**	52
Virgin Money UK PLC		
Clydesdale Bank plc	**54**	53
Virgin Money plc[1]	**981**	920
	12,859	13,850

1 Virgin Money plc's deposit taking business was transferred to Clydesdale Bank plc with effect from 21 October 2019.

No reclaims were paid to the Alternative Scheme participant in the year.

Notes to the Company Financial Statements
for the year ended 31 December 2019 continued

12. PROVISION FOR FUTURE DISTRIBUTIONS TO TNLCF

	2019 £'000	2018 £'000
At the beginning of the year	**68,481**	71,771
Additional provision created in the year	**90,318**	68,481
Approved for distribution to TNLCF in 2019 (see Note 13)	**(68,481)**	(71,771)
At the end of the year	**90,318**	68,481

£71.8m of funds were distributed to TNLCF during the year (2018: £152.8m). See note 13 below. The closing 2019 balance of £90.3m was approved for distribution to TNLCF on 30 March 2020.

13. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Amounts owed to TNLCF	**68,481**	71,771
Accrued expenses	**675**	704
	69,156	72,475

£68.5m was approved for distribution to TNLCF during 2019 and is available for immediate distribution. Additionally on 30 March 2020 a further £90.3m was approved for distribution to TNLCF. £71.8m of funds were distributed to TNLCF during the year (2018: £152.8m).

14. PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Angel Square Investments Limited which is incorporated in Great Britain. Its Annual Report and Accounts is available from 1 Angel Square, Manchester, M60 0AG.

The ultimate parent undertaking is the Co-operative Group Ltd, which is incorporated in Great Britain and registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014. Its Annual Report and Accounts are available from 1 Angel Square, Manchester, M60 0AG.

15. SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	100

The shareholder, Angel Square Investments Limited has full voting rights.

16. RELATED PARTIES

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

17. 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 (£318.2m, 2018: £334.8m), HSBC Bank plc (£3.7m, 2018: £1.2m) and the investment manager (£8.0m, 2018: £2.7m). 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 £683.6m (2018: £618.7m), being £329.9m cash deposits and £353.7m investments (2018: £338.7m cash deposits and £280.0m 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.

18. 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 (2018: £73.7m).

19. CONTINGENT LIABILITIES

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

Remaining exposure	2019 £'000	2018 £'000
Main Scheme	813,470	725,560
Alternative Scheme	944	–
	814,414	725,560

Notes to the Company Financial Statements
for the year ended 31 December 2019 continued

20. LEASES

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

Reconciliation of prior year lease commitments to lease liability:

	£'000
Operating lease commitments disclosed at 31 December 2018	258
Assessment of lease term under new standard	79
Lease liability under IFRS 16 under 1 January 2019	337

Maturity analysis of lease liabilities is as follows:

	2019 £'000
Within 1 year	**15**
Later than 1 year and not later than 5 years	**117**
Later than 5 years	**180**
	312

The movement in the lease liability is as follows:

	2019 £'000
As at 1 January 2019	**337**
Lease payments	**(43)**
Interest expense	**18**
As at 31 December 2019	**312**

The movement in the right-of-use asset is as follows:

	2019 £'000
As at 1 January 2019	**337**
Depreciation	**(31)**
As at 31 December 2019	**306**

21 NON-ADJUSTING POST BALANCE SHEET EVENT

The COVID-19 outbreak has been developing worldwide at different rates since initially emerging in China in the latter part of 2019. In addition to the loss of life it has caused an economic shock that has resulted in substantial volatility in financial markets and extensive disruption in supply chains and working practices. Despite significant economic rescue packages being announced by governments across the globe it is likely that the outbreak will lead to significant recessions in economies around the world. It is not possible at this time to quantify the long-term impact on the Company in terms of asset values or changes in dormant account holder behaviour; however at the date of approving the Financial Statements the investment portfolio had decreased by approximately 1% (31 December 2019: £355.3m) in fair value terms. The Investment Committee has convened on a number of occasions in response to the volatility in financial markets to ensure we continue to take a considered approach to our investment of dormant account funds.

The Company outsources several activities to third parties. Management has updated the operational resilience assessments of key suppliers and engaged with them to understand their business resilience and financial stability. This has included assessment of the ongoing key suppliers' sustainability of their service delivery, with focus on ability, capacity, effectiveness, management, security and business continuity considerations of each supplier's specific service delivery.

As part of its response to the COVID-19 pandemic, the Company has also actioned its own Business Continuity Plan which has seen all staff fulfilling their role responsibilities from home. The areas of focus for outsourced supplier-assessment as described above have also been applied to internal role performance and are judged to be consistently effective. There has also been a review of insurance policies to ensure that the Company is as adequately protected as possible.

Participating banks and building societies

	Dormant account monies received from participants		Reclaims paid to participants	
Main Scheme Participant	**2019 £'000**	Since inception £'000	**2019 £'000**	Since inception £'000
Allied Irish Bank (UK) plc	**–**	9,873	**–**	124
Australia & New Zealand Bank – London Branch	**–**	3,063	**13**	1
Bank Hapoalim – London Branch	**–**	1,889	**–**	–
Bank Leumi UK plc	**114**	2,610	**–**	165
Barclays Bank UK PLC	**34,808**	245,671	**2,065**	14,276
Butterfield Bank (UK) Limited	**70**	78	**–**	–
Commonwealth Bank of Australia – London Branch	**–**	4	**–**	–
Consolidated Credit Bank Limited	**–**	53	**–**	–
The Co-operative Bank plc	**1,274**	15,753	**278**	1,621
Credit Agricole Corporate & Investment Bank – London Branch	**26**	652	**–**	–
Danske Bank	**188**	5,948	**31**	287
Duncan Lawrie Limited	**–**	17	**–**	–
Emirates NBD PJSC – London Branch	**–**	107	**–**	1
HSBC Bank plc	**7,456**	76,972	**1,020**	5,059
Intesa Sanpaolo S.p.A. – London Branch	**115**	115	**–**	–
Lloyds Banking Group[1]				
Lloyds Bank plc	**12,740**	189,961	**743**	7,377
Bank of Scotland plc	**30,176**	213,198	**3,827**	23,006
Nationwide Building Society	**3,645**	73,288	**766**	1,613
N. M. Rothschild & Sons Limited	**–**	90	**–**	–
Riyad Bank – London Branch	**4**	4	**–**	–
Royal Bank of Scotland Group				
Adam & Company plc	**1**	18	**–**	1
Coutts & Co	**4**	1,597	**–**	–
National Westminster Bank plc	**6,352**	129,907	**496**	2,811
The Royal Bank of Scotland plc	**1,991**	51,505	**91**	378
Ulster Bank Limited	**738**	8,390	**24**	214
Santander UK plc	**43,768**	259,236	**2,369**	26,137
TSB Bank plc	**–**	12,354	**101**	4,059
Virgin Money UK PLC				
Clydesdale Bank plc	**–**	22,239	**54**	256
Virgin Money plc[2]	**3,047**	31,190	**981**	5,050
	146,517	1,355,783	**12,859**	92,450
Alternative Scheme Participant				
Newcastle Building Society	**629**	629	**–**	–
	629	629	**–**	–
Total	**147,146**	1,356,412	**12,859**	92,450

1 The split between Lloyds Bank plc and Bank of Scotland plc has been adjusted by £23,659,000 following further analysis of transfers made in 2014. This has no impact on the total received from Lloyds Banking Group.

2 Virgin Money plc's deposit taking business was transferred to Clydesdale Bank plc with effect from 21 October 2019.

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